

**GRAVITY DRAINAGE DISTRICT NO. 5
OF WARD 4 OF CALCASIEU PARISH
Sulphur, Louisiana**

**A COMPONENT UNIT OF THE
CALCASIEU PARISH POLICE JURY**

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Then Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish
A Component Unit of the Calcasieu Parish Police Jury
Sulphur, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish, as of December 31, 2017, and the respective changes in financial position thereof 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 the budgetary comparison information on pages 32 and 33 and the pension liability information on pages 34 and 35 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's basic financial statements. The Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer-Louisiana Revised Statute 24:513A. (1) (a) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer-Louisiana Revised Statute 24:513A. (1) (a) is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head, Political Subdivision Head, or Chief Executive Officer-Louisiana Revised Statute 24:513A. (1) (a) is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated March 28, 2018, on my consideration of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting and on my 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 my 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 Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 28, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
STATEMENT OF NET POSITION
December 31, 2017

ASSETS

Current Assets:	
Cash	\$ 13,876,138
Receivables:	
Taxes	4,518,851
State revenue sharing	22,506
Prepaid assets	56,766
TOTAL CURRENT ASSETS	<u>18,474,261</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>9,847,444</u>
TOTAL ASSETS	<u>28,321,705</u>
Deferred Outflows:	
Deferred outflows of resources related to pensions	<u>471,988</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>28,793,693</u></u>

LIABILITIES

Current Liabilities:	
Accounts payable	450,486
Ad valorem pension payable	141,836
Salaries payable	24,233
Compensated absences	8,290
TOTAL CURRENT LIABILITIES	<u>624,845</u>
Long-Term Liabilities:	
Net pension liability	<u>361,894</u>
TOTAL LIABILITIES	<u>986,739</u>
Deferred Inflows:	
Deferred inflows of resources related to pensions	<u>65,531</u>
Net Position:	
Net investment in capital assets	9,847,444
Unrestricted	<u>17,893,979</u>
TOTAL NET POSITION	<u>27,741,423</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 28,793,693</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Function/Program	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET POSITION
		FEES, FINES, & CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	
Drainage work	\$ (2,753,451)	\$ 26,437	\$ -	\$ 63,932	\$ (2,663,082)
TOTAL	\$ (2,753,451)	\$ 26,437	\$ -	\$ 63,932	\$ (2,663,082)
General Revenues:					
					4,507,384
					33,759
					63,249
					10,072
					<u>4,614,464</u>
					1,951,382
					<u>25,790,041</u>
					<u>\$ 27,741,423</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTIONS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
ALL FUND TYPES
BALANCE SHEET
December 31, 2017

	GOVERNMENTAL FUNDS		
	General Fund	Capital Projects Fund	Total
ASSETS			
Cash	\$ 13,811,206	\$ 64,932	\$ 13,876,138
Receivables:			
Taxes	4,518,851	-	4,518,851
State revenue sharing	22,506	-	22,506
Prepaid assets	56,766	-	56,766
TOTAL ASSETS	\$ 18,409,329	\$ 64,932	\$ 18,474,261
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 450,486	\$ -	\$ 450,486
Ad valorem pension payable	141,836	-	141,836
Salaries payable	24,233	-	24,233
Compensated absences	8,290	-	8,290
TOTAL LIABILITIES	624,845	-	624,845
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	203,250	-	203,250
TOTAL DEFERRED INFLOWS OF RESOURCES	203,250	-	203,250
Fund Balances:			
Nonspendable - prepaids	56,766	-	56,766
Restricted - capital outlay	-	64,932	64,932
Committed - capital outlay	2,598,487	-	2,598,487
Unassigned	14,925,981	-	14,925,981
TOTAL FUND BALANCES	17,581,234	64,932	17,646,166
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 18,409,329	\$ 64,932	\$ 18,474,261

The accompanying notes are an integral part of this statement

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
 A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
 RECONCILIATION OF THE BALANCE SHEET -
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
 December 31, 2017

