

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH
JOHNSON BAYOU, LOUISIANA

ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2019

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GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

The second government-wide statement is the *Statement of Activities*, which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by property taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include principally general government and maintenance.

The government-wide financial statements are presented on pages 13 and 14 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District has one kind of fund:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 16 through 19 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis

Within this section of the Gravity Drainage District No. 7 of Cameron Parish's (District) annual financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2019. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District's assets exceeded its liabilities by \$2,937,345 (net position) for the fiscal year reported.
- Total revenues of \$886,524 exceeded total expenditures of \$432,508, which resulted in a current year excess of \$454,016, compared to a prior year excess of \$177,937.
- Total net position is comprised of the following:
 1. Net investment in capital assets of \$117,055 includes property and equipment, net of accumulated depreciation.
 2. Unrestricted net position of \$2,820,290 represents the portion available to maintain the District's continuing obligation to citizens and creditors.
- Overall, the District continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This Management's Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base, or the condition of District infrastructure in addition to the financial information provided in this report.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget presentations. Budgetary comparison statements are included as "required supplemental information" for the general fund. These statements and schedules demonstrate compliance with the District's adopted and final revised budget. Required supplemental information can be found on pages 36 thru 39 of this report.

Financial Analysis of the District as a Whole

The District's net position at fiscal year-end is \$2,937,345. The following table provides a summary of the District's net position:

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets	\$ 2,875,775	\$ 2,451,044
Capital assets	117,055	94,611
Net pension asset	<u>-</u>	<u>7,389</u>
Total assets	2,992,830	2,553,044
Deferred outflows of resources	<u>72,568</u>	<u>29,451</u>
Liabilities:		
Current liabilities	7,714	29,147
Net OPEB obligation	44,631	32,049
Net pension liability	<u>66,007</u>	<u>-</u>
Total liabilities	118,352	61,196
Deferred inflows of resources	<u>9,701</u>	<u>37,970</u>
Net position:		
Net investment in capital assets	117,055	94,611
Unrestricted	<u>2,820,290</u>	<u>2,388,718</u>
Total net position	<u>\$ 2,937,345</u>	<u>\$ 2,483,329</u>

The District continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 373 to 1 (84 to 1 for 2018). Note that approximately 4% (4% for 2018) of the net position is tied up in capital. The District uses these capital assets to provide services to its taxpayers.

The District reported positive balances in net position, which increased by \$454,016. The District's overall financial position improved during the fiscal year 2019.

The following table provides a summary of the District's changes in net position:

	<u>2019</u>	<u>2018</u>
Revenues	\$ 886,524	\$ 536,329
Expenses		
General government	<u>432,508</u>	<u>358,392</u>
Change in Net Position	454,016	177,937
Beginning Net Position - Restated	<u>2,483,329</u>	<u>2,305,392</u>
Ending Net Position	<u>\$ 2,937,345</u>	<u>\$ 2,483,329</u>

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Governmental Revenues

The District is heavily reliant on property taxes to support governmental operations. Property taxes provided 88% of the District's total revenues, excluding FEMA revenue. As a result, the general economy and the local businesses have a major impact on the District's revenue streams.

Budgetary Highlights

The General Fund – When the budget was adopted, it was anticipated that the total revenues were going to be \$7,222 more than the prior year and expenditures were anticipated to be \$118,440 more than the previous fiscal year's budget.

The budget was amended once during the year, the revenues an increase of \$3,071 mainly due to an increase in investment income and other income, and the expenditures an increase of \$35,664, mainly for capital outlay and supplies.

The actual revenues were more than the final budget by \$339,897 or 38%, and the actual expenditures were less than the final budget by \$16,004 or 3.6%, mainly due to salaries.

Capital Assets and Debt Administration

Capital assets

The District's net investment in capital assets for governmental activities as of December 31, 2019, was \$117,055. See Note C for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital assets activity.

