

**GRAVITY DRAINAGE DISTRICT NO. 6
OF THE PARISH OF ST. MARY**

Amelia, Louisiana

Year Ended September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gravity Drainage District No. 6 of the Parish of St. Mary
Amelia, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Gravity Drainage District No. 6 of the Parish of St. Mary (hereinafter, the "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 23 and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 26, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Net Position
September 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and interest-bearing deposits	\$ 9,641
Investments	1,852,634
Due from other governments	1,987
Prepaid expenses	12,657
Capital assets:	
Land and construction in progress	366,550
Other, net of accumulated depreciation	<u>973,758</u>
 Total assets	 <u>3,217,227</u>
LIABILITIES	
Accounts payable	<u>25,511</u>
NET POSITION	
Net investment in capital assets	1,340,308
Unrestricted	<u>1,851,408</u>
 Total net position	 <u>\$ 3,191,716</u>

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

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Statement of Activities
Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Drainage works	\$ 356,705	\$ -	\$ (356,705)
		General revenues:	
		Taxes-	
		Property taxes, levied for maintenance	514,032
		Interest and investment earnings	14,671
		Miscellaneous	<u>2,036</u>
		Total general revenues	<u>530,739</u>
		Change in net position	174,034
		Net position - October 1, 2016	<u>3,017,682</u>
		Net position - September 30, 2017	<u><u>3,191,716</u></u>

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

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Balance Sheet
Governmental Fund
September 30, 2017

	<u>General Fund</u>
ASSETS	
Assets:	
Cash and interest-bearing deposits	\$ 9,641
Investments	1,852,634
Due from other governments	<u>1,987</u>
Total assets	<u>\$ 1,864,262</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 25,511
Fund balance:	
Unassigned	<u>1,838,751</u>
Total liabilities and fund balance	<u>\$ 1,864,262</u>

(continued)

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Balance Sheet (continued)
Governmental Fund
September 30, 2017

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

Total fund balances for governmental funds at September 30, 2017		\$ 1,838,751
Cost of capital assets:		
Land	\$ 195,315	
Construction in progress	171,235	
Other, net of accumulated depreciation	<u>973,758</u>	1,340,308
Prepaid expenditures		<u>12,657</u>
Net position at September 30, 2017		<u>\$ 3,191,716</u>

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

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

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

	General Fund
Revenues:	
Local Sources-	
Ad valorem taxes	\$ 514,032
Interest income	14,671
Miscellaneous	2,036
Total revenues	530,739
Expenditures:	
Current -	
Drainage works	
General government	93,092
Repairs and maintenance	112,904
Professional fees	17,825
Fuel and utilities	38,175
Capital outlay	82,276
Total expenditures	344,272
Net change in fund balance	186,467
Fund balance, beginning	1,652,284
Fund balance, ending	\$ 1,838,751

(continued)

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

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

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

Total net changes in fund balance for the year ended September 30, 2017	
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 186,467
Cost of capital assets	82,276
Depreciation expense	(94,355)
Loss on disposition of asset	(562)
Net change in prepaid expenditures	<u>208</u>
Total changes in net position for the year ended September 30, 2017 per	
Statement of Activities	<u>\$ 174,034</u>

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

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements

Gravity Drainage District No. 6 of the Parish of St. Mary (hereinafter "District"), was created and established pursuant to the provisions of an ordinance adopted by the St. Mary Parish Council (formerly the St. Mary Parish Police Jury), in compliance with the provisions of Louisiana Revised Statutes. The District is managed by a board of commissioners appointed by the St. Mary Parish Council. The District has full power and authority to drain lands in the district by construction, maintenance and operation of gravity and/or forced drainage facilities, including drains, drainage canals, ditches, pumps and pumping plants, dikes, levees and other related works.

(1) Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement (GASB) No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- Appointing a voting majority of an organization's governing body, and the ability of the Parish Council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish Council.
- Organizations for which the Parish Council does not appoint a voting majority but are fiscally dependent on the Parish Council.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities presents a comparison between direct expenses and program revenues for the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The General Fund of the District is considered to be the major fund and is described below:

Governmental Fund –

General Fund – this fund is the primary operating fund of the District and it accounts for the operations of the District’s office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

C. Capital Assets

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 maintains a threshold level of \$500 or more for capitalizing capital assets.