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS AT DECEMBER 31, 2017	\$ 17,646,166
Total net position reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets, net of accumulated depreciation	9,847,444
Net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(361,894)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows of resources related to pensions	471,988
Deferred inflows of resources related to pensions	(65,531)
Certain state revenue sharing receivable that will not be collected within 60 day of year end are not considered available in the governmental funds.	22,506
Certain property tax revenue receivable that will not be collected within 60 days of year end are not considered available in the governmental funds.	<u>180,744</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES AT DECEMBER 31, 2017	<u>\$ 27,741,423</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

	General Fund	Capital Projects Fund	Total
REVENUES:			
Ad valorem taxes	\$ 4,475,915	\$ -	\$ 4,475,915
State revenue sharing	34,899	-	34,899
Interest	63,249	-	63,249
Miscellaneous	45,762	-	45,762
TOTAL REVENUES	<u>4,619,825</u>	<u>-</u>	<u>4,619,825</u>
EXPENDITURES:			
Current:			
Advertising	1,009	-	1,009
Audit fees	9,450	-	9,450
Engineer fees	6,600	-	6,600
Equipment rental	2,514	-	2,514
Fuel & gas	56,925	-	56,925
Insurance	100,225	-	100,225
Insurance - group	286,952	-	286,952
Maintenance & repairs	59,312	-	59,312
Materials & supplies	85,299	-	85,299
Miscellaneous	12,132	-	12,132
Office supplies	1,442	-	1,442
Pension expense	141,836	-	141,836
Per diem	24,000	-	24,000
Retirement	136,746	-	136,746
Right of way agent fees	4,050	-	4,050
Salaries	1,122,329	-	1,122,329
Taxes	14,845	-	14,845
Tools & equipment	26,740	-	26,740
Travel	125	-	125
Uniforms	4,068	-	4,068
Utilities	15,387	-	15,387
Capital outlay	1,150,451	6,680	1,157,131
TOTAL EXPENDITURES	<u>3,262,437</u>	<u>6,680</u>	<u>3,269,117</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,357,388	(6,680)	1,350,708
OTHER FINANCING SOURCES (USES):			
Sale of assets	17,118	-	17,118
TOTAL OTHER FINANCING SOURCES (USES)	<u>17,118</u>	<u>-</u>	<u>17,118</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>1,374,506</u>	<u>(6,680)</u>	<u>1,367,826</u>
FUND BALANCE - BEGINNING	<u>16,206,728</u>	<u>71,612</u>	<u>16,278,340</u>
FUND BALANCE - ENDING	<u>\$ 17,581,234</u>	<u>\$ 64,932</u>	<u>\$ 17,646,166</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

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

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS INCREASE (DECREASE)	\$ 1,367,826
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Governmental funds report capital outlays as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense:

Capital outlay	\$ 1,157,131	
Depreciation expense	<u>(567,041)</u>	590,090

Certain donated capital assets not reported in governmental funds, but are reported as program revenue on the Statement of Activities.	47,400
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Certain proceeds from the sale of capital assets adjusted to the gain on disposal on the Statement of Activities.	(7,046)
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Certain retirement benefit 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.	(77,217)
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Certain state revenue sharing receivable will not be collected until after 60 days into the current year and are not considered available in the governmental funds.	22,506
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Certain state revenue sharing receivables from the prior year were not collected until after 60 days into the current year. These amounts were not considered available in last year's governmental funds and have been included in the current year's revenue in governmental funds.	(23,646)
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Certain property tax revenues receivable will not be collected until after 60 days into the current year and are not considered available in the governmental funds.	180,744
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Certain property tax revenues from the prior year were not collected until after 60 days into the current year. These amounts were not considered available in last year's governmental funds and have been included in the current year's revenue in governmental funds.	<u>(149,275)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,951,382</u>
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The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

INTRODUCTION

Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish was created by the Calcasieu Parish Police Jury, as authorized by Louisiana Revised Statute 38:1751. The District is governed by a board of five compensated commissioners appointed by the Calcasieu Parish Police Jury and is authorized to construct, maintain and improve the system of gravity drainage within the District. The District has 16 employees in addition to the five board members.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the industry audit guide, Audits of State and Local Governments, issued by the American Institute of Certified Public Accountants and the Louisiana Governmental Audit Guide.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the 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, ability to impose a financial benefit/burden, fiscal dependency, and other general oversight responsibility.

