

**GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY**  
Bayou Vista, Louisiana

Financial Statements

Year Ended September 30, 2017

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of net position	5
Statement of activities	6
Fund Financial Statements	
Governmental fund:	
Balance sheet	8-9
Statement of revenues, expenditures, and changes in fund balance	10-11
Notes to basic financial statements	12-17
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule - general fund	19
Notes to budgetary comparison schedule	20
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	22-23
Summary schedule of prior audit findings	24
Schedule of audit results and findings	25-26
Corrective action plan for current audit findings	27

# KOLDER, SLAVEN & COMPANY, LLC

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Gravity Sub-Drainage District No. 1 of Gravity  
Drainage District No. 2 of the Parish of St. Mary  
Bayou Vista, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Gravity Sub-Drainage District No. 1 of Gravity Drainage District No. 2 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that budgetary comparison information 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 budgetary comparison information on pages 19 and 20 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we also issued our report dated March 30, 2018, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 30, 2018

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
 GRAVITY DRAINAGE DISTRICT NO. 2  
 OF THE PARISH OF ST. MARY  
 Bayou Vista, Louisiana

Statement of Net Position  
 September 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 796,214
Interest-bearing deposits, at cost	44,645
Refundable deposits	50
Prepaid expenses	11,797
Total current assets	852,706
Noncurrent assets:	
Capital assets, net of accumulated depreciation	925,050
Total assets	1,777,756
LIABILITIES	
Current liabilities:	
Accounts payable	7,579
Accrued liabilities	2,882
Total liabilities	10,461
NET POSITION	
Net investment in capital assets	925,050
Unrestricted	842,245
Total net position	\$1,767,295

*The accompanying notes are an integral part of basic financial statements.*

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
 GRAVITY DRAINAGE DISTRICT NO. 2  
 OF THE PARISH OF ST. MARY  
 Bayou Vista, Louisiana

Statement of Activities  
 Year Ended September 30, 2017

	<u>Governmental Activities</u>
Expenses:	
Drainage works	<u>\$ 388,018</u>
General Revenues:	
Ad valorem taxes	267,532
Intergovernmental	19,424
Interest income	1,729
Miscellaneous	<u>3,469</u>
Total general revenues	<u>292,154</u>
Change in net position	(95,864)
Net position -- beginning of year	<u>1,863,159</u>
Net position -- end of year	<u>\$ 1,767,295</u>

*The accompanying notes are an integral part of the basic financial statements.*

**FUND FINANCIAL STATEMENTS**

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Balance Sheet  
Governmental Fund  
September 30, 2017

	<u>General Fund</u>
ASSETS	
Cash	\$ 796,214
Interest-bearing deposits, at cost	44,645
Refundable deposits	50
Prepaid expenditures	<u>11,797</u>
Total assets	<u>\$ 852,706</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 7,579
Accrued liabilities	<u>2,882</u>
Total liabilities	<u>10,461</u>
Fund balance:	
Nonspendable - prepaid expenditures	11,797
Unassigned	<u>830,448</u>
Total fund balance	<u>842,245</u>
Total liabilities and fund balance	<u>\$ 852,706</u>

(continued)

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Balance Sheet (continued)  
Governmental Fund  
September 30, 2017

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position:

Total fund balances for governmental funds at September 30, 2017	\$ 842,245
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets, net of accumulated depreciation	<u>925,050</u>
Total net position of governmental activities at September 30, 2017	<u>\$1,767,295</u>

*The accompanying notes are an integral part of the basic financial statements.*

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Fund  
Year Ended September 30, 2017

	General Fund
Revenues:	
Taxes	\$ 267,532
Intergovernmental	19,424
Interest income	1,729
Miscellaneous	<u>3,469</u>
Total revenues	<u>292,154</u>
Expenditures:	
Drainage works -	
Advertising	1,205
Electrical	11,276
Insurance	72,159
Professional fees	18,000
Maintenance and repairs	52,538
Miscellaneous	569
Diesel fuel for pumps	651
Office supplies	1,001
Payroll tax expense	9,223
Pension deductions from ad valorem taxes	8,789
Per diem - board	3,575
Salaries and wages	112,150
Supplies	6,450
Truck	2,931
Telephone	4,295
Capital Outlay	<u>5,345</u>
Total expenditures	<u>310,157</u>
Net change in fund balance	(18,003)
Fund balance, beginning	<u>860,248</u>
Fund balance, ending	<u>\$ 842,245</u>

(continued)

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance (continued)  
Governmental Fund  
Year Ended September 30, 2017

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of the Governmental Fund to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances-governmental funds	\$ (18,003)
Cost of capital assets	5,345
Depreciation	<u>(83,206)</u>
Change in net position of governmental activities	<u>\$ (95,864)</u>

*The accompanying notes are an integral part of the basic financial statements.*

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The Gravity Sub-Drainage District No. 1 of Gravity Drainage District No. 2 (the District), which is a component unit of the Parish of St. Mary, was created by Ordinance No. 623 on July 24, 1957. The purpose of the District is the draining and reclaiming of the undrained or partially drained marsh, swamp, and overflowed lands in the area specified in its creation ordinance.

