

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Financial Statements with Supplementary Information

December 31, 2016

(With Independent Accountants' Review Report Thereon)

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Table of Contents

	<u>Page</u>
Independent Accountants' Review 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
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	8
Notes to the Financial Statements	9-17
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	18
Other Supplementary Information:	
Schedule of Compensation Paid to Governing Board	19
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	20
Schedule of Findings and Management Corrective Action Plan	21-22
Status of Prior Year Findings	23



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

Jessica S. Benjamin, Director

—
Members

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

Independent Accountants' Review Report

**Board of Commissioners
St. Tammany Parish Gravity Drainage District No. 5
Covington, Louisiana**

We have reviewed the accompanying financial statements of the governmental activities and each major fund of the St. Tammany Parish Gravity Drainage District No. 5 (the District) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund on page 18 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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. Management has omitted Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a required 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. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Other Supplementary Information

The accompanying Schedule of Compensation Paid to Governing Board on page 19 and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on page 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and, accordingly, do not express an opinion on such information.

Griffin & Furman, LLC

March 12, 2020

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Statement of Net Position

December 31, 2016

(See Independent Accountants' Review Report)

Assets

Cash & cash equivalents	\$	3,652	
Restricted cash		135,205	
Ad valorem taxes receivable, net		181,616	
Due from other governmental agencies		10,000	
Land and construction in progress		541,070	
Other capital assets, net		<u>652,670</u>	
			\$ <u>1,524,213</u>

Liabilities & Net Position

Liabilities:			
Accounts payable	\$	4,902	
Sheriff's pension payable		5,898	
Accrued interest		7,991	
Bonds payable - current		195,000	
Bonds payable - long-term		<u>415,000</u>	
Total liabilities			628,791
Net Position:			
Net investment in capital assets		575,749	
Restricted for capital projects		7,826	
Restricted for debt service		303,097	
Unrestricted		<u>8,750</u>	
Total net position			<u>895,422</u>
Total liabilities & net position			\$ <u>1,524,213</u>

See notes to financial statements.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Statement of Activities

For the Year Ended December 31, 2016

(See Independent Accountants' Review Report)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue & Changes in Net Assets</u>
		<u>Charges for Services</u>	
Governmental Activities:			
Drainage	\$ 322,279	8,816	(313,463)
Interest expense & fiscal agent	<u>25,568</u>	<u>-</u>	<u>(25,568)</u>
Total	\$ <u>347,847</u>	<u>8,816</u>	<u>(339,031)</u>
General Revenues:			
Ad valorem taxes			195,340
Intergovernmental revenue			29,500
Interest and other income			<u>4,280</u>
Total general revenues			<u>229,120</u>
Change in net position			(109,911)
Net position - beginning of year			<u>1,005,333</u>
Net position - end of year			\$ <u>895,422</u>

See notes to financial statements.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Governmental Funds

Balance Sheet

December 31, 2016

(See Independent Accountants' Review Report)

	<u>Assets</u>			<u>Total</u>
	<u>General</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Government</u> <u>Funds</u>
Current Assets:				
Cash & cash equivalents	\$ 3,652	-	-	3,652
Restricted cash	-	127,379	7,826	135,205
Ad valorem taxes receivable	-	181,616		181,616
Due from other governmental agencies	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>13,652</u>	<u>308,995</u>	<u>7,826</u>	<u>330,473</u>
 Liabilities & Fund Balance				
Current Liabilities:				
Accounts payable	4,902	-	-	4,902
Sheriff's pension payable	<u>-</u>	<u>5,898</u>	<u>-</u>	<u>5,898</u>
Total current liabilities	<u>4,902</u>	<u>5,898</u>	<u>-</u>	<u>10,800</u>
Fund Balance:				
Restricted for capital projects	-	-	7,826	7,826
Restricted for debt service	-	303,097	-	303,097
Unassigned	<u>8,750</u>	<u>-</u>	<u>-</u>	<u>8,750</u>
Total fund balance	<u>8,750</u>	<u>303,097</u>	<u>7,826</u>	<u>319,673</u>
Total liabilities & fund balance	\$ <u>13,652</u>	<u>308,995</u>	<u>7,826</u>	<u>330,473</u>