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

Buildings, pump stations and improvements	20 – 40 years
Drainage system improvements	5 – 12 years
Equipment, pumps and engines	5 – 7 years
Land, canals, levees and construction in progress	not depreciated

D. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. The District uses the following practices in recording certain revenues and expenditures:

Revenues

Intergovernmental revenues are recorded when approved for payment by the payer or governing body.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

E. Cash

Cash includes amounts in demand deposits and interest bearing demand deposits.

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.

F. Investments

Under state law, the District may deposit funds with a fiscal agent 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 United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. All of the District's investments are in LAMP, which are stated at amortized cost.

G. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond the current period are recorded as prepaid items.

H. 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 – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

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

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form (such as prepaid amounts) or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Commissioners. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through formal actions of the Board of Commissioners.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Board of Commissioners may assign amounts for specific purposes.
- e. Unassigned – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners has provided otherwise in its commitment of assignment actions.

I. Capitalized Interest

The District capitalizes interest costs and interest earned as part of the cost of constructing various projects when material. The District capitalized no interest for the year ended September 30, 2017.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(2) Cash

At September 30, 2017, the District has cash (book balances) totaling \$9,641 as follows:

Cash in demand deposits	<u>\$ 9,641</u>
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Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2017, the District has \$14,478 in deposits (bank balances) which are entirely secured from risk by federal deposit insurance.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or the District will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Since the District's total bank balances were fully insured, the deposits are not exposed to custodial credit risk.

(3) Investments

Investments held at September 30, 2017 consist of \$1,852,634 in the Louisiana Asset Management Pool. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statements No. 40, *Deposit and Investment Risk Disclosure*, requires the disclosure of credit risk, custodial credit risk, interest rate risk, concentration of credit risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investments pools:

- Credit risk – LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk – LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not with the securities that make up the pool; therefore, no disclosure is required.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

- Concentration of credit risk – pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk – 2a7-like investment pool are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign currency risk – not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Fair Value Measurements

To the extent available, the District's investments are recorded at fair value as of September 30, 2017. GASB Statement No. 72, *Fair Value Measurements and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The District measures and records its investments using fair value guidelines established by GASB 72, which recognizes a three-tiered fair value hierarchy as follows:

- Level 1 – quoted prices for identical investments in active markets
- Level 2 – observable inputs other than quoted market prices
- Level 3 – unobservable inputs

The District's investments in LAMP are measured using observable inputs other than quoted market prices (Level 2 inputs). The investments in LAMP are valued using quoted market prices of the underlying investment of LAMP on a weekly basis and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed. For the year ended September 30, 2017, the District levied a property tax of 7.81 mills for maintenance and operations on property with assessed valuations totaling \$67,719,647. The total taxes collected were \$514,032.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(5) Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Balance</u> <u>10/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2017</u>
Governmental activities:				
Capital assets not being depreciated:				
Land (levees and canals)	\$ 195,315	\$ -	\$ -	\$ 195,315
Construction in progress	240,281	-	(69,046)	171,235
Capital assets, being depreciated:				
Equipment, pumps and engines	677,539	60,829	(10,570)	727,798
Pump station improvements	1,435,702	69,717	-	1,505,419
Drainage improvements	163,423	20,776	-	184,199
Buildings	29,994	-	-	29,994
Total capital assets	<u>2,742,254</u>	<u>151,322</u>	<u>(79,616)</u>	<u>2,813,960</u>
Less: accumulated depreciation				
Equipment, pumps and engines	425,205	41,809	(10,008)	457,006
Pump station improvements	794,669	49,877	-	844,546
Drainage improvements	148,652	2,053	-	150,705
Buildings	20,779	616	-	21,395
Total	<u>1,389,305</u>	<u>94,355</u>	<u>(10,008)</u>	<u>1,473,652</u>
Net capital assets	<u>\$ 1,352,949</u>	<u>\$ 56,967</u>	<u>\$ (69,608)</u>	<u>\$ 1,340,308</u>

Depreciation expense in the amount of \$94,355 was charged to drainage works.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Financial Statements (continued)

(6) Compensation Paid To Board Members

The schedule of compensation paid to the Board of Commissioners for the period ended September 30, 2017:

	<u>Per Diem Received</u>
Leroy Breaux	\$ 1,105
Anthony Marcell	845
Carl McAllister	845
Nick Morris	845
Jason Brown	845
Total	<u>\$ 4,485</u>

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. With the exception of per diem, no other payments which would require disclosure were made to the District's chief officer. For the year ended September 30, 2017 the District's chief officer, Leroy Breaux, received \$1,105 in per diem payments.