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District's executive and legislative branches (the Board of Commissioners). Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The District is a component unit of the Parish of St. Mary.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Both the government-wide and the fund financial statements categorize primary activities as governmental.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and items not properly included among program revenues are reported as general revenues.

A separate financial statement is provided for the governmental fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Notes to Basic Financial Statements (continued)

Ad valorem taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Ad valorem taxes are recognized as revenues in the year in which such taxes are levied and billed to taxpayers. Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, and interest on investments.

The District has the following fund type:

Governmental Fund -

The focus of the governmental fund's measurement (in the fund statement) 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:

General Fund-

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.

D. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. The interest-bearing deposits are time deposits, which are fully secured through the pledge of bank-owned securities or the Federal Deposit Insurance Corporation (FDIC) insurance coverages.

E. Capital Assets

Assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing assets.

Capital assets are recorded in the Statement of Net Position. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings, pump stations, and improvements	25-40 years
Equipment, pumps, and engines	5-15 years

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Notes to Basic Financial Statements (continued)

F. Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Fund balance for the District’s governmental fund is displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

1. Nonspendable - amounts that cannot be spent either because they are in nonspendable form (such as prepaid amounts) or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed - amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through formal actions by the Board of Commissioners.
4. Assigned - amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. Only the Board of Commissioners may assign amounts for specific purposes.
5. Unassigned - amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
 GRAVITY DRAINAGE DISTRICT NO. 2  
 OF THE PARISH OF ST. MARY  
 Bayou Vista, Louisiana

Notes to Basic Financial Statements (continued)

District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners have provided otherwise in its commitment or assignment actions.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. These estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results may differ from those estimates.

(2) Cash and Interest-Bearing Deposits

The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2017, the District has cash and interest-bearing deposits (book balances) totaling \$840,859 as follows:

Demand deposits	\$ 796,214
Time deposits	<u>44,645</u>
Total	<u>\$ 840,859</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2016, deposit balances (bank balances) totaling \$843,278 are secured as follows:

Federal deposit insurance	\$ 294,668
Uninsured and collateralized with securities	<u>548,610</u>
Total	<u>\$ 843,278</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the District will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Deposits in the amount of \$548,610 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the District's name.

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Notes to Basic Financial Statements (continued)

(3) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

For the year ended September 30, 2017, the District's taxes were levied at the rate of 12.990 mills. Total ad valorem taxes levied were \$268,356. There were no taxes receivable at September 30, 2017.

(4) Changes in Capital Assets

A summary of capital assets activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated				
Buildings, pump stations and improvements	\$ 816,425	\$ -	\$ -	\$ 816,425
Equipment, pumps and engines	<u>694,797</u>	<u>5,345</u>	<u>-</u>	<u>700,142</u>
Total capital assets	<u>1,511,222</u>	<u>5,345</u>	<u>-</u>	<u>1,516,567</u>
Less: accumulated depreciation				
Buildings, pump stations and improvements	116,143	33,174	-	149,317
Equipment, pumps and engines	<u>392,168</u>	<u>50,032</u>	<u>-</u>	<u>442,200</u>
Total accumulated depreciation	<u>508,311</u>	<u>83,206</u>	<u>-</u>	<u>591,517</u>
Net capital assets	<u>\$1,002,911</u>	<u>\$ (77,861)</u>	<u>\$ -</u>	<u>\$ 925,050</u>

Depreciation expense in the amount of \$83,206 was charged to drainage works.

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Notes to Basic Financial Statements (continued)

(5) Compensation Paid to Board Members

For the year ended September 30, 2017, the following individuals served on the Board of Commissioners and received per diem allowance as follows:

Donald Lantz	780
Hilary Acosta	715
Glenn Elliot	715
Wayne Cantrell	650
Amanda Kinkle	<u>715</u>
Total	<u>\$ 3,575</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. With the exception of per diem, no other payments which would require disclosure were made to the District's chief officer. The District's chief officer was Glenn Elliot for the period October 1, 2016 through August 18, 2017. During this period, Elliot received \$715 in per diem payments. The District's chief officer was Donald Lantz for the period August 19, 2017 through September 30, 2017. During this period, Lantz received \$65 in per diem payments.