	<u>2019</u>	<u>2018</u>
Buildings & improvements	\$ 94,821	\$ 94,821
Equipment & vehicles	633,333	611,801
Furniture & office equipment	<u>11,143</u>	<u>11,144</u>
	739,297	717,766
Less accumulated depreciation	<u>622,242</u>	<u>623,155</u>
Net investment in fixed assets	<u>\$ 117,055</u>	<u>\$ 94,611</u>

At December 31, 2019, the depreciable capital assets for governmental activities were 84% depreciated, compared to 87% in 2018.

Long-term Debt

The District has no debt at December 31, 2019.

Economic Conditions Affecting the District

Since the primary revenue stream for the District is property taxes, the District's property tax revenues are subject to changes in the economy.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the District's office, Ms. Marsha Trahan, bookkeeper at (337) 569-2240.

INDEPENDENT AUDITORS' REPORT

June 15, 2020

Board of Commissioners
Gravity Drainage District No. 7 of Cameron Parish
Johnson Bayou, 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. 7 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2019, 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 the 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 an opinion on these basic 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 basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant 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 opinion.

Opinion

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 Gravity Drainage District No. 7 of Cameron Parish as of December 31, 2019, 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 supplemental information on pages 3 through 7, and 36 through 39 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 supplemental 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.

Other Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Gravity Drainage District No. 7 of Cameron Parish's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or

Gravity Drainage District No. 7 of Cameron Parish
June 15, 2020
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to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2020, on our consideration of Gravity Drainage District No. 7 of Cameron Parish's internal control over financial reporting and 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 the 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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Statement of Net Position

December 31, 2019

ASSETS	
Cash	\$ 1,667,001
Investments	423,220
Receivables	
Ad valorem taxes, net	783,540
Prepaid insurance	2,014
Capital assets, net	<u>117,055</u>
Total assets	<u>2,992,830</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>72,568</u>
LIABILITIES	
Accounts payable	1,169
Accrued liabilities	6,545
Net OPEB obligation	44,631
Net pension liability	<u>66,007</u>
Total liabilities	<u>118,352</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>9,701</u>
NET POSITION	
Net investment in capital assets	117,055
Net position - Unrestricted	<u>2,820,290</u>
	<u>\$ 2,937,345</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Statement of Activities

Year Ended December 31, 2019

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General government	\$ 432,508	\$ -	\$ -	\$ (432,508)
		General Revenues:		
			Property taxes, net	776,987
			LNG cooperative endeavor	84,740
			Investment income	3,226
			Other	21,571
			Total General Revenues	<u>886,524</u>
			Change in Net Position	454,016
			Net Position, beginning	<u>2,483,329</u>
			Net Position, ending	<u><u>\$ 2,937,345</u></u>

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

FUND FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Balance Sheet - Governmental Fund

December 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 1,667,001	\$ 1,591,320
Investments	423,220	413,017
Prepaid insurance	2,014	1,792
Receivable - ad valorem taxes, net	783,540	444,915
Total Assets	<u>2,875,775</u>	<u>2,451,044</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	<u>\$ 2,875,775</u>	<u>\$ 2,451,044</u>
LIABILITIES		
Accounts payable	\$ 1,169	\$ 7,720
Accrued liabilities	6,545	21,427
Total Liabilities	<u>7,714</u>	<u>29,147</u>
DEFERRED INFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
FUND BALANCE		
Unassigned	2,868,061	2,421,897
Total Fund Balance	<u>2,868,061</u>	<u>2,421,897</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
	<u>\$ 2,875,775</u>	<u>\$ 2,451,044</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

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

December 31, 2019

Total fund balance for governmental fund at December 31, 2019:		\$ 2,868,061
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$622,242		117,055
Deferred outflows and inflows for pension resources are not financial resources or currently payable:		
Deferred inflows related to pensions and OPEB	\$ 72,568	
Deferred outflows related to pensions and OPEB	<u>(9,701)</u>	62,867
Long-term debt which is not included as a liability in the governmental fund type balance sheet:		
Net OPEB obligation	(44,631)	
Net pension asset (liability)	<u>(66,007)</u>	<u>(110,638)</u>
Total net position of governmental activities at December 31, 2019		<u>\$ 2,937,345</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Fund

Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUES		
Ad valorem taxes (net)	\$ 776,987	\$ 445,947
Investment income	3,226	5,642
Other	21,571	-
LNG cooperative endeavor	84,740	84,740
Total revenues	<u>886,524</u>	<u>536,329</u>
EXPENDITURES		
General Government		
Advertising	571	395
Bank charges	-	-
Contract labor	36,951	7,180
Dues and subscriptions	100	100
Equipment rental	7,048	-
Fuel	5,587	5,458
Insurance-general	8,738	8,572
Insurance-hospitalization	43,516	50,281
Intergovernmental	-	87
Maintenance and repairs	42,227	7,322
Miscellaneous	1,540	1,821
Office expense	2,126	1,533
Payroll taxes	1,872	1,793
Per diem	5,700	6,600
Professional fees	14,886	10,140
Retirement	15,794	15,477
Salaries	139,157	132,627
Supplies	44,111	41,022
Telephone	5,704	5,471
Travel	1,104	827
Utilities	2,680	2,592
Capital outlay	60,948	2,962
Total Expenditures	<u>440,360</u>	<u>302,260</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	446,164	234,069
FUND BALANCE - BEGINNING	2,421,897	2,155,800
PRIOR PERIOD ADJUSTMENT	-	32,028
FUND BALANCE - BEGINNING - RESTATED	<u>2,421,897</u>	<u>2,187,828</u>
FUND BALANCE - ENDING	<u>\$ 2,868,061</u>	<u>\$ 2,421,897</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

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

Year Ended December 31, 2019

Total net changes in fund balance at December 31, 2019 per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 446,164
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The change in net position reported for governmental activities in the
in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 60,948	
Depreciation expense for the year ended December 31, 2019	<u>(38,504)</u>	22,444

Net pension expense is reported in the governmental funds as
expenditures as they are paid, however, in the statement of
activities the net position expense is reported according to
estimates required by GASB 68:

Pension expense paid	15,794	
Pension expense per GASB 68	<u>(26,678)</u>	(10,884)

In the Statement of Activities, post employment benefits are
measured by the amounts incurred during the year. In the
governmental funds, however, expenditures for this item are
measured by the amount of financial resources used (essentially
the amount actually paid).

(3,708)

Total changes in net position at December 31, 2019 per Statement of Activities	<u>\$ 454,016</u>
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The accompanying notes are an integral part of the basic financial statements.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gravity Drainage District No. 7 of Cameron Parish (the District) is a corporate body created as a political subdivision of the State of Louisiana under the provisions of Louisiana Revised Statutes 38:1751-1802, and was established for the purpose of constructing, improving and maintaining all natural drains in the District where drainage is accomplished using the natural force of gravity. The District is governed by a board of 5 commissioners who are appointed by the Cameron Parish Police Jury. The District covers 397 square miles and serves an approximate population of 935.

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Gravity Drainage District No. 7 of Cameron Parish includes all funds, account groups, et cetera, that are within the oversight responsibility of the Gravity Drainage District No. 7 of Cameron Parish.

As the governing authority, for reporting purposes, the Cameron Parish Police Jury is the financial reporting entity. 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 No. 14 established criteria for determining which component units should be considered part of the Cameron Parish Police Jury 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:

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Based upon the application of these criteria, Gravity Drainage District No. 7 of Cameron Parish is a component unit of the Cameron Parish Police Jury's reporting entity.

2. 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", issued in June 1999.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of 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 District has one fund, the General Fund, which is therefore considered its major fund.

3. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus

On the government-wide statement of net position and the statement of activities, the activities are presented using the economic resources measurement focus. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and statement of activities, the activities 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 economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

4. Cash

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

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the 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. At December 31, 2019, the District had \$2,090,397 in deposits (collected bank balances), of which all was secured from risk by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Investments

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis. FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the District has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2019 are as follows:

	<u>Fair Value</u>	Quoted prices in Active markets Identical assets <u>Level 1</u>	Significant Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	<u>Cost</u>
Short-term investments:					
U.S. Government Securities	\$ 423,220	\$ 423,220	\$ -	\$ -	\$ 418,624

6. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Budgets

A budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

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

8. Capital assets

Capital assets are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives is as follows, depending on the type of asset.

Buildings and improvements	15-40 years
Equipment	5-10 years
Vehicles	5 years
Furniture and office equipment	3-5 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the government fund upon acquisition.

9. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. At December 31, 2019 the District's liability for compensated absences is \$6,545.

10. Equity Classification

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

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, assigned and unassigned.

- a. Restricted fund balance - Includes fund balance amounts that are intended to be used for specific purposes based on generally outside actions.
- b. Assigned fund balance - Includes fund balance amounts that are intended to be used for specific purposes based on internal (Board) actions.
- c. Unassigned fund balance - Includes positive fund balance within the general fund which has not been classified within the above mentioned categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, expenditures are to be spent from restricted fund balance first and then unrestricted. Expenditures incurred in the unrestricted fund balances shall be reduced first from the committed fund balance, then from the assigned fund balance and finally, the unassigned fund balance.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Subsequent Events

Management has evaluated subsequent events as of June 15, 2020. In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our citizens, employees and local industries all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

13. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

NOTE B – AD VALOREM TAXES

For the year ended December 31, 2019, taxes were levied on taxable assessed valuations of \$166,051,618 at a millage of 4.90.

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE C--CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2019 follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities:				
Buildings and improvements	\$ 94,821	\$ -	\$ -	\$ 94,821
Equipment	555,492	58,098	39,417	574,173
Vehicles	56,309	2,850	-	59,159
Furniture and office equipment	<u>11,144</u>	<u>-</u>	<u>-</u>	<u>11,144</u>
Totals at cost	717,766	60,948	39,417	739,297
Less accumulated depreciation for:				
Buildings and improvement	51,197	2,758	-	53,955
Equipment	511,027	32,654	39,417	504,264
Vehicles	52,336	2,197	-	54,533
Furniture and office equipment	<u>8,595</u>	<u>895</u>	<u>-</u>	<u>9,490</u>
Total accumulated depreciation	<u>623,155</u>	<u>38,504</u>	<u>39,417</u>	<u>622,242</u>
Governmental activities:				
Capital assets – net	<u>\$ 94,611</u>	<u>\$ 22,444</u>	<u>\$ -</u>	<u>\$ 117,055</u>

NOTE D – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE E - RETIREMENT COMMITMENTS

The District participates in a state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the District's full-time employees. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Additional disclosures with respect to the District's participation in these systems are provided below.

Parochial Employees' Retirement System

The System is composed of two district plans, Plan A and Plan B with separate assets and benefit provisions. Employees of the District are members of Plan A. Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least twenty-eight hours per week and not participating in another public funded retirement system. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the system. Under Plan A, employees hired prior to January 1, 2007 can retire at any age with 30 or more years of

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE E - RETIREMENT COMMITMENTS – CONTINUED

creditable service, age 55 with 25 years of creditable service, age 60 with 10 years of creditable service, or age 65 with 7 years of creditable service. Employees hired after January 1, 2007 can retire at age 55 with 30 or more years of creditable service, age 62 with 10 years of creditable service, or age 67 with 7 years of creditable service. Retirees are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or jointed months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Parochial Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, LA 70898.

Plan members are required to contribute 9.5% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 11.5% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the System's Board of Trustees. The District's contributions to the System for the year ended December 31, 2019 totaled \$15,794.

At December 31, 2019, the District reported an net pension liability of \$66,007 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to their pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2018, the District's proportion was .014872%.