Based on the foregoing criteria, Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish. The District is a component unit of the Calcasieu Parish Police Jury.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish. For the most part, the effect of interfund activity has been removed from these statements.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Program revenues include 1) fees and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District maintains two funds. They are categorized as governmental funds. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the District are described below:

Governmental Funds-

The General Fund is the entity's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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 soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue sharing, reimbursements, 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. All other revenue items are considered to be measurable and available only when cash is received by the government. Interfund transfers are made to meet current or anticipated needs of the District.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Interest-bearing Deposits

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

E. Budgets and Budgetary Accounting

A budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. In November of each year, the budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
 A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated. The budget was amended once during 2017.

F. Prepaid Items

The District records as prepaid assets, expenditures during the current period that will benefit the subsequent period.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., drainage structures, bridges, and similar items), are reported in the government-wide financial statements. Capital 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 has established a \$5,000 capitalization threshold. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure assets	25 years
Buildings and building improvements	40 years
Furniture and fixtures	5-12 years
Vehicles	5 years
Equipment	10 years

H. Compensated Absences

Employees hired prior to January 1, 2007 and who are eligible for retirement, may convert the number of hours of unused sick leave towards their retirement calculation. Employees hired on or after January 1, 2007 and who have at least twenty years of service with the District are eligible to receive payment for accrued, unused sick at the time of regular retirement, up to a maximum of six hundred hours. For these employees, now unused sick leave will be transferable to the Parochial Retirement System. The liability for these employees at December 31, 2017 is immaterial and not accrued. Earned vacation time is expected to be used within one year of accrual with a maximum of one week carry forward to the next year, if not used.

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require 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 expenditures during the reporting period. Actual results could differ from those estimates.

J. Interfund Transfers

Transfers are made from the General Fund to the Capital Projects Fund to assist in the payment of normal operating expenditures.

K. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires an entity to delay recognition of decreases in net position/fund balance as expenditures until a future period. In other instances, entities are required to delay recognition of increases in net position/fund balance as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

L. Equity Classifications

In the government-wide 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 net position – 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 net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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 A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
 NOTES TO FINANCIAL STATEMENTS
 As of and for the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance of the governmental funds are classified as follows:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and for property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance category includes amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s Board of Commissioners (the District’s highest level of decision-making authority),
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority,
5. *Unassigned* fund balance category includes all other spendable amounts.

The District’s policy is to apply expenditures against committed fund balances, assigned fund balances, and unassigned fund balances, in that order, unless the District has provided otherwise in its commitment or assignment actions.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then, any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

As of December 31, 2017, the District did not have any assigned fund balances.

NOTE 2 - AD VALOREM TAXES

For the year ended December 31, 2017 taxes of 4.55 mills were levied on property with assessed valuations totaling \$1,001,246,948 and were dedicated as follows:

General corporate purposes	4.55 mills
Total taxes levied were \$4,555,701.	

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH
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NOTE 2 - AD VALOREM TAXES (Continued)

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

NOTE 3 - CASH AND CASH EQUIVALENTS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. The District deposits its cash with high quality financial institutions, and management believes the District is not exposed to significant credit risk.

Interest Rate Risk. The District does not have a formal deposit and investment policy that limits deposits and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The District places no limitation on the amount the District may invest in any one issuer.

At December 31, 2017, the District has cash and cash equivalents (book balances) totaling \$13,876,138 as follows:

Interest-bearing demand deposits.....	\$ 13,876,098
Other	40
Total	<u>\$ 13,876,138</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. 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 by the pledging financial institution’s trust department or agent, in the District’s name.

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

At December 31, 2017, the District has \$14,006,515 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$14,929,273 of pledged securities held by the pledging financial institution's trust department or agent, in the District's name.

