

Squire Creek Community Development District
Choudrant, Louisiana

Financial Statements
For The Year Ended December 31, 2018



Squire Creek Community Development District
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For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Squire Creek Community Development District
Choudrant, LA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Squire Creek Community Development District, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Squire Creek Community Development District, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, reimbursements, benefits and other payments to agency head on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 21, 2019, on our consideration of Squire Creek Community Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Squire Creek Community Development District's internal control over financial reporting and compliance.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
June 21, 2019

**Squire Creek Community Development District
Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Our discussion and analysis of Squire Creek Community Development District's (the "District") financial performance provides an overview of the District's financial activity for the period ended December 31, 2018. It should be read in conjunction with the basic financial statements.

Financial Highlights

Key financial highlights for the year ended December 31, 2018 include the following:

- The assets of the District exceeded its liabilities at December 31, 2018 by \$4,170,229, and by \$3,876,857 at December 31, 2017. (net position). The majority of this amount is related to the investment in capital assets and the related bonds payable. Unrestricted assets exceeded liabilities by \$2,987 and \$3,747 for the years then ended in 2018 and 2017, respectively.
- The District's total net position increased \$293,372 and \$497,916 for the years ended December 31, 2018 and 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector businesses.

The statement of net assets presents information on all of the District's assets less liabilities, which results in net assets. The statement is designed to display the financial position of the District. Over time, increases or decreases in net assets helps determine whether financial position is improving or deteriorating.

The statement of activities provides information that shows how the District's net assets changed as a result of the year's activities. The statement uses accrual basis of accounting, similar to private-sector businesses. All changes in net assets are reported as soon as the underlying event giving rise to the revenue or expense occurs, regardless of when the cash is received or paid.

**Squire Creek Community Development District
Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has two funds and they are categorized as a governmental fund and an enterprise fund. The District adopts an annual appropriated budget for its funds.

There are no reconciling items that distinguish the Government-Wide Financial Statements (GWFS) from the Fund Financial Statements (FFS).

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of Government-wide Activities

Below is a summary of the District's government-wide financial statements for the years ended December 31, 2018 and 2017:

Statement of Net Position		
Assets	2018	2017
Cash and Investments	\$ 927,419	\$ 853,125
Receivables	584,105	592,042
Capital Assets	4,039,251	4,205,312
Unamortized Bond Issue Costs	48,826	61,032
Total Assets	\$ 5,599,601	\$ 5,711,511
Liabilities	\$ 1,429,372	\$ 1,834,654
Net Position	\$ 4,170,229	\$ 3,876,857
 Statement of Activities		
Revenues	\$ 699,758	\$ 873,765
Expenses	406,386	375,849
Increase in Net Position	\$ 293,372	\$ 497,916

**Squire Creek Community Development District
Management's Discussion and Analysis
For the Year Ended December 31, 2018**

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget for the years ended December 31, 2018 and 2017. The budgetary comparison schedule for the general fund can be found on page 27. A summary of the 2018 and 2017 budgets is shown below:

	<u>2018</u>	<u>2017</u>
Projected Beginning Fund Balance	\$ 1,500	\$ 1,250
Anticipated Income/Transfers - In	8,500	8,500
Anticipated Expenditures	<u>10,000</u>	<u>9,750</u>
Projected Ending Fund Balance	\$ <u>-</u>	\$ <u>-</u>

Highlights of next year's adopted budget for the general fund include:

Budgeted transfers in for 2019 are \$8,500 and budgeted expenditures are \$8,500.

CURRENT AND EXPECTED CONDITIONS

Presently, the Squire Creek Development District's Board of Supervisors are not aware of any significant changes in conditions that would have a significant effect on the financial position or results of activities of the District in the near future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District at 3100 English Turn, Ruston, LA 71270.