For the year ended December 31, 2019, the District recognized pension expense of \$26,678 including employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$16,609. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 4,021
Difference between expected and actual investment	31,598	-
Difference between expected and actual assumption	16,504	-
Changes in proportion and differences between:		
Contributions and proportionate share of contributions	4	3,502
Contributions subsequent to the measurement date	15,794	-
Total	<u>\$ 63,900</u>	<u>\$ 7,523</u>

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE E - RETIREMENT COMMITMENTS - CONTINUED

\$15,794 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other accounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2020	\$ 14,234
2021	7,328
2022	5,878
2023	13,143
2024	40,583
Thereafter	-

Actuarial methods and assumption. The total pension liability in the December 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.50% (Net of investment expense)
Expected Remaining Service Lives	4 years
Projected Salary Increases	Plan A – 4.75% (2.40% Inflation)
Cost of Living Adjustments	The present values of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet amortized by the Board of Trustees.
Mortality	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees, the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE E - RETIREMENT COMMITMENTS - CONTINUED

The discount rate used to measure the total pension liability was 6.50% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations and projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

Best estimates of arithmetic real rates of return for major asset class included in the System's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real assets	2%	0.11%
Total	100%	5.43%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.43%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent of the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE E - RETIREMENT COMMITMENTS - CONTINUED

Sensitivity to changes in discount rate. The following presents the net pension liability of the District calculated using the discount rate of 6.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.50% or one percentage point higher 7.50% than the current rate.

	Changes in Discount Rate 2018		
	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability (Asset)	\$ 140,182	\$ 66,007	\$ 4,004

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN

General Information about the OPEB Plan

Plan description – Gravity Drainage provides certain continuing health care and life insurance benefits for its retired employees. Gravity Drainage's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by Gravity Drainage. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with Gravity Drainage. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

Benefits Provided – Medical and life insurance benefits are provided through comprehensive plans and are made available to employees upon actual retirement. Employees retirement eligibility (D.R.O.P. entry) provisions are as follows: Employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service.

Life insurance coverage is provided to retirees and 100% of the blended rate (active and retired) is paid by the employer. A level \$20,000 amount of insurance coverage while active is continued after retirement.

Employees covered by benefit terms – At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	3
	3

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN - CONTINUED

Total OPEB Liability

The District's total OPEB liability of \$44,631 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2019 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, including inflation
Discount rate	4.10% annually (Beginning of Year to Determine ADC) 2.74% annually (as of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

The discount rate was based on the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2019, the end of the applicable measurement period.

Mortality rates were based on the PR-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2019.

Changes in the Total OPEB Liability

Balance at December 31, 2018	\$ 32,049
Changes for the year:	
Service cost	1,863
Interest	1,332
Differences between expected and actual experience	2,869
Changes in assumptions	6,518
Benefit payments and net transfers	-
Net changes	12,582
Balance at December 31, 2019	\$ 44,631

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of Gravity Drainage, as well as what Gravity Drainage's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1.0% Decrease (1.74%)	Current Discount Rate (2.74%)	1.0% Increase (3.74%)
Total OPEB liability	\$ 51,653	\$ 44,631	\$ 38,829

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN - CONTINUED

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of Gravity Drainage, as well as what Gravity Drainage’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Trend (5.5%)	1.0% Increase (6.5%)
Total OPEB liability	\$ 39,360	\$ 44,631	\$ 51,134

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, Gravity Drainage recognized OPEB expense of \$4,799. At December 31, 2019, Gravity Drainage reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,694	\$ -
Changes in assumptions	5,974	(2,178)
Total	\$ 8,668	\$ (2,178)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31:	
2020	862
2021	862
2022	862
2023	862
2024	862
Thereafter	5,173

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2019

NOTE G – PER DIEM

Per diem paid commissioners for the year ended December 31, 2019 were as follows:

Russell Badon	\$ 1,100
Rodney Billiot	1,100
Roger Romero	1,100
Ernest Trahan	1,200
Robert Trahan	1,200
	<u>\$ 5,700</u>

NOTE H – TAX ABATEMENTS

Louisiana's State Constitution Chapter VII Section 21 authorizes the State Board of Commerce and Industry to create a ten (10) year ad valorem tax abatement program for new manufacturing establishments in the State. Under the terms of this program, qualified businesses may apply for an exemption of local ad valorem taxes on capital improvements and equipment related to manufacturing for the first ten years of its operation; after which the property will be added to the local tax roll and taxed at the value and millages in force at the time. The future value of this exempt property could be subject to significant fluctuation from today's value; however, the District could receive a substantial increase in ad valorem tax revenues once the exemption on this property expires. All applicable agreements have been entered into by the Cameron Parish Police Jury and directly affect the District's ad valorem assessments. Because these taxes are not assessed or due, no adjustments have been made to the District's financial statements to record a receivable. As of December 31, 2019, \$2,202,881,160 of assessed property in the District's taxing jurisdiction is receiving this exemption, which amounts to \$10,794,118 in ad valorem taxes.

REQUIRED SUPPLEMENTAL INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2019

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Ad valorem taxes (net)	\$ 460,000	\$ 438,362	\$ 776,987	\$ 338,625
Investment income	500	9,396	3,226	(6,170)
Other	-	14,129	21,571	7,442
LNG cooperative endeavor	83,051	84,740	84,740	-
TOTAL REVENUES	543,551	546,627	886,524	339,897
EXPENDITURES				
General Government				
Advertising	600	399	571	(172)
Contract labor	12,000	41,451	36,951	4,500
Dues and subscriptions	-	-	100	(100)
Equipment rental	1,000	5,955	7,048	(1,093)
Fuel	6,000	5,658	5,587	71
Insurance-general	9,000	9,061	8,738	323
Insurance-hospitalization	-	48,919	43,516	5,403
Maintenance and repairs	85,500	41,281	42,227	(946)
Miscellaneous	1,000	195	1,540	(1,345)
Office expense	3,500	2,765	2,126	639
Payroll taxes	-	-	1,872	(1,872)
Per diem	6,000	5,700	5,700	-
Professional fees	13,500	14,785	14,886	(101)
Retirement	-	16,918	15,794	1,124
Salaries	210,000	150,316	139,157	11,159
Supplies	25,000	42,378	44,111	(1,733)
Telephone	6,200	5,937	5,704	233
Travel	1,200	1,104	1,104	-
Utilities	3,200	2,594	2,680	(86)
Capital outlay	37,000	60,948	60,948	-
TOTAL EXPENDITURES	420,700	456,364	440,360	16,004
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	122,851	90,263	446,164	355,901
FUND BALANCE - BEGINNING	2,421,897	2,421,897	2,421,897	-
FUND BALANCE - ENDING	\$ 2,544,748	\$ 2,512,160	\$ 2,868,061	\$ 355,901

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH
Schedule of Changes in Net OPEB Liability and Related Ratios for the
For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 1,863	\$ 3,292
Interest	1,332	1,097
Changes of benefit terms		-
Differences between expected and actual experience	2,869	78
Changes of assumptions	6,518	(2,659)
Benefit payments	-	-
Net change in total OPEB liability	<u>12,582</u>	<u>1,808</u>
Total OPEB liability - beginning	<u>32,049</u>	<u>30,241</u>
Total OPEB liability - ending (a)	<u>\$ 44,631</u>	<u>\$ 32,049</u>
Covered-employee payroll	\$ 138,418	\$ 132,477
Net OPEB liability as a percentage of covered-employee payroll	32.24%	24.19%
Notes to Schedule:		
<i>Benefit Change:</i>	None	None
<i>Change in assumptions:</i>		
<i>Discount Rate:</i>	4.10%	2.74%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH
Johnson Bayou, Louisiana