See notes to financial statements.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position

December 31, 2016

(See Independent Accountants' Review Report)

Fund Balances - total governmental funds	\$ <u>319,673</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	1,193,740
Long-term liabilities at December 31, 2016:	
Accrued interest	(7,991)
Bonds payable	<u>(610,000)</u>
Net Position of Governmental Activities	\$ <u><u>895,422</u></u>

See notes to financial statements.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended December 31, 2016

(See Independent Accountants' Review Report)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues:				
Ad valorem taxes	\$ -	195,340	-	195,340
Intergovernmental revenue	-	-	29,500	29,500
Interest and other income	<u>12,675</u>	<u>412</u>	<u>5</u>	<u>13,092</u>
Total revenues	<u>12,675</u>	<u>195,752</u>	<u>29,505</u>	<u>237,932</u>
Expenditures:				
General				
Engineering	5,734	-	32,308	38,042
Legal & professional	7,235	-	-	7,235
Office expenditures	47	-	110	157
Sheriff's pension deduction	-	9,820	-	9,820
Debt Service				
Principal	-	190,000	-	190,000
Interest	-	28,057	-	28,057
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>13,016</u>	<u>227,877</u>	<u>32,418</u>	<u>273,311</u>
Net change in fund balance	(341)	(32,125)	(2,913)	(35,379)
Fund balance, beginning of period	<u>9,091</u>	<u>335,222</u>	<u>10,739</u>	<u>355,052</u>
Fund balance, end of period	<u>\$ 8,750</u>	<u>303,097</u>	<u>7,826</u>	<u>319,673</u>

See notes to financial statements.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

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, 2016

(See Independent Accountants' Review Report)

Net change in fund balances - total governmental funds \$ (35,379)

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. In the prior year \$225,121 of costs were capitalized as construction in progress however these projects have since been abandoned and thus were charged to expense in the Statement of Activities. This difference also consists of \$41,900 of depreciation expense recorded in the Statement of Activities. (267,021)

Governmental funds report principal portion of debt as expenditures. In the Statement of Activities, the principal portion of debt payments reduces the debt. 190,000

Governmental funds report all interest as an expenditure in the period paid, without regard to when the interest was incurred. In the Statement of Activities, the change in interest payable is recorded as an expenditure in the period incurred. 2,489

Change in net position of governmental activities \$ (109,911)

See notes to financial statements.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

(1) Nature of Organization

(a) Introduction

The St. Tammany Parish Gravity Drainage District No. 5 (the District) was created for the purpose of creating and maintaining drainage of the area within its boundaries in Western St. Tammany Parish (the Parish). The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies.

(b) Reporting Entity

The St. Tammany Parish Gravity Drainage District No. 5 was established by Louisiana Revised Statute 38:1606 and Police Jury Ordinance PSS No. 93-1792 on July 15, 1993. The District is governed by a Board of Commissioners, which is appointed by the St. Tammany Parish Council (the Council). The District consists of five commissioners who serve four-year terms.

The St. Tammany Parish Council is the governing authority of St. Tammany Parish (the Parish); and is the financial reporting entity for the Parish. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The Governmental Accounting Standards Board (GASB) Codification Section 2100 *Defining the Financial Reporting Entity* has set forth criteria to be considered in determining financial accountability. These criteria include:

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

The St. Tammany Parish Gravity District No. 5 was determined not to be a component unit of St. Tammany Parish, the reporting entity, because the Parish cannot remove board members at will, the District is not fiscally dependent on the Parish, and the Parish's financial statements would not be misleading if data of the St. Tammany Parish Gravity District No. 5 was not included. The accompanying financial statements present information only on the funds maintained by the St. Tammany Parish Gravity District No. 5 and do not present information on the Parish, the general government services provided by the Parish, or other governmental units that comprise the financial reporting entity.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with the governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

(b) Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The District has no program revenues nor grant revenues; it charges a fee for drainage reviews performed by developers to ensure that adequate drainage is maintained.

