

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE
DISTRICT NO. 5 OF THE PARISH OF ST. TAMMANY,
STATE OF LOUISIANA**

Financial Statements with Supplementary Information

December 31, 2018

(With Accountants' Compilation Report Thereon)

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Table of Contents

	<u>Page</u>
Accountants' Compilation Report	1 - 2
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	7
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	8
Other Supplementary Information:	
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	9
Schedule of Findings and Management Corrective Action Plan	10
Status of Prior Year Findings	11 - 12



Stephen M. Griffin, CPA
Robert J. Furman, CPA

Jessica S. Benjamin, Director

—
Members

American Institute of
Certified Public Accountants
Society of LA CPA's

Accountants' Compilation Report

Board of Commissioners

**Sub-Drainage District No. 2 of Gravity Drainage District No. 5
of the Parish of St. Tammany, State of Louisiana
Mandeville, Louisiana**

Management is responsible for the accompanying basic financial statements of the governmental activities of Sub-Drainage District No. 2 of Gravity District No. 5 of the Parish of St. Tammany, State of Louisiana (the District), as of and for the year ended December 31, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 8 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Management has omitted the management's discussion and analysis information 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The other supplementary information on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

We are not independent with respect to the District.

Griffin & Furman, LLC

January 31, 2019

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Statement of Net Position

December 31, 2018

(See Accountants' Compilation Report)

Assets

Cash & cash equivalents	\$	50,349	
Capital assets, net of accumulated depreciation		<u>786,234</u>	
			\$ <u><u>836,583</u></u>

Net Position

Net Position:			
Net investment in capital assets		786,234	
Unrestricted		<u>50,349</u>	
Total net position			\$ <u><u>836,583</u></u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Statement of Activities

For the Year Ended December 31, 2018

(See Accountants' Compilation Report)

Expenses:		
Accounting & audit	\$ (3,100)	
Bank charges	(384)	
Repairs & maintenance	(33,620)	
Management fee	(2,500)	
Total expenses	<u>(39,604)</u>	(39,604)
General Revenues:		
Parcel fees	<u>114,980</u>	
Total general revenues		114,980
Non-Operating Revenue (Expense):		
Interest income	<u>211</u>	
Total non-operating revenue (expense)		<u>211</u>
Change in net position		75,587
Net position - beginning of year		<u>760,996</u>
Net position - end of year		\$ <u><u>836,583</u></u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

Balance Sheet

December 31, 2018

(See Accountants' Compilation Report)

	<u>Assets</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Current Assets:			
Cash & cash equivalents	\$ <u>2,314</u>	<u>48,035</u>	<u>50,349</u>
	<u>2,314</u>	<u>48,035</u>	<u>50,349</u>

	<u>Fund Balance</u>		
Fund Balance:			
Committed to capital projects	<u>2,314</u>	<u>48,035</u>	<u>50,349</u>
Total fund balance	\$ <u>2,314</u>	<u>48,035</u>	<u>50,349</u>

Amounts 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	<u>786,234</u>
Net position of governmental activities	\$ <u>836,583</u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended December 31, 2018

(See Accountants' Compilation Report)

	<u>General</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues:			
Parcel fees	\$ -	114,980	114,980
Interest income	-	211	211
	<hr/>	<hr/>	<hr/>
Total revenues	-	115,191	115,191
	<hr/>	<hr/>	<hr/>
Expenditures:			
General			
Administrative expense	2,884	-	2,884
Accounting & audit	3,100	-	3,100
Repairs & maintenance	-	33,620	33,620
Capital outlay	-	73,972	73,972
	<hr/>	<hr/>	<hr/>
Total expenditures	5,984	107,592	113,576
	<hr/>	<hr/>	<hr/>
Other financing sources:			
Transfers (to)/from other funds	7,042	(7,042)	-
	<hr/>	<hr/>	<hr/>
Total other financing sources	7,042	(7,042)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	1,058	557	1,615
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of period	1,256	47,478	48,734
	<hr/>	<hr/>	<hr/>
Fund balance, end of period	\$ 2,314	48,035	50,349
	<hr/>	<hr/>	<hr/>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

**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, 2018

(See Accountants' Compilation Report)

Net change in fund balances - total governmental funds	\$ 1,615
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is capitalized and depreciated when applicable.	73,972
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces non-current liabilities in the Statement of Net Position. This is the amount of bond principal repayments.	<u>-</u>
Change in net position of governmental activities	\$ <u><u>75,587</u></u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Governmental Funds

**Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Budgetary Basis) - General Fund**

For the Year Ended December 31, 2018

(See Accountants' Compilation Report)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
General				
Administrative expense	2,500	2,500	2,884	(384)
Accounting & audit	2,739	2,739	3,100	(361)
Debt Service				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,239</u>	<u>5,239</u>	<u>5,984</u>	<u>(745)</u>
Other:				
Transfers (to)/from other funds	<u>4,665</u>	<u>4,665</u>	<u>7,042</u>	<u>(2,377)</u>
Net change in fund balance	(574)	(574)	1,058	1,632
Fund balance, beginning of period	<u>574</u>	<u>574</u>	<u>1,256</u>	<u>(682)</u>
Fund balance, end of period	<u>\$ -</u>	<u>-</u>	<u>2,314</u>	<u>950</u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer**

For the Year Ended December 31, 2018

Steve Cohan, Chairman of the District, received no compensation, benefits, or other payments of any kind during the year ended December 31, 2018.