NOTE 4 - RECEIVABLES

The following is a summary of receivables at December 31, 2017:

<u>Class of Receivable</u>	<u>Total</u>
Ad valorem taxes	\$ 4,518,851
Other	22,506
Total	<u>\$ 4,541,357</u>

Uncollectable amounts due for ad valorem taxes and other revenues are recognized as bad debts at the time information becomes available which would indicate uncollectibility of the receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), no allowance for uncollectible receivables was made due to immateriality at December 31, 2017.

NOTE 5 - CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ending December 31, 2017.

	Not being depreciated	Not being depreciated				
	Construction in Progress	Land	Buildings	Equipment	Drainage Infrastructure	Total
Current year roll forward:						
Cost at December 31, 2016	\$ 426,496	\$ 195,986	\$ 554,116	\$ 2,312,112	\$ 10,989,876	\$ 14,478,586
Additions	908,043	47,400	17,556	159,213	72,320	1,204,532
Deletions		-	-	(66,576)	-	(66,576)
Cost at December 31, 2017	<u>\$ 1,334,539</u>	<u>\$ 243,386</u>	<u>\$ 571,672</u>	<u>\$ 2,404,749</u>	<u>\$ 11,062,196</u>	<u>\$ 15,616,542</u>
Depreciation:						
Accumulated Depreciation						
December 31, 2016	\$ -	\$ -	\$ (201,316)	\$ (1,560,110)	\$ (3,500,160)	\$ (5,261,586)
Additions	-	-	(16,152)	(138,722)	(412,167)	(567,041)
Deletions	-	-	-	59,529	-	59,529
Accumulated Depreciation						
December 31, 2017	<u>-</u>	<u>-</u>	<u>(217,468)</u>	<u>(1,639,303)</u>	<u>(3,912,327)</u>	<u>(5,769,098)</u>
Capital assets, net of accumulated depreciation at December 31, 2017	<u>\$ 1,334,539</u>	<u>\$ 243,386</u>	<u>\$ 354,204</u>	<u>\$ 765,446</u>	<u>\$ 7,149,869</u>	<u>\$ 9,847,444</u>

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
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NOTE 5 - CHANGES IN CAPITAL ASSETS (Continued)

Depreciation expense of \$567,041 for the year ended December 31, 2017 was charged to the following governmental functions:

Drainage work	\$ <u>567,041</u>
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NOTE 6 - PAROCHIAL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The Parochial Employees' Retirement System of Louisiana (System) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana.

The System provides retirement benefits to employees of any parish within the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The District is a participating member of Plan A.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Eligibility Requirements

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

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NOTE 6 - PAROCHIAL EMPLOYEES RETIREMENT SYSTEM (Continued)

Retirement Benefits

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Any member of Plan B can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

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NOTE 6 - PAROCHIAL EMPLOYEES RETIREMENT SYSTEM (Continued)

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes. Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

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NOTE 6 - PAROCHIAL EMPLOYEES RETIREMENT SYSTEM (Continued)

Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation for Plan A and 7.20% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2017 was 12.50% for Plan A and 7.50% for Plan B. The actual rate for December 31, 2016 was 13.0% for Plan A and 8.00% for Plan B.

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NOTE 6 - PAROCHIAL EMPLOYEES RETIREMENT SYSTEM (Continued)

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member’s compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the District reported a liability of \$361,894 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer’s proportionate share of the pension amounts.

The allocation method used in determining each employer’s proportion was based on the employer’s projected contribution effort to the plan. The employers’ contribution effort was actuarially determined by the System’s actuary.