(7) Related Party Transactions

The St. Mary Parish Government has submitted Hazard Mitigation Grant Program applications on behalf the District to complete mitigation projects. The federal grants will fund 75% of the projects, and the District is responsible for the remaining 25% of the project. The following projects were in process during the year ended September 30, 2017:

- a) Drainage improvements for the Pump Stations 2 and 2A drainage basin. Although this project is still in process, there was no activity recorded for the year ended September 30, 2017. Therefore, the District's required contribution paid to the Parish was \$0. The Parish's contribution, reimbursable by the Hazard Mitigation Grant Program, was \$0.
- b) Construction of a safe room. Although this project is still in process, there was no activity recorded for the year ended September 30, 2017. Therefore, the District's required contribution paid to the Parish was \$0. The Parish's contribution, reimbursable by the Hazard Mitigation Grant Program, was \$0.

REQUIRED SUPPLEMENTARY INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 546,177	\$ 546,177	\$ 514,032	\$ (32,145)
Interest income	3,926	3,926	14,671	10,745
Miscellaneous income	-	-	2,036	2,036
Total revenues	<u>550,103.00</u>	<u>550,103</u>	<u>530,739</u>	<u>(19,364)</u>
Expenditures:				
Current -				
Drainage works				
General government	92,315	92,315	93,092	(777)
Repairs and maintenance	60,100	60,100	112,904	(52,804)
Professional fees	15,000	15,000	17,825	(2,825)
Utilities	12,700	37,600	38,175	(575)
Capital outlay	<u>34,000</u>	<u>88,500</u>	<u>82,276</u>	<u>6,224</u>
Total expenditures	<u>214,115</u>	<u>293,515</u>	<u>344,272</u>	<u>(50,757)</u>
Net change in fund balance	<u>335,988</u>	<u>256,588</u>	<u>186,467</u>	<u>(70,121)</u>
Fund balance, beginning	<u>1,296,076</u>	<u>1,876,146</u>	<u>1,652,284</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,632,064</u>	<u>\$ 2,132,734</u>	<u>\$ 1,838,751</u>	<u>\$ (70,121)</u>

See notes to budgetary comparison schedule.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

Notes to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

(2) Budgetary Practices

The District prepares and adopts a budget in accordance with LSA-RS 39:1301 et seq. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are performed.

(3) Actual Expenditures in Excess of Budgeted Appropriations

Actual expenditures exceeded budgeted appropriations in the General Fund by \$50,757. These excess expenditures were covered by available fund balance.

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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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*

Members of the Board of Commissioners
Gravity Drainage District No. 6 of the Parish of St. Mary
Amelia, Louisiana

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Gravity Drainage District No. 6 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses which are described in the accompanying schedule of audit results and findings as items 2017-001 and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2017-003.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Accordingly, this communication is not suitable for any other purpose.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 26, 2018

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

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

A. Internal Control

2016-001 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

2016-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings item 2017-002.

B. Compliance

2016-003 Local Government Budget Act

CONDITION: Budget variance in excess of 5% was incurred in the General Fund.

RECOMMENDATION: We recommend that the District adopt budgetary amendments as necessary to cause compliance with state statute.

CURRENT STATUS: See schedule of audit results and findings item 2017-003.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

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

Part I. Summary of auditor's results:

Unmodified opinions were issued on the financial statements of the District's governmental activities and its major fund (General Fund).

Two (2) deficiencies in internal control were disclosed by the audit of the financial statements and the conditions are considered material weaknesses.

A material instance of noncompliance required to be reported in accordance with *Government Auditing Standards* is included in Part II of this schedule.

A management letter was not issued.

Part II. Findings relating to an audit in accordance with *Government Auditing Standards*:

A. Internal Control

2017-001 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

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

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

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

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

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

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

2017-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

CRITERIA: The District's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

B. Compliance

2017-003 Local Government Budget Act

CONDITION: The District incurred negative budget variances in excess of 5% in the General Fund.