BASIC FINANCIAL STATEMENTS

Squire Creek Community Development District
Statement of Net Position
December 31, 2018

Assets	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 2,987	\$ 305,303	\$ 308,290
Investments	-	619,129	619,129
Accounts Receivable	-	584,105	584,105
Capital Assets			
Property, Plant & Equipment , Net of Depreciation	-	4,039,251	4,039,251
Unamortized Bond Issue Costs,net	-	48,826	48,826
Total Assets	\$ 2,987	\$ 5,596,614	\$ 5,599,601
Liabilities and Net Position			
Liabilities			
Accounts Payable	\$ -	\$ 17,500	\$ 17,500
Bond Interest Payable	-	6,872	6,872
Long-Term Liabilities			
Notes Payable - Due Within One Year	-	535,000	535,000
Notes Payable - Due In More Than One Year	-	870,000	870,000
Total Liabilities	-	1,429,372	1,429,372
Net Position			
Invested in Capital Assets, Net of Related Debt	-	2,634,251	2,634,251
Unrestricted	2,987	1,532,991	1,535,978
Total Net Position	2,987	4,167,242	4,170,229
Total Liabilities and Net Position	\$ 2,987	\$ 5,596,614	\$ 5,599,601

The accompanying notes are an integral part of this financial statement.

Squire Creek Community Development District
Statement of Activities
For the Year Ended December 31, 2018

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities:							
General Government	\$ 9,260	\$ -	\$ -	\$ -	\$ (9,260)	\$ -	\$ (9,260)
Total Governmental Activities	\$ 9,260	\$ -	\$ -	\$ -	\$ (9,260)	\$ -	\$ (9,260)
Business-Type Activities:							
Capital Asset Projects	\$ 298,800	\$ 681,497	\$ -	\$ -	\$ -	\$ 382,697	\$ 382,697
Total Business-Type Activities	\$ 298,800	\$ 681,497	\$ -	\$ -	\$ -	\$ 382,697	\$ 382,697
Total Primary Government	\$ 308,060	\$ 681,497	\$ -	\$ -	\$ (9,260)	\$ 382,697	\$ 373,437

General Revenues:

Interest Income	-	18,261	18,261
Interest Expense		(98,326)	(98,326)
Transfers	8,500	(8,500)	-
Total General Revenues, Special Items, and Transfers	8,500	(88,565)	(80,065)
Changes in Net Position	(760)	294,132	293,372
Net Position - Beginning	3,747	3,873,110	3,876,857
Net Position - Ending	\$ 2,987	\$ 4,167,242	\$ 4,170,229

The accompanying notes are an integral part of this financial statement.

**Squire Creek Community Development District
Balance Sheet - Governmental Funds
December 31, 2018**

	General Fund	Total Governmental Funds
Assets		
Cash and Cash Equivalents	\$ 2,987	\$ 2,987
Total Assets	\$ 2,987	\$ 2,987
 Liabilities and Fund Balances		
Liabilities		
Accounts Payable	\$ -	\$ -
Total Liabilities	-	-
Fund Balances		
Unassigned	2,987	2,987
Total Fund Balances	2,987	2,987
 Total Liabilities and Fund Balances	 \$ 2,987	

Amounts reported for *Governmental Activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds

Net Position of Governmental Activities

\$ 2,987

The accompanying notes are an integral part of this financial statement.

Squire Creek Community Development District
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the Year Ended December 31, 2018

	General Fund	Total Governmental Funds
<u>Revenues</u>		
Charges for Services	\$ -	\$ -
Miscellaneous	-	-
Total Revenues	-	-
<u>Expenditures</u>		
General Government	9,260	9,260
Total Expenditures	9,260	9,260
Excess of Revenues over Expenditures	(9,260)	(9,260)
<u>Other Financing Sources (Uses)</u>		
Operating Transfers - In	8,500	8,500
Operating Transfers - Out	-	-
Total Other Financing Sources (Uses)	8,500	8,500
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(760)	(760)
Fund Balances, Beginning of Year	3,747	
Fund Balances, End of Year	\$ 2,987	
Net Changes in Fund Balances - Total Governmental Funds		(760)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
		-
		-
Changes in Net Position in Governmental Activities		\$ (760)

The accompanying notes are an integral part of this financial statement.