For the year ended December 31, 2017, the District recognized pension expense of \$213,963. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ (14,309)	\$ 63,328
Net difference between projected and actual earnings on pension plan investments	280,843	-
Differences between District contributions and proportionate share of contributions	-	2,203
Changes in assumptions	68,708	-
District contributions made subsequent to the measurement date	136,746	-
Total	\$ 471,988	\$ 65,531

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NOTE 6 - PAROCHIAL EMPLOYEES RETIREMENT SYSTEM (Continued)

The District's contributions during the year ended December 31, 2017, reported as deferred outflows, of \$136,746 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 112,509
2019	73,725
2020	(7,588)
2021	91,065

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of investment expense
Projected Salary Increases	5.25% (2.5% Inflation, 2.75% Merit)
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

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NOTE 6 - PAROCHIAL EMPLOYEES RETIREMENT SYSTEM (Continued)

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	<u>100%</u>	<u>5.66%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Normal Return		<u>7.66%</u>

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NOTE 6 - PAROCHIAL EMPLOYEES RETIREMENT SYSTEM (Continued)

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females were used.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Changes in Discount Rate			
	1%	Current Discount	1%
	Decrease	Rate	Increase
	6.00%	7.00%	8.00%
Net Pension Liability (Asset)	\$1,082,569	\$361,894	\$(247,459)

Retirement System Audit Report

The Parochial Employees’ Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended December 31, 2016. Access to the report can be found on the Louisiana Legislative Auditor’s website, www.la.gov.

NOTE 7 - COMPENSATED ABSENCES

At December 31, 2017, employees of the District have accumulated and vested \$8,290 of employee leave benefits. Of this amount, \$8,290 is recorded as an obligation of the General Fund.

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NOTE 8 - 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during 2017.

NOTE 9 - COMMITMENTS

At December 31, 2017, the District had one major construction contract in progress. This construction contract, Lateral 2 - Phase 4, is expected to have a total cost of \$3,803,815 and to be completed in September 2018.

NOTE 10 - COMPENSATION OF BOARD MEMBERS

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. LA Rev. Statute 38:1794 authorizes the District to pay each board member \$100 for each meeting attended, up to 48 meetings per year.

<u>Name</u>	<u>Amount</u>
Curtis Alexander	\$ 4,800
Patrick Fitts	4,800
Damon Goss	4,800
James Perry	4,800
William Trahan	<u>4,800</u>
Total	<u>\$ 24,000</u>

NOTE 11 – DEFERRED INFLOWS OF RESOURCES

Unavailable revenues are reported in governmental funds and represent revenue received more than 60 days following year end (and, therefore, unavailable to pay liabilities of the current period). Unavailable revenue received after 60 days is fully recognized as revenue in the government-wide financial statements. At December 31, 2017, governmental funds' revenues that have been earned but are unavailable are \$203,250, as follows:

	<u>General Fund</u>
Ad Valorem Taxes	\$ 180,744
State Revenue Sharing	<u>22,506</u>
	<u>\$ 203,250</u>

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NOTE 12 – LONG-TERM LIABILITES

	Beginning of Year	Additions	Reductions	End of Year	Amounts Due Within One Year
Governmental Activities:					
Net pension liability	\$ 505,910	\$ -0-	\$ 144,016	\$ 361,894	\$ -0-

NOTE 13 - SUBSEQUENT EVENT REVIEW

The District's management has evaluated subsequent events through the date of the audit report, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
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General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 3,835,486	\$ 3,835,486	\$ 4,475,915	\$ 640,429
State revenue sharing	32,000	32,000	34,899	2,899
Interest on investments	27,800	27,800	63,249	35,449
Miscellaneous	2,000	2,000	45,762	43,762
TOTAL REVENUES	<u>3,897,286</u>	<u>3,897,286</u>	<u>4,619,825</u>	<u>722,539</u>
EXPENDITURES:				
Current:				
Advertising	1,500	1,500	1,009	491
Appraisal	2,000	2,000	-	2,000
Audit fees	9,500	9,500	9,450	50
Engineer fees	6,600	6,600	6,600	-
Equipment rental	2,000	2,000	2,514	(514)
Fuel & gas	110,000	110,000	56,925	53,075
Insurance	103,000	103,000	100,225	2,775
Insurance - group	305,500	305,500	286,952	18,548
Maintenance & repairs	135,500	135,500	59,312	76,188
Materials & supplies	123,900	123,900	85,299	38,601
Miscellaneous	25,000	25,000	12,132	12,868
Pension expense	-	-	141,836	(141,836)
Office supplies	3,000	3,000	1,442	1,558
Per diem	24,000	24,000	24,000	-
Retirement	143,300	143,300	136,746	6,554
Right of way agent fees	4,500	4,500	4,050	450
Salaries	1,146,500	1,146,500	1,122,329	24,171
Taxes	18,000	18,000	14,845	3,155
Tools & equipment	10,000	10,000	26,740	(16,740)
Travel	1,000	1,000	125	875
Uniforms	2,000	2,000	4,068	(2,068)
Utilities	15,000	15,000	15,387	(387)
Capital outlay	7,672,000	7,672,000	1,150,451	6,521,549
TOTAL EXPENDITURES	<u>9,863,800</u>	<u>9,863,800</u>	<u>3,262,437</u>	<u>6,601,363</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,966,514)	(5,966,514)	1,357,388	7,323,902
OTHER FINANCING SOURCES (USES):				
Sale of assets	-	-	17,118	17,118
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>17,118</u>	<u>17,118</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,966,514)	(5,966,514)	1,374,506	7,341,020
FUND BALANCE - BEGINNING	16,206,728	16,206,728	16,206,728	-
FUND BALANCE - ENDING	<u>\$ 10,240,214</u>	<u>\$ 10,240,214</u>	<u>\$ 17,581,234</u>	<u>\$ 7,341,020</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY

Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Interest	\$ 225	\$ 225	\$ -	\$ (225)
Miscellaneous	25,000	2,960	-	(2,960)
TOTAL REVENUES	<u>25,225</u>	<u>3,185</u>	<u>-</u>	<u>(3,185)</u>
EXPENDITURES:				
Capital outlay	50,000	50,000	6,680	43,320
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>6,680</u>	<u>43,320</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,775)	(46,815)	(6,680)	40,135
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(24,775)</u>	<u>(46,815)</u>	<u>(6,680)</u>	<u>40,135</u>
FUND BALANCE - BEGINNING	<u>71,612</u>	<u>71,612</u>	<u>71,612</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 46,837</u>	<u>\$ 24,797</u>	<u>\$ 64,932</u>	<u>\$ 40,135</u>

Notes to the Schedules:

The budgets are adopted on a basis consistent with generally accepted accounting principles.
The Capital Projects Fund was amended one time in 2017.

Capital Projects Fund: The amendment to the original budget consisted of decreasing Miscellaneous revenues by \$22,040.

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A Component Unit of the Calcasieu Parish Police Jury

Parochial Employees' Retirement System of Louisiana
Schedule of the District's Proportionate Share of the Net Pension Liability
For The Year Ended December 31, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.176%	0.175%	0.192%	0.192%
District's proportionate share of the net pension liability	\$ 12,565	\$ 47,790	\$ 505,910	\$ 361,894
District's covered-employee payroll	\$ 1,017,300	\$ 992,027	\$ 1,040,254	\$ 1,093,968
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.2%	4.8%	48.6%	33.1%
Plan fiduciary net position as a percentage of the total pension liability	99.48%	99.14%	92.23%	94.15%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A Component Unit of the Calcasieu Parish Police Jury

Parochial Employees' Retirement System of Louisiana
Schedule of the District's Contributions
For The Year Ended December 31, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 162,768	\$ 143,844	\$ 135,233	\$ 136,746
Contributions in relation to the contractually required contribution	\$ 162,768	\$ 143,844	\$ 135,233	\$ 136,746
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 1,017,300	\$ 995,027	\$ 1,040,254	\$ 1,093,968
Contributions as a percentage of covered-employee payroll	16.0%	14.5%	13.0%	12.5%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A Component Unit of the Calcasieu Parish Police Jury

Schedule of Compensation, Reimbursements, Benefits and Other Payments to Agency Head,
Political Subdivision Head, or Chief Executive Officer- Louisiana Revised Statute 24:513 A. (1) (a)
For the Year Ended December 31, 2017

Agency Head Name: Patrick Fitts

Purpose	Amount
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	4,800
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-

The accompanying notes are an integral part of this statement.