The District does not allocate indirect costs.

The government-wide focus is more on the District as an entity and the change in the District's net position resulting from the current year's activities.

Separate financial statements are provided for the governmental funds.

(c) Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and 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 various funds of the District are classified as governmental. 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, deferred outflows, liabilities, deferred

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

inflows, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds.

The District reports the following major governmental funds:

- *General Fund* – This fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.
- *Debt Service Fund* – This fund accounts for transactions relating to resources retained and used for the payment of principal and interest on long-term obligations.
- *Capital Projects Fund* – This fund accounts for financial resources received and used for the acquisition, construction or improvement of capital facilities not reported in other governmental funds.

(d) Measurement Focus / Basis of Accounting

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet-governmental funds. The statement of revenues, expenditures, and changes in the fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of the current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

The amounts reflected in the government fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to the 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 pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal-year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when due, and other claims, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income and changes in net position. All assets and liabilities (whether current or non-current) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset is used.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

(e) Budgets and Budgetary Accounting

The District adopts an annual budget for the general fund as well as its other two funds. The budget is legally adopted and amended as necessary by the District. The general fund budget is adopted on a basis consistent with the accounting principles generally accepted in the United States of America.

(f) Cash and Cash Equivalents

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under the 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.

(g) Capital Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in the capital projects fund. All purchased fixed assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated fixed assets, if any, are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets greater than \$25,000 and with a useful life greater than one year are capitalized. Land improvements are depreciated using the straight-line method over 25 years.

(h) Pension Plan and Compensated Absences

There are no employees of the District. Accordingly, the District does not contribute to a pension plan and has no formal vacation and sick leave policy.

(i) Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond insurance costs, during the current period. The face amount of the debt issued is reported as other financing sources..

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) Fund Balance

The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The district has adopted GASB Codification sections 1300 *Fund Accounting* and 1800 *Classification and Terminology*, which changed the reporting of fund balance in the balance sheets of governmental type funds. In fund financials, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components- nonspendable, restricted, committed, assigned, and unassigned.

- *Nonspendable* – This component consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – This component consists of amounts that have constraints placed on them either externally by third-parties (bond creditors) or by the law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- *Committed* – This component consists of the amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's Board. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed previously to commit those amounts.
- *Assigned* – This component consists of amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed.
- *Unassigned* – This component consists of amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned).

(l) Net Position

In accordance with GASB Codification, net position is classified into three components – net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

- *Net Investment in Capital Assets* – This component of the net position consists of the historical cost of capital assets, including any 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, plus deferred outflows of resources, less deferred inflows of resources, related to those assets. As of December 31, 2016, the District had net investment in capital assets of \$575,749.
- *Restricted* – this component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by the law through constitutional provisions or enabling legislation. As of December 31, 2016, the District had \$7,826 restricted for capital projects and \$303,097 restricted for debt use.
- *Unrestricted* – all other net position is reported in this category. Unrestricted board designated funds as of December 31, 2016 consisted of \$8,750.

(3) Ad Valorem Taxes

Ad valorem taxes are levied and billed each November. These taxes are due in December 31st of the year levied and billed. Any unpaid taxes are collected in connection with an auction held in June or July. The Sheriff's department bills and collects the District's ad valorem taxes. Ad valorem taxes are levied based on property values determined by the St. Tammany Parish Assessor. All land and residential improvements are assessed at ten percent of its fair market value, and other property at fifteen percent of its fair market value.

The District's ad valorem tax revenues are recognized when levied to the extent that they are determined to be currently collectible.

The District was authorized to levy an ad valorem tax commencing in 2009 and ending in the year 2019. The ad valorem tax levied for the year ended December 31, 2016 was .75 mills and is determined each year by the board of commissioners. The tax is to be used for the repayment of required bond amounts.