Squire Creek Community Development District
Statement of Net Position - Proprietary Fund
December 31, 2018

	Business-Type Activities Enterprise Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 305,303
Cash with Fiscal Agent	619,129
Benefit Assessment Receivable	584,105
Total Current Assets	1,508,537
Noncurrent Assets:	
Unamortized Bond Issue Costs, net	48,826
Capital Assets	
Property, Plant & Equipment	6,642,506
Total Capital Assets	6,642,506
Less: Accumulated Depreciation	(2,603,255)
Net Capital Assets	4,039,251
Total Noncurrent Assets	4,088,077
Total Assets	\$ 5,596,614
Liabilities and Net Position	
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 17,500
Bond Interest Payable	6,872
Bonds Payable - Current Portion	535,000
Total Current Liabilities	559,372
Noncurrent Liabilities	
Bonds Payable	870,000
Total Noncurrent Liabilities	870,000
Total Liabilities	1,429,372
Net Position	
Invested in Capital Assets, Net of Related Debt	2,634,251
Unrestricted	1,532,991
Total Net Position	4,167,242
Total Liabilities and Net Position	\$ 5,596,614

The accompanying notes are an integral part of this financial statement.

Squire Creek Community Development District
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund
For the Year Ended December 31, 2018

	Business-Type Activities Enterprise Fund
<u>Operating Revenues</u>	
Charges for Services	\$ 681,497
Total Operating Revenues	<u>681,497</u>
<u>Operating Expenses</u>	
Depreciation	166,061
Amortization	12,206
Assessment Administrative Fee	2,500
Bank Service Charges	51
Bond Administrative Fee	6,000
Professional Services	15,000
Repairs & Maintenance	96,982
Total Operating Expenses	<u>298,800</u>
Total Operating Income	<u>382,697</u>
<u>Non Operating Revenues/(Expenses)</u>	
Interest Income	18,261
Interest Expense	(98,326)
Total Non Operating Revenues/(Expenses)	<u>(80,065)</u>
Net Income Before Operating Transfers	302,632
<u>Operating Transfers</u>	
Operating Transfers - In/(Out)	<u>(8,500)</u>
Net Income	\$ 294,132
Net Position, Beginning of Year	3,873,110
Net Position, End of Year	<u><u>\$ 4,167,242</u></u>

The accompanying notes are an integral part of this financial statement.

**Squire Creek Community Development District
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2018**

	Business-Type Activities Enterprise Fund
<u>Cash Flows From Operating Activities</u>	
Receipts from Customers	\$ 689,434
Payments to Provide Services	(126,533)
Net Cash Provided (Used) by Operating Activities	<u>562,901</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Transfer From (To) Other Funds	(8,500)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(8,500)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Interest Paid on Bonds	(102,610)
Principal Paid on Bonds	(395,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(497,610)</u>
<u>Cash Flows From Investing Activities</u>	
Interest Earned	18,261
Transfer From (To) Restricted Assets	(161,990)
Net Cash Provided (Used) by Investing Activities	<u>(143,729)</u>
Net Increase/(Decrease) in Cash And Cash Equivalents	<u>(86,938)</u>
Cash And Cash Equivalents, Beginning of Year	392,241
Cash And Cash Equivalents, End of Year	<u><u>\$ 305,303</u></u>
Reconciliation of Operating Income to Net Cash Provided/(Used) by Operating Activities	
Operating Income	\$ 382,697
<i>Adjustments to Reconcile Net Loss to Net Cash Provided (Used) by Operating Activities:</i>	
Depreciation	166,061
Amortization	12,206
Decrease in Accounts Receivable	7,937
Increase in Accounts Payable	(6,000)
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 562,901</u></u>

The accompanying notes are an integral part of this financial statement.

**Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

“Community Development District” or “District” means a special district as provided in Article VI, Section 19 of the Constitution of Louisiana, which is created pursuant to this Chapter and limited to the performance of those specialized functions authorized by this chapter, the boundaries of which are contained wholly within a single parish; the governing head of which is a body created, organized and constituted and authorized to function specifically as prescribed in this Chapter for the delivery of community development services; and the formation, powers, governing body, operation, duration, accountability, requirements for disclosure, and termination of which are as required by general law.