Schedule of Employer's Proportionate Share of Net Pension Liability
Year Ended December 31, 2019

Parochial Employees' Retirement System of Louisiana

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability (asset)	0.01487%	0.01483%	0.01487%	0.02200%	0.02141%
Employer's proportionate share of the net pension liability (asset)	\$ 66,007	\$ (7,389)	\$ 30,626	\$ 57,913	\$ 5,717
Employer's covered payroll	\$ 138,418	\$ 132,477	\$ 127,361	\$ 123,990	\$ 109,213
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.69%	-5.58%	24.05%	46.71%	5.23%
Plan fiduciary net position as a percentage of the total pension liability	88.86%	101.98%	94.15%	92.23%	99.14%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*The amounts presented have a measurement date of December 31, 2018.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH
Johnson Bayou, Louisiana

Schedule of Employer Contributions

Year Ended December 31, 2019

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Parochial Employees Retirement System of Louisiana (System):					
2015	\$ 15,836	\$ 15,836	\$ -	\$ 109,213	14.5%
2016	\$ 15,939	\$ 15,939	\$ -	\$ 123,990	12.9%
2017	\$ 15,920	\$ 15,920	\$ -	\$ 127,361	12.5%
2018	\$ 15,477	\$ 15,477	\$ -	\$ 132,477	11.7%
2019	\$ 15,794	\$ 15,794	\$ -	\$138,418	11.4%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Schedule of Compensation, Benefits and Other Payments
To Chief Executive Officer

Year Ended December 31, 2019

Chief Executive Officer: Ernest Trahan, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	1,200
Reimbursements	-
Travel	-
Registration fees	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing Unvouchered expenses	-
Special meals	-

INDEPENDENT AUDITORS' 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

June 15, 2020

Board of Commissioners
Gravity Drainage District No. 7 of Cameron Parish
Johnson Bayou, Louisiana

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 Gravity Drainage District No. 7 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gravity Drainage District No. 7 of Cameron Parish's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 a 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 over financial reporting 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 7 of Cameron Parish's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or others matters that are required to be reported under *Government Auditing Standards*.

Gravity Drainage District No. 7 of Cameron Parish's Response to Findings

Gravity Drainage District No. 7 of Cameron Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Gravity Drainage District No. 7 of Cameron Parish's response was not subjected to the auditing procedures applied in the audit to 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dragon, Casiday: Guillory

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Schedule of Findings and Responses

Year Ended December 31, 2019

1. Summary of Auditors' Results:

Type of auditors' opinion issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Control deficiency(ies) identified that are not considered to be material weakness(es)?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

2. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

Finding 2019-001:

Inadequate Segregation of Duties

Condition: Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Effect: Without proper segregation of duties, misstatements in amounts may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Corrective Action Planned: Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve appropriate segregation of duties. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures, review listings of revenue received and review of bank reconciliations on a monthly basis.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Schedule of Findings and Responses-Continued

Year Ended December 31, 2019

3. Federal Award Findings and Questioned Costs

- N/A

4. Prior Year Audit Findings

Finding 2018-001:

Inadequate Segregation of Duties

Condition: Because of the small size of the District's office staff, the opportunity for segregation of duties is limited. Effective internal control requires adequate segregation of duties among entity personnel.

Status: Repeat finding in 2019.

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Gravity Drainage District No. 7 of Cameron Parish
Johnson Bayou, Louisiana

June 15, 2020

We have performed the procedures included enumerated below, which were agreed to by the Gravity Drainage District No. 7 of Cameron Parish and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year January 1, 2019 through December 31, 2019. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, 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 findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations)
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
The District has a complete written policies and procedures manual.
 - 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.
The District has a complete written policies and procedures manual.
 - c) *Disbursements*, including processing, reviewing, and approving.
The District has a complete written policies and procedures manual.
 - d) *Receipt/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmations with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequence, agency fund forfeiture monies confirmation).

The District has a complete written policies and procedures manual.