Allowance for Uncollectible Receivables – The District's primary revenue source, ad valorem taxes, becomes delinquent if not paid by December 31st in the year of assessment. Unpaid taxes attach as an enforceable lien of property. The Board of Commissioners determined, based on research of historical information, that current collections at year end December 31, 2016 are approximately 97.5% of the tax levy. At December 31, 2016, the amounts of uncollectible receivables were \$4,763.

(4) Cash and Cash Equivalents

Cash and cash equivalents (book balances) at December 31, 2016 of \$138,857 consisted of interest-bearing demand deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances of \$138,857) must be secured by the federal deposit insurance 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 in deposit with the fiscal agent bank. These securities are held in the

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2016, deposits were entirely insured or collateralized with the securities held by a mutually acceptable third-party financial institution in the District’s name, which is considered an investment credit risk as defined by the GASB.

(5) Certificates of Indebtedness

The District, pursuant to an election and authority granted by the State Bond Commission, was authorized to levy a tax for the period from 2009 through 2019. In November 2006, the District authorized the issuance of \$1,860,000 of General Obligation Refunding Bonds for the purpose of refunding \$1,760,000 of the District’s outstanding Series 1999 General Obligation Bonds. The additional \$100,000 of indebtedness was for the payment of bond issuance costs, which were expensed per GASB codification. These bond certificates mature on March 1, 2019 and bear interest at 3.93%.

The total debt outstanding as of December 31, 2016 for these bonds was \$610,000, with a current portion of \$195,000.

The following is a summary of the Series 2006 certificates of indebtedness transactions of the District as of the year ended December 31, 2016:

Certificates of Indebtedness:	
Balance at January 1, 2016	\$ 800,000
Certificates issued	-
Principal payments	<u>(190,000)</u>
Balance at December 31, 2016	<u>\$ 610,000</u>

<u>Year Ending December 31,</u>	<u>Principal Due</u>	<u>Interest Due</u>
2017	\$ 195,000	20,142
2018	200,000	12,380
2019	<u>215,000</u>	<u>4,225</u>
	<u>\$ 610,000</u>	<u>36,747</u>

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

(6) Capital Assets

The District purchases land for retention ponds and improves the property to aid in its drainage projects.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land	\$ 541,070	-	-	541,070
Construction in progress	<u>225,121</u>	<u>-</u>	<u>(225,121)</u>	<u>-</u>
Total capital asset not being depreciated	<u>766,191</u>	<u>-</u>	<u>-</u>	<u>541,070</u>
Capital Assets being depreciated				
Land improvements	1,047,486	-	-	1,047,486
Less accumulated depreciation	<u>(352,916)</u>	<u>(41,900)</u>	<u>-</u>	<u>(394,816)</u>
Net capital assets being depreciated	<u>694,570</u>	<u>-</u>	<u>-</u>	<u>652,670</u>
Total capital assets, net	<u>\$1,460,761</u>	<u>(41,900)</u>	<u>(225,121)</u>	<u>1,193,740</u>

(7) Concentration of Revenues

Of the District's revenues, \$195,340 (82%), is obtained through a single source, ad valorem tax, for the year ended December 31, 2016.

(8) Related Party Transactions

As per Louisiana Revised Statute 33:405(G), commissioners are entitled to receive \$30 for each board meeting attended, up to two meetings per month. The secretary/treasurer is entitled to receive \$50 per each board meeting, up to two meetings per month. For the year ended December 31, 2016, Board members elected not to receive any payments for attendance at meetings.

(9) Going Concern

Since its inception, the District has not had consistent sources of funding for its operations. It has historically operated using the nominal proceeds from drainage reviews, as well as intergovernmental revenues from St. Tammany Parish Government. In November 2015, the District placed a Proposition on the ballot for a ½ mil ad valorem tax to fund operations for 10 years. The Proposition failed, leaving the District without a sufficient source of operating revenue. The Commissioners sought and received approval for the dissolution of the District by the St. Tammany Parish Council.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Notes to the Financial Statements

December 31, 2016

(10) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 12, 2020. On February 6, 2020, the St. Tammany Parish Government passed an Ordinance to dissolve the District and assumed all assets and liabilities of the District. No other events occurred that require disclosure. No subsequent events occurring after March 12, 2020 have been evaluated for inclusion in these financial statements.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Governmental Funds