(6) Retirement Commitments

All employees of the District participate in the Social Security System. The District and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the District and by the employee). The District's contribution during the year ended September 30, 2017 amounted to \$9,223.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 2017. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

**REQUIRED SUPPLEMENTARY INFORMATION**

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

General Fund  
Budgetary Comparison Schedule  
Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes - ad valorem	\$ 275,000	\$ 267,000	\$ 267,532	\$ 532
Intergovernmental	14,500	19,400	19,424	24
Interest income	1,200	1,600	1,729	129
Miscellaneous	<u>3,700</u>	<u>3,400</u>	<u>3,469</u>	<u>69</u>
Total revenues	<u>294,400</u>	<u>291,400</u>	<u>292,154</u>	<u>754</u>
Expenditures:				
Drainage works -				
Advertising	900	1,000	1,205	(205)
Electrical	9,500	13,000	11,276	1,724
Insurance	66,000	72,500	72,159	341
Professional fees	6,800	23,150	18,000	5,150
Maintenance and repairs	77,000	73,000	52,538	20,462
Miscellaneous	2,000	600	569	31
Diesel fuel for pumps	2,600	1,000	651	349
Office supplies	500	1,200	1,001	199
Payroll taxes	7,900	6,000	9,223	(3,223)
Pension deductions from ad valorem taxes	9,100	9,000	8,789	211
Per diem - board	3,700	3,700	3,575	125
Salaries and wages	104,000	112,200	112,150	50
Supplies	5,000	10,500	6,450	4,050
Truck	1,800	3,400	2,931	469
Telephone	4,300	4,000	4,295	(295)
Capital outlay	<u>-</u>	<u>4,000</u>	<u>5,345</u>	<u>(1,345)</u>
Total expenditures	<u>301,100</u>	<u>338,250</u>	<u>310,157</u>	<u>28,093</u>
Net change in fund balance	(6,700)	(46,850)	(18,003)	28,847
Fund balance, beginning	<u>878,207</u>	<u>878,207</u>	<u>860,248</u>	<u>(17,959)</u>
Fund balance, ending	<u>\$ 871,507</u>	<u>\$ 831,357</u>	<u>\$ 842,245</u>	<u>\$ 10,888</u>

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the District.

(2) Budgetary Practices

Annually, the District adopts a budget for the General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget. Formal budgetary integration is employed as a management control device during the year. The budget is prepared on the modified accrual basis. All budgetary appropriations lapse at the end of each fiscal year.

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

# KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners  
Gravity Sub-Drainage District No. 1 of Gravity  
Drainage District No. 2 of the Parish of St. Mary  
Bayou Vista, Louisiana

## Report on the Financial Statements

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 the major fund of Gravity Sub-Drainage District No. 1 of Gravity Drainage District No. 2 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 30, 2018.

## 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 circumstance 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 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. However, we identified a deficiency in internal control that we consider to be a material weakness, and which is described in the accompanying schedule of audit results and findings as item 2017-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
March 30, 2018

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2017

2016-001 - Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings, item 2017-001.

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Schedule of Audit Results and Findings  
Year Ended September 30, 2017

Part I: Summary of Auditor's Results

The auditor's report expresses unmodified opinions on the financial statements of the District's governmental activities and the major fund.

A deficiency in internal control was disclosed by the audit of the financial statements and the condition is considered a material weakness.

There were no material instances of noncompliance required to be reported in accordance with *Government Auditing Standards*.

A management letter was not issued.

Part II: Findings reported in accordance with *Government Auditing Standards*

A. Internal Control

2017-001 - Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: Internal control is a process – effected by those charged with governance, management, and any other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness, efficiency of operations, and compliance with applicable laws and regulations. The District's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties for the District.

B. Compliance

No findings are reported under this section.

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Schedule of Audit Results and Findings (continued)  
Year Ended September 30, 2017

Part III: Findings and questioned costs for federal awards reported in accordance with the Uniform Guidance:

The requirements of the Uniform Guidance do not apply to the District.

GRAVITY SUB-DRAINAGE DISTRICT NO. 1 OF  
GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
Bayou Vista, Louisiana

Corrective Action Plan for Current Audit Findings  
Year Ended September 30, 2017

2017-001 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Not considered necessary.