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

The District has a complete written policies and procedures manual.

- 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 has a complete written policies and procedures manual.

- 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 (.e.g., determining the reasonableness of fuel card purchases).

The District has a complete written policies and procedures manual.

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

The District has a complete written policies and procedures manual.

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

The District has a complete written policies and procedures manual.

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

The District has a complete written policies and procedures manual.

- k) *Disaster Recovery/Business Continuity*, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The District has a complete written policies and procedures manual.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The minutes reflected that the board met monthly.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The minutes referenced and included monthly budget-to-actual comparisons.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

The District did not have a negative fund balance in the general fund in the current or prior years.

Bank Reconciliations

- 3. Obtain a listing of the entity's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

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

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

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

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

The listing was provided by management.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe the job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

The District does not maintain a cash drawer.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The employee responsible for collecting cash is responsible for preparing/making bank deposits.

Management Response: As a compensating control, a board member reviews each bank statement and reconciliation.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledger, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The employee responsible for collecting cash is responsible for posting collection entries to the general ledger.

Management Response: As a compensating control, a board member reviews each bank statement and reconciliation.

- d) The employee responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

The employee responsible for reconciling cash collections to the general ledger is responsible for collecting cash.

Management Response: As a compensating control, a board member reviews each bank statement and reconciliation.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

The employee accepting payments is bonded.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supported documentation for each of the deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Not applicable, however, collection reports are numbered.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

The listing was provided by management.

9. For each location selected under #8 above, obtain a list of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Purchase orders are not utilized, however the business manager initiates a purchase and the Board approves each invoice.

- b) At least two employees are involved in processing and approving payments to vendors.

The business manager processes payments and the Board approves payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files. Another employee is not responsible for periodically reviewing changes to vendor files.

Management Response: The District employs only one office staff personnel who performs all accounting functions of payments, collections, deposits and recording. The District does not have the financial resources to employ more personnel to maintain adequate segregation of duties. Board review of disbursements on a monthly basis minimizes exposure to errors and misappropriation of funds.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The check signer or authorized user maintains control of the checks until mailed.

Management Response: The District employs only one office staff personnel who performs all accounting functions of payments, collections, deposits and recording. The District does not have the financial resources to employ more personnel to maintain adequate segregation of duties. Board review of disbursements on a monthly basis minimizes exposure to errors and misappropriation of funds.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions.

- b) Observe that the disbursement documentation included evidence (e.g. initial/date, electronic logging) of segregation of duties tested under #9 as applicable.

Items tested included evidence of above.

Management Response: The District employs only one office staff personnel who performs all accounting functions of payments, collections, deposits and recording. The District does not have the financial resources to employ more personnel to maintain adequate segregation of duties.

Board review of disbursements on a monthly basis minimizes exposure to errors and misappropriation of funds.

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

11. 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 listing was provided by management.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excess fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- b) Observe that finance charges and/or late fees were not assessed on the selected statements.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

Travel and Travel-Related Expense Reimbursements (Excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense

documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the list is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain their paid salaries and personnel files, and agree paid salaries to the authorized pay rates in the personnel files.

The listing was provided by management. All salaries were paid in accordance to authorized payrates.

- 17. Randomly select on pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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.)

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

18. Obtain a listing of those employees/officials that received termination pay during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

There were no exceptions in this area in the prior year and as such was not required to be tested in the current year.

Ethics

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

All employees selected for testing maintained the documentation of completion of the required one-hour ethics training on the Code of Governmental Ethics as required by Louisiana Revised Statute 42:1170 (3)(a)(i).

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Signature verification was obtained for the written ethics policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the list is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each bond/note issued.

No debt was issued during the fiscal year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

The District had no outstanding debt during the fiscal year.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management informed us that the District did not have any misappropriation of public funds or assets during the fiscal year.

24. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1. concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The District has the required notice posted in a conspicuous place upon its premises. The District does not have a website.

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

Dragan, Casiday: Shillory