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund

For the Year Ended December 31, 2016

(See Independent Accountants' Review Report)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest and other income	\$ 7,502	7,502	12,675	5,173
Total revenues	<u>7,502</u>	<u>7,502</u>	<u>12,675</u>	<u>5,173</u>
Expenditures:				
General				
Engineering	2,000	2,000	5,734	(3,734)
Legal & professional	6,100	6,100	7,235	(1,135)
Office expenditures	<u>100</u>	<u>100</u>	<u>47</u>	<u>53</u>
Total expenditures	<u>8,200</u>	<u>8,200</u>	<u>13,016</u>	<u>(4,816)</u>
Net change in fund balance	(698)	(698)	(341)	357
Fund balance, beginning of period	<u>6,067</u>	<u>6,067</u>	<u>9,091</u>	<u>3,024</u>
Fund balance, end of period	\$ <u><u>5,369</u></u>	<u><u>5,369</u></u>	<u><u>8,750</u></u>	<u><u>3,381</u></u>

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Schedule of Compensation Paid to Governing Board

For the Year Ended December 31, 2016

(See Independent Accountants' Review Report)

<u>Governing Boardmember</u>	<u>Compensation</u>
Robert P. Bergeron, Chairman 70216 Carmel Road Mandeville, Louisiana 70471	\$ -
Martin W. Gould, Jr., Vice Chairman (Resigned February 17, 2016) 300 Buckthorn Circle Covington, Louisiana 70433	-
Majure B. Savell, Treasurer 104 Diana Court Covington, Louisiana 70433	-
Thomas J. Laizer, Commissioner 21180 Soell Drive Abita Springs, Louisiana 70420	-
Peter E. Perrson, Commissioner 57 Walnut Place Covington, Louisiana 70433	<u>-</u>
Total	\$ <u><u>-</u></u>

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

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

For the Year Ended December 31, 2016

Robert Bergeron, Chairman of the District, received no compensation, benefits, or other payments of any kind during the year ended December 31, 2016.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Schedule of Findings and Management Corrective Action Plan

For the Year Ended December 31, 2016

Finding 2016-1:

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.

Finding 2016-2:

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 58.7%. There were no amendments made to the adopted budget during the year.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Schedule of Findings and Management Corrective Action Plan

For the Year Ended December 31, 2016

Recommendation:

Considering the District was dissolved on February 6, 2020 and all assets and liabilities were assumed by St. Tammany Parish, we do not recommended any course of action to correct this finding.

Management Corrective Action Plan:

Not applicable.

Finding 2016-3:

Criteria:

In accordance with L.R.S 24:513(5)(a)(i) management is responsible for submitting their annual financial statements to the Louisiana Legislative Auditor within six months of its year end.

Condition & Cause:

The financial statements were not submitted by the required deadline. This was due to the District lacking unrestricted funds that could be used to pay for such administrative expenses.

Recommendation:

We recommend the District submit its financial statements to the Louisiana Legislative Auditor as soon as possible.

Management Corrective Action Plan:

The District was dissolved by the St. Tammany Parish Government on February 6, 2020. The Parish has authorized funding to pay for the required review engagements.

Finding 2016-4:

Criteria:

In accordance with L.R.S 24:513, management is responsible for submitting a completed attestation questionnaire and an agreed-upon procedures engagement as part of their annual financial statement submission.

Condition & Cause:

The District did not complete the attestation questionnaire and agreed-upon procedures engagement for the year ended December 31, 2016. This was due to the District's operating millage being defeated in 2015. This caused significant delays to completion of the District's accounting and related review of the District's financial statements (See Finding 2016-3). Additionally, the District was dissolved by the St. Tammany Parish Government on February 6, 2020. As a result of these circumstances the requirement was waived by the Louisiana Legislative Auditor.

Recommendation:

Not applicable.

Management Corrective Action Plan:

Not applicable.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

Status of Prior Year Findings

For the Year Ended December 31, 2016

Not Applicable.