A. Reporting Entity

Squire Creek Community Development District, Village of Choudrant, State of Louisiana (the “District”) is a public corporation and community development district organized and existing under the provisions of Chapter 27-B of Title 33 of the Louisiana Statutes of 1950, as amended, specifically La. RS. 33:9039.11 through 9039.37, inclusive (the “Act”), and pursuant to Ordinance 70 duly adopted by the Board of Alderman of the Village of Choudrant, State of Louisiana, effective on April 1, 2002 (the “Ordinance”), which District is comprised of and includes all of the immovable property situated within the described boundaries.

Pursuant to the provisions of the Act, the District is authorized to finance, fund, plan, establish, acquire construct or reconstruct, enlarge, extend, equip, operated and maintain systems, facilities and basic infrastructure for the following: (1) water management and control for the lands in the District, including the connection of some or any of such facilities with road and bridges; (2) water supply, sewer and wastewater management, reclamation and refuse, or any combination thereof, (3) bridges or culverts that may be needed across any drain, ditch, canal, floodway, holding basin, excavation, public highway, tract, grade, fill or cut and roadways over levees and embankment; and (4) roads and streets in the District equal to or exceeding the specifications of the Village of Choudrant, and street lights.

The District is authorized by the Act to levy and collect non-ad valorem special assessments against all immovable property situated in the District that is subject to assessment as a result of the projects to finance, fund, plan, establish, acquire, construct, or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the District. The Board of the District shall exercise the powers granted to the District pursuant to this Chapter. The board shall consist of five members; except as otherwise provided herein, each member shall hold for a term of four years and until a successor is chosen and qualifies. The initial members of the board shall be residents of the state, and at least one of the initial members shall be a resident of the area immediately adjacent to the District.

Commencing six years after the initial appointment of members, the position of each member whose term has expired shall be filled by a qualified elector of the District, elected by the qualified electors of the district in accordance with Title 18 of the Louisiana Revised Statutes of 1950.

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

Members of the board shall be known as supervisors and, upon entering into office shall take an oath of office. They shall hold office for the term for which they were elected or appointed and until their successors are chosen and qualified. If, during the term of office, a vacancy occurs, the remaining members of the board shall fill the vacancy by an appointment for the remainder of the unexpired term.

A majority of the members of the board constitutes a quorum for the purposes of conducting its business and exercising its powers and for all other purposes. Actions taken by the District shall be upon a vote of a majority of the members present unless general law or a rule of the district requires a greater number.

The District is an entity administered by a Board of Supervisors ("Board") that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members, serving a term of four years. Of the five, three are elected as officers of the District; Chair(person), Vice-chair(person), and Treasurer. The elected Secretary of the board is not a member. Each Officer serves a term of four years. No board members receive compensation for serving on the Board.

The Board of Supervisors appoints the Chair(person) of the Board from existing board members. The Chair responsibilities are to preside at all meetings of the board; be the chief officer of the District; perform all duties commonly incident to the position of presiding officer of a board, commission or business organization and exercise supervision over the business of the District, its officers and employees.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14 "The Financial Reporting Entity", in that the financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (the primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization's governing body and either (1) the District's ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden, on the District. Using these criteria, the District has no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) changes to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 sixty-one days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants, entitlements, and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District uses governmental funds and proprietary funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Louisiana and the bylaws of the District.

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

The District reports the following proprietary fund:

Enterprise Fund – Accounts for transactions relating to infrastructure development, contracting, debt, assessments, and other matters requiring commitment for more than one fiscal year.

Revenues and Non-Exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty-one days of fiscal year-end. Under the modified accrual basis, only interest is considered to be both measurable and available at fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving value in return, includes grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

D. Cash and Cash Equivalents

Cash received by the District is deposited into demand deposits and daily investment accounts. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as “Restricted Cash and Cash Equivalents.”

During the period ended December 31, 2018, investments were limited to Federal U.S. Treasury Cash Reserves.

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

E. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted cash represents amounts required by debt covenant to be segregated for final year debt payment and accrued interest on the bonds. Restricted cash and cash equivalents represents special assessment proceeds restricted for completion of the Squire Creek Community Development District's infrastructure projects.