CRITERIA: RS 39:1311 et seq, Budgetary Authority and Control, provided for the following:

“A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer for a political subdivision subject to public participation shall advise the governing authority or independently elected official in writing when:

(1) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more...”

CAUSE: The condition results from a failure to properly monitor the revenues and expenditures of the General Fund.

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

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

EFFECT: The District may not prevent and/or detect compliance violations due to over expenditure of the appropriated budget, and/or errors or irregularities on a timely basis.

RECOMMENDATION: We recommend that the District adopt budgetary amendments as necessary to cause compliance with state statute.

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

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

GRAVITY DRAINAGE DISTRICT NO. 6 OF THE PARISH OF ST. MARY
Amelia, Louisiana

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

2017-001 Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve adequate segregation of duties.

2017-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The financial reporting process will continue to be outsourced to the District's external auditors due to the increased costs necessary to correct the condition.

2017-003 Local Government Budget Act

CONDITION: The District incurred negative budget variances in excess of 5% in the general fund.

MANAGEMENT'S RESPONSE: The District will more closely monitor budget to actual comparisons and adopt the necessary amendments to insure compliance with state statutes.

**GRAVITY DRAINAGE DISTRICT NO. 6
OF THE PARISH OF ST. MARY**

Statewide Agreed-Upon Procedures

Fiscal period October 1, 2016 through September 30, 2017

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO THE CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

To the Board of Commissioners
Gravity Drainage District No.6 of the Parish of St. Mary
St. Mary Parish, Louisiana

We have performed the procedures enumerated below, which were agreed to by Gravity Drainage District No.6 of the Parish of St. Mary (hereinafter "the District") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2016 through September 30, 2017. The District's management is responsible for those control and compliance 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, 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.

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain the District'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 District does not have any written policies and procedures), as applicable:

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained and address the functions noted above.

- c) **Disbursements**, including processing, reviewing, and approving.

Written policies and procedures were obtained and address the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits.

Written policies and procedures were obtained and address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and address the functions noted above.

- 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.

The District does not have any written policies and procedures that address the functions noted above.

- 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.

The District does not use credit cards and does not have any policies or procedures that address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Written policies and procedures were obtained and address the functions noted above with the exception of dollar thresholds by category of expense and 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 District's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Written policies and procedures were obtained and address the functions noted above with the exception of systems to monitor possible ethics violations.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District does not have any outstanding debt and does not have any policies or procedures that address the functions noted above.

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.

Obtained and reviewed minutes of the District for the fiscal period noting that the board met at least monthly.

- 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 District's prior audit (GAAP-basis).

Minutes include reference to a monthly treasurer's report, but it does not include budget-to-actual comparisons.

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.

Not applicable.

- 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.

Minutes included references to non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained 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 District'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;

Obtained bank statements and/or reconciliations for all months in the fiscal period for two (2) bank accounts noting that reconciliations had only been prepared for one (1) account. The other bank account did not show reconciling activity for the fiscal period.

- 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

Obtained bank statements and/or reconciliations for all months in the fiscal period for two (2) bank accounts noting no evidence of management's review of reconciliations for one (1) account. The second account noted no reconciling items for the fiscal period. Therefore, bank reconciliations were not prepared.

- 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.

Obtained bank statements and/or reconciliations for all months in the fiscal period for two (2) bank accounts noting that there were no reconciling items outstanding for more than six (6) months.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the District'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.

One (1) location was determined to be a cash collection location. At the collection location tested, the person responsible for collecting cash was also –

- o Responsible for depositing cash in the bank.*
- o Responsible for recording the deposit.*
- o Responsible for reconciling the bank statement.*

The District has a crime bond policy which covers theft.

There are no sharing of cash registers or drawers.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the District 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.

The District has no formal reconciliation process. In the collection location tested, the informal process of reconciling cash collections to the general ledger is performed by the same individual having responsibility for cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using the District's 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.

In the collection location tested, there were no instances of deposits not being made within one (1) business day. One deposit was tested.

- 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.

Collection documentation was obtained and addresses the functions noted above.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the District has a process specifically defined (identified as such by the District) 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.

The District has no written process to determine the completeness of all collections for each revenue source by an individual who is not responsible for collections.