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Schedule of Findings and Management Corrective Action Plan

For the Year Ended December 31, 2018

Finding 2018-1:

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition & Cause:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Company's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management Corrective Action Plan:

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Company's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Status of Prior Year Findings

For the Year Ended December 31, 2018

Finding 2017-1:

Criteria:

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition & Cause:

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Company's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Management Corrective Action Plan:

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Company's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

Status of Finding:

There is no change in the status of this comment.

Finding 2017-2:

Criteria:

Management is responsible for amending their annual budget when there is a 5% variance in revenues or expenditures.

Condition & Cause:

Actual expenditures for the general fund exceeded budgeted expenditures by 16.3%. There were no amendments made to the adopted budget during the year.

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

Status of Prior Year Findings

For the Year Ended December 31, 2018

Recommendation:

We recommend the District monitor revenues and expenditures in relation to the budget throughout the year to ensure any required amendments are made to the budget.

Management Corrective Action Plan:

The District will compare budgeted and actual expenditures at each Board meeting and amend the budget as needed.

Status of Finding:

Resolved.

SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5 OF
THE PARISH OF ST. TAMMANY

Independent Accountants' Report
On Applying Agreed-Upon Procedures

For the Period of January 1, 2018 thru December 31, 2018



Stephen M. Griffin, CPA
Robert J. Furman, CPA

Jessica S. Benjamin, Director

—
Members

American Institute of
Certified Public Accountants
Society of LA CPA's

To the Board of Directors
Sub-Drainage District No.2 of Gravity Drainage District No. 5 of the Parish of St. Tammany
Mandeville, Louisiana

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the Sub-Drainage District No.2 of Gravity Drainage District No. 5 of the Parish of St. Tammany, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2018 thru December 31, 2018, in accordance with Act 774 of 2014 Regular Legislative Session.

This agreed-upon procedures engagement was performed 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, we 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.

Board Oversight (or Finance Committee, if applicable)

- 1. Obtain the entity's written policies and procedures over budgeting (or report that the entity does not have any written policies and procedures over budgeting) and report whether those written policies and procedures address preparing, adopting, monitoring, and amending the budget.**

Finding: *The entity does not have any written policies over budgeting. The entity's procedures are as follows; 60% of the budget is for major projects which include liability issues, main drainage ditch and emergency projects. 37% of the budget is for ditching/maintenance projects which includes routine maintenance ditching projects and 3% of the budget is for contingency (rainy day) fund.*

Corrective Action: *The District will develop and adopt written policies over budgeting.*

2. Obtain and review the board/committee minutes for the fiscal period, and:

a) 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.

Finding: *The minutes provided did not include a budget-to-actual comparison of the General Fund or any other funds identified. The April 16, 2018 minutes included the Capital Budget for the 2018 as \$70,000. Of that, 60% of the budget will go to major projects including liability issues, main drainage ditch and emergency projects. Of the budget, 37% will be allocated to ditching and maintenance projects that include routine maintenance and 3% of the budget will be allocated to a Contingency Fund.*

Corrective Action: *The District will formally incorporate budget to actual comparisons into its meeting agendas in the future.*

Bank Reconciliations

1. Obtain and inspect the entity's written policies and procedures over bank reconciliations and observe that they address (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.

Finding: *The entity does not have any written policies and procedures over bank reconciliations.*

Corrective Action: *The District will develop and adopt written policies and procedures over bank reconciliations.*

2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Finding: *The entity has three accounts; Operating, Parcel Fee and Bond Account.*

Corrective Action: *Not applicable.*

- a) **Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);**

***Finding:** The Operating, Parcel Fee and Bond Account were completed timely and electronically dated, no signature present.*

***Corrective Action:** We recommend initialing who reconciled these accounts.*

- b) **Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and**

***Finding:** The Operating, Parcel Fee and Bond Account were electronically dated, no signature present.*

***Corrective Action:** We recommend initialing who reconciled these accounts.*

- c) **Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.**

***Finding:** Procedure performed with no exceptions.*

***Corrective Action:** Not applicable.*

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Sub-Drainage District No.2 of Gravity Drainage District No. 5 of the Parish of St. Tammany and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Griffin & Furman, LLC

May 30, 2019