F. Interfund Transactions

During the course of normal operations, the District may have transactions between funds. Interfund transactions are generally classified as follows:

Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term loans are classified as "interfund loan receivables/payables." These amounts are eliminated on the statement of net assets.

G. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

General capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

H. Intergovernmental Revenues

For governmental fund, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

I. Fund Equity

GASB Statement No. 54 establishes standards for five fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned:

Restricted Fund Balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the District’s governing board – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the village aldermen remove the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The District’s board and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance - This fund balance is the residual classification for the general fund. It is used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use externally restricted resources first, then unrestricted resources – committed, assigned and unassigned – in order as needed.

J. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from these estimates.

L. Reclassifications

Certain amounts presented in the prior year have been reclassified in order to compare with the current year's presentation.

M. Intergovernmental Agreement

The District and the Village of Choudrant entered into an agreement by which the Water System and Sewer System was and is being transferred, as completed, by the District to the Village and thereafter owned, operated and maintained by the Village for the mutual benefit of the Village and the District.

N. Assessment Methodology

At or prior to August 31 of each year, the Board of Supervisors of the District will determine and establish the special annual assessment that will be levied against all assessable property in the District for the upcoming fiscal year. No later than August 31 of each year, the aggregate special annual assessment that is to be levied by the Board of Supervisors will be an amount sufficient to pay all interest that is expected to become due on the District's outstanding bonds (the "Bonds") during the upcoming fiscal year, to fund any sinking fund requirements on the bonds during the upcoming fiscal year, to fund any reserve required by the Bond indenture during the upcoming fiscal year, and to pay all expenses relating to the Bonds that are expected to become due during the fiscal year (the "*Aggregate Special Annual Agreement*"). The aggregate Special Assessments are payable by December 31 of each year.

District assessments are secured special assessments. These assessments are secured by liens on the properties being assessed.

2. STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

GAAP requires that general purpose financial statements include a combined statement of revenues, expenditures, and changes in fund balances (budget and actual) for the general and special revenue fund types and for similar governmental fund types for which annual budgets have been legally adopted. Annual budget was legally adopted for the General Fund.

3. CASH & INVESTMENTS

All deposits of the District are held by area financial institutions. At December 31, 2018, the carrying amount of the District's deposits was \$305,303 and the bank balances were \$305,303.

**Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018**

The bank balances were covered by federal depository insurance or was collateralized with securities held by the District's agent (one of its custodial banks) in the District's name. Statues require that securities pledged for deposits of the District be held by a bank other than the pledging bank.

The District is authorized to make direct investments in United States government bonds, treasury notes, treasury bills or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the state of Louisiana or any other federally insured investment, or guaranteed investment contracts issued by a financial institution having one of the two highest rating categories or in mutual or trust fund institutions which are registered with the SEC and which have underlying investments consisting solely of and limited to securities of government or its agencies.

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year end. Category 1 provides for investments insured or registered, or securities held by the District or its agents in the District's name. Category 2 provides for uninsured and unregistered securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

	Category			Carrying Amount & Fair Value
	1	2	3	
Money market funds invested In U. S. government and U.S. government agency securities	\$ 619,129	\$ -	\$ -	\$ 619,129

4. BENEFIT SPECIAL ASSESSMENTS

Levy of Benefit Special Assessments

Pursuant to the provisions of the Act, particularly Section 9039.29 (A), this Board hereby determines, orders, and levies the annual installments for year 2018 regarding the Special Benefit Assessments on all specially benefited immovable property in the District, all as specified on the Assessment Schedule. The Board further ordained that the Assessor and the Sheriff of the Parish of Lincoln, State of Louisiana, be empowered, authorized, and directed to spread the Special Assessments, as set forth in the Assessment Schedule, upon the assessment roll of said Parish for the calendar year 2010; and further, to make the collection of the taxes imposed for and behalf of the District, according to law.

The Special Assessments herein levied shall become a permanent lien and privilege on all specially benefited immovable property at the District as on the Assessment Schedule, which lien shall be on parity with the lien state, parish, municipal, and school board taxes.