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

8. Obtain a listing of the District's disbursements from management or, alternately, obtain the general ledger and sort/filter for the District's disbursements. Obtain management's representation that the listing or general ledger population is complete.

Obtained the general ledger and sorted for entity disbursements. Managements representation of completeness obtained.

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 District 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.

Examined supporting documentation for each of the twenty-five (25) disbursements selected and found that all purchases were initiated without using a purchase requisition/order system. Routine purchases such as utility payments, board member per diem payments and contractor payments do not require the use of a purchase order.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Examined supporting documentation for each of the twenty-five (25) disbursements selected noting no purchase orders, or electronic equivalent, were initiated.

- 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.

Examined supporting documentation for each of the twenty-five (25) disbursements selected for testing. The District does not use a requisition and/or purchase order system, or electronic equivalent. Invoices were reviewed for each disbursement noting receipt of goods purchased, as applicable, and management's approval of an invoice.

10. Using the District's 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 District's purchasing/disbursement system.

The District does not have written documentation that the person responsible for processing payments is prohibited from adding vendors to the disbursement system.

11. Using the District's 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.

Written policies and/or procedures do not prohibit individuals with signatory authority from also initiating and/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 the District's documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is stored in a locked location with access restricted to those persons not having signatory authority.

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.

Signature stamp or signature machine is not used.

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.

The District does not use credit cards, bank debit cards, fuel cards or P-cards. Managements representation of completeness obtained.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the District 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.

Not applicable

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.]

Not applicable.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Not applicable.

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)

Not applicable.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Not applicable.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the District'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.

Not applicable.

- c) For each transaction, compare the District'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.

Not applicable.

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.

Obtained all client expense files and sorted for travel and expense reimbursements. Management's representation of completeness obtained.

18. Obtain the District'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.

Obtained client policies and procedures manual. Per diem and mileage rates in accordance with 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:

- 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 District does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

One person incurred expense reimbursements during the fiscal period. Obtained expense reports and supporting documentation from monthly client expense files. Expense reimbursements made in accordance with written policies and procedures and did not exceed GSA 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.]

Transactions were supported by expense reports and itemized receipts identifying precisely what was purchased.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Expense reports documented public purposes.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No other documentation is required as per written policies and procedures.

- c) Compare the District'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.

Nature of the expenses reimbursed and related supporting documentation were not obscured. All reimbursements tested appear compliant with Article 7, Section 14 of the Louisiana Constitution.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Reimbursement requests and related documentation are reviewed by the board monthly before reimbursement payments are made.

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.

Obtained listing of all contracts in effect during the fiscal period and management's representation that the listing 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:

Listing provided by the District included one contract.

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Obtained formal, written contract from the District.

- 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 District complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Not applicable.

- If no, obtain supporting contract documentation and report whether the District solicited quotes as a best practice.

The District did not solicit 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.

No amendments noted.

- 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.

Invoice and payment complied with 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).

Reviewed board minutes and obtained documentation of board approval of contract.

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.

The District does not have any employees.

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.

Not applicable.

- 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.

Not applicable.

- 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 District 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.)

Not applicable.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Not applicable.

- c) Report whether there is written documentation that District maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Not applicable.

- 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.

Not applicable.

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.

Not applicable.

Ethics (excluding nonprofits)

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 District maintained documentation to demonstrate that required ethics training was completed.

The District does not have any employees. Ethics certificates could not be provided for multiple board members.

27. Inquire of management whether any alleged ethics violations were reported to the District 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 District's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that there were no allegations of ethics violation reported during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the District, and report whether State Bond Commission approval was obtained.

The District did not issue debt during the fiscal period.

29. If the District had outstanding debt during the fiscal period, obtain supporting documentation from the District and report whether the District made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The District has no debt outstanding.

30. If the District 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.

Other

31. Inquire of management whether the District had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the District reported the misappropriation to the legislative auditor and the District attorney of the parish in which the District is domiciled.

Management asserted that there were no misappropriations of public funds or assets during the fiscal period.

32. Observe and report whether the District 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.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The District does not have "premises" or a website in which to post the notice required by R.S. 24:523.1.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions to management's representations.

We were 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 control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance and is solely for use by the District's management and the LLA. Accordingly, this report is not suitable for any other purpose 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 LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 26, 2018