INDEPENDENT AUDITOR'S REPORT SECTION

STEVEN M. DEROUEN & ASSOCIATES

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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 Drainage District No. 5 of Ward 4 of Calcasieu Parish
A Component Unit of the Calcasieu Parish Police Jury
Sulphur, Louisiana

I 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 Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's basic financial statements and have issued my report thereon dated March 28, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control. Accordingly, I do not express an opinion on the effectiveness of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish'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 entity'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies. See 2017-1 and 2017-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's Response to Findings

Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
March 28, 2018

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2017

2017-1 Segregation of Duties

- Condition: Because of the lack of a large staff, more specifically accounting personnel, there is a problem with segregation of duties necessary for proper controls. One person is currently performing the function of preparing disbursements and reconciling the bank statements. I do note that this situation is inherent to most entities of this type and is difficult to solve due to the funding limitations of the District. I recommend that the commissioners take an active interest in the review of all of the financial information. This was also a prior year finding.
- Criteria: Effective internal control requires adequate segregation of duties among client personnel.
- Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.
- Recommendation: To the extent cost effective, commissioners should attempt to mitigate this weakness by supervision and review procedures.
- Response: We concur with this recommendation. Commissioners have implemented supervision and review procedures to the extent possible.

2017-2 Controls Over Financial Reporting

- Condition: In my judgment, the District's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles.
- Criteria: The Auditing Standards Board issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Auditing standards emphasizes that the auditor cannot be part of your system of internal control over financial reporting.
- Effect: Misstatements in financial statements could go undetected.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2017

Recommendation: In my judgment, due to the lack of resources available to management to correct this significant deficiency in financial reporting, I recommend management mitigate this significant deficiency by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Commissioners have implemented supervision and review procedures to the extent possible.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2017

2016-1 Segregation of Duties

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.

2016-2 Controls Over Financial Reporting

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.

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AGREED-UPON PROCEDURES REPORT

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

FOR THE PERIOD OF JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

To the Board of Commissioners and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
 - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Observation: *No written policies and procedures have been prepared as of December 31, 2017.*

Management's response: *Written policies and procedures will be prepared and implemented.*

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Observation: Financial statement information was not reviewed during the monthly board meetings.

Management Response: Financial statement information including budget-to-actual comparisons will begin to be reviewed by the board at monthly meetings.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Observation: The bank reconciliations did not include evidence that a member of management with no involvement in transactions associated with the bank accounts has reviewed the bank reconciliations.

Management's Response: A designated board member will begin reviewing and initialing the bank reconciliations.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:*
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Observation: The District did not have a collection policy in place during 2017.

Management's Response: Written policies and procedures will be prepared and implemented.

Collections (Continued)

Observation: The Office Manager collects payments and brings the deposit to the bank. This Office Manager also records related transaction and reconciles the bank account. The District does not accept cash, only checks and money orders.

Management's Response: Due to the limited number of office personal, management does not believe it is cost effective to remove this duty from the Office Manager's responsibilities.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Disbursements – General (Continued)

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Observation: The District did not have a purchase order system in place during 2017.

Management's Response: A purchase order system will be implemented. The District has compensating controls whereby the board reviews and approves all invoices prior to payment.

Observation: Personnel that approve purchases occasionally also initiate purchases.

Management's Response: Do to the limited amount of office staff, management feels it is necessary for the person who processes payments to also be able to initiate a purchase. As a compensating control, all purchases are reviewed and approved by the board at monthly meetings prior to payment.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

- b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
- a) For each transaction, report whether the transaction is supported by:
- An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

There were no observations noted resulting from the application of these procedures.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

Travel and Expense Reimbursement (Continued)

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Observation: There were no written travel and expense reimbursement policies and procedures in 2017.

*Management's response: **Written policies and procedures will be prepared and implemented.***

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Contracts (Continued)

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

There were no observations noted resulting from the application of these procedures.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Payroll and Personnel (Continued)

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

There were no observations noted resulting from the application of these procedures.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

There were no observations noted resulting from the application of these procedures.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable – The District had no outstanding debt in 2017.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

There were no observations noted resulting from the application of these procedures.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Steven M. DeRouen & Associates

March 28, 2018
Lake Charles, Louisiana