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

Enforcement of Lien Nonpayment

Collection of the Special Assessments levied under this Ordinance will be enforceable in the manner provided by law, particularly the provisions of Sections 9039.29 and 9039.30 of the Act. Special Assessments must be paid no later than the thirty-first (31st) day of December of each calendar year. Special Assessments which are delinquent shall bear interest after the thirty-first (31st) day of December of such year until paid, at the rate of one percent (1%) per month.

5. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance @ 12/31/2017	Additions	Removals	Balance @ 12/31/2018
Water System	\$ 1,793,916	\$ -	\$ -	\$ 1,793,916
Sewer System	1,642,820	-	-	1,642,820
Internal Roadway System	5,745,340	-	-	5,745,340
Miscellaneous	897,165	-	-	897,165
Total	<u>10,079,241</u>	<u>-</u>	<u>-</u>	<u>10,079,241</u>
Less Intergovernmental				
Transfers of Assets				
Water System	(1,793,915)	-	-	(1,793,915)
Sewer System	(1,642,820)	-	-	(1,642,820)
Total	<u>6,642,506</u>	<u>-</u>	<u>-</u>	<u>6,642,506</u>
Less: Accumulated Depreciation	<u>(2,437,194)</u>	<u>-</u>	<u>(166,061)</u>	<u>(2,603,255)</u>
Total	<u>\$ 4,205,312</u>	<u>\$ -</u>	<u>\$ (166,061)</u>	<u>\$ 4,039,251</u>

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

6. BOND ISSUE COSTS

	Balance @ <u>12/31/2017</u>	<u>Additions</u>	<u>Removals</u>	Balance @ <u>12/31/2018</u>
Costs	\$ 244,115	\$ -	\$ -	\$ 244,115
Less: Accumulated Depreciation	<u>183,083</u>	<u>-</u>	<u>12,206</u>	<u>195,289</u>
Total Bond Issue	\$ <u>61,032</u>	\$ <u>-</u>	\$ <u>12,206</u>	\$ <u>48,826</u>

7. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during the period consist of the following:

	Principal Outstanding <u>12/31/2017</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>12/31/2018</u>	Amounts Due In One Year
Business Type Activities:					
Senior Special Assessment Bonds					
2002 A	\$ 355,000	\$ -	\$ 135,000	\$ 220,000	\$ 220,000
2003 A	<u>675,000</u>	<u>-</u>	<u>115,000</u>	<u>560,000</u>	<u>160,000</u>
Total	<u>1,030,000</u>	<u>-</u>	<u>250,000</u>	<u>780,000</u>	<u>380,000</u>
Subordinate Special Assessment Bonds					
2002 B	455,000	-	90,000	365,000	95,000
2003 B	<u>315,000</u>	<u>-</u>	<u>55,000</u>	<u>260,000</u>	<u>60,000</u>
Total	<u>770,000</u>	<u>-</u>	<u>145,000</u>	<u>625,000</u>	<u>155,000</u>
Total Bonds	\$ <u><u>1,800,000</u></u>	\$ <u><u>-</u></u>	\$ <u><u>395,000</u></u>	\$ <u><u>1,405,000</u></u>	\$ <u><u>535,000</u></u>

**Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018**

The following is a summary of principal and interest maturities of outstanding debt for the next five years:

Year Ended December 31	Principal	Interest	Total
2019	\$ 535,000	\$ 85,114	\$ 620,114
2020	320,000	52,304	372,304
2021	415,000	33,223	448,223
2022	135,000	8,316	143,316
2023	-	-	-
	\$ 1,405,000	\$ 178,957	\$ 1,583,957

This Board of Supervisors duly adopted Resolution No. 2002-03 on November 6, 2002, (the "Initial Resolution") authorizing the issuance of not exceeding \$20,000,000 aggregate principal amount of its Squire Creek Community Development District, Village of Choudrant, State of Louisiana, Special Assessment Bonds, Series (To Be Designated), in one or more series, on one or more issuance dates (collectively, the "Bonds"), in order to pay all or a portion of the design, acquisition and construction costs of certain infrastructure improvements from time to time constructed, established, or installed in the District, including Phase I of the development plan for the District, which Bonds will be issued pursuant to the Act and a Master Trust Indenture dated as of December 31, 2002 (the "Master Trust Indenture") entered into between the District and Argent Trust Company, a Division of National Independent Trust Company, Ruston, Louisiana, as Trustee (the "Trustee").

8. CONSTRUCTION COMMITMENTS

The District has no outstanding contracts for professional and contract services, as of December 31, 2018.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, damage to, and theft or destruction, of assets, errors and omissions and natural disaster. During 2018 the District contracted with the Lincoln Agency, LLC for liability, property, and errors and omissions damage. Coverages provided by the company through various insurance carriers, are as follows:

Public Official Errors and Omissions Liability (Per Occurrence)	\$ 1,000,000
Commercial General Liability	2,000,000
Products-Completed Operation	2,000,000
Personal and Advertising Injury	1,000,000
Fire Damage	100,000

Squire Creek Community Development District
Notes to the Financial Statements
For the Year Ended December 31, 2018

10. CONTINGENCIES

As of December 31, 2018, the District did not have any pending litigation or potential nondisclosed liabilities that management believes would have a material effect on the financial statements.

11. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through June 21, 2019, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**Squire Creek Community Development District
Budgetary Comparison Schedule
For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues				
Maintenance Special Assessment	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
General Government				
Professional Fees	4,800	4,800	5,479	(679)
Insurance	4,000	4,000	3,781	219
Publications	1,000	1,000	-	1,000
Miscellaneous	200	200	-	200
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>9,260</u>	<u>740</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(10,000)	(10,000)	(9,260)	740
Other Financing Sources (Uses)				
Operating Transfers - In	8,500	8,500	8,500	-
Operating Transfers - Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>8,500</u>	<u>8,500</u>	<u>8,500</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(1,500)</u>	<u>(1,500)</u>	<u>(760)</u>	<u>740</u>
Fund Balance at Beginning of Year	3,747	3,747	3,747	-
Fund Balance at End of Year	<u>\$ 2,247</u>	<u>\$ 2,247</u>	<u>\$ 2,987</u>	<u>\$ 740</u>

See independent auditors' report.

**Squire Creek Community Development District
Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2018**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District annually adopts budgets for the General Fund of the primary government. All appropriations are legally controlled at the board level for the General Fund. On December 14, 2017, the District approved the original adopted budget reflected in the financial statements.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpected appropriations on annual budgets lapse at the end of each fiscal year.

**Squire Creek Community Development District
 Schedule of Compensation, Reimbursements, Benefits,
 and Other Payments to Agency Head
 For the Year Ended December 31, 2018**

Agency Head:

District Chairman : Gray Hipp

None

Purpose:

Salary	\$	-
Benefits - Payroll Taxes and Insurance		-
Travel		-
Reimbursements		-
Total Compensation, Benefits and Other Payments	\$	-

See independent auditors' report.

CAMERON, HINES & COMPANY

(A Professional Accounting Corporation)

Certified Public Accountants

104 Regency Place

West Monroe, Louisiana 71291

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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*

Board of Directors
Squire Creek Community Development District
Choudrant, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Squire Creek Community Development District as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Squire Creek Community Development District's basic financial statements, and have issued our report thereon dated June 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Squire Creek Community Development District's internal control over financial reporting (internal control) 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 Squire Creek Community Development 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 a deficiency in internal control, described in the accompanying schedule of findings and responses as item number 2018-01 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Squire Creek Community Development District's Response to Findings

Squire Creek Community Development District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Squire Creek Community Development District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Cameron, Hines & Company (APAC)

West Monroe, Louisiana
June 21, 2019

**Squire Creek Community Development District
Schedule of Findings and Responses
For the Year Ended December 31, 2018**

We have audited the financial statements of the Squire Creek Community Development District as of and for the year ended December 31, 2018, and have issued our report thereon dated June 21, 2019. 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. Our audit of the financial statements as of December 31, 2018, resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness yes no
Significant Deficiencies not considered to be
Material Weaknesses yes no

Compliance

Compliance Material to Financial Statements yes no

B. Federal Awards – N/A

Material Weakness Identified yes no

Significant Deficiencies not considered to be
Material Weaknesses yes no

Type of Opinion on Compliance For Major Programs

Unmodified Modified

Disclaimer Adverse

Are their findings required to be reported in accordance with Uniform Guidance?

C. Identification of Major Programs: N/A

Dollar threshold used to distinguish between Type A and Type B Programs.

Is the auditee a "low-risk" auditee, as defined by Uniform Guidance?

**Squire Creek Community Development District
Schedule of Findings and Responses
For the Year Ended December 31, 2018**

Section II - Financial Statement Findings

2018-01 Segregation of Duties

Condition:

Squire Creek Community Development District has too few individuals involved in the accounting system to have adequate segregation of duties for internal control.

Criteria:

Effective internal controls require that there be segregation of duties within the accounting function in order to reduce the risk of both errors and inappropriate actions.

Cause:

The District treasurer is the only individual involved in the accounting function. This does not allow for proper segregation of duties,

Potential Effect:

The District does not have proper segregation of duties and is at greater risk for not preventing or identifying errors and inappropriate actions once they have occurred.

Recommendation:

It is recommended that the Board continue to be involved with the oversight of the accounting function.

Response:

The Board will continue to be involved with oversight of the accounting function and is open to any suggestions on how to put controls in place to offset the risks.

Section III - Federal Award Findings and Question Costs

This section is not applicable for this entity.

**Squire Creek Community Development District
Schedule of Prior Year Findings
For the Year Ended December 31, 2018**

A. Report on Internal Control and Compliance Material to the Financial Statements

2017-01 Segregation of Duties

Condition:

Squire Creek Community Development District has too few individuals involved in the accounting system to have adequate segregation of duties for internal control.

Recommendation:

It is recommended that the Board continue to be involved with the oversight of the accounting function.

Status:

Not Cleared. See 2018-01.

B. Management Letter

There was no management letter issued for the year ended December 31, 2017.

**Squire Creek Community Development District
Managements Corrective Action Plan
For the Year Ended December 31, 2018**

A. Report on Internal Control and Compliance Material to the Financial Statements

2018-01 Segregation of Duties

Condition:

Squire Creek Community Development District has too few individuals involved in the accounting system to have adequate segregation of duties for internal control.

Criteria:

Effective internal controls require that there be segregation of duties within the accounting function in order to reduce the risk of both errors and inappropriate actions.

Cause:

The District treasurer is the only individual involved in the accounting function. This does not allow for proper segregation of duties.

Potential Effect:

The District does not have proper segregation of duties and is at greater risk for not preventing or identifying errors and inappropriate actions once they have occurred.

Recommendation:

It is recommended that the Board continue to be involved with the oversight of the accounting function.

Response:

The Board will continue to be involved with oversight of the accounting function and is open to any suggestions on how to put controls in place to offset the risks.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Squire Creek Community Development District and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Squire Creek Community Development District (District) 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 period January 1, 2018 through December 31, 2018. 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 District's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the District's operations):¹
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts/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.

¹ For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics²**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the District's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Findings: The District does not have written policies or procedures.

Bank Reconciliations

- 2. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the District's main operating account. Select the District's main operating account and randomly select 4 additional accounts³ (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - 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);
 - 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

² The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

³ Accounts selected may exclude savings and investment accounts that are not part of the THE DISTRICT's daily business operations.

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

Findings: One exception noted where bank reconciliations do not include evidence that a board member has reviewed each reconciliation.

Collections

3. Obtain a listing of deposit sites⁴ for the fiscal period where deposits for cash/checks/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).

Findings: We obtained the listing and management's representation.

4. For each deposit site selected, obtain a listing of collection locations⁵ 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 that 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.
- 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.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) 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.

Findings: The District does not have employees; the Treasurer handles all day to day operations of the District. It was noted that the Treasurer collects cash, prepares and makes the bank deposits, posts collection entries to the general ledger, and reconciles cash collections to the general ledger.

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

Findings: No exceptions noted.

⁴ A deposit site is a physical location where a deposit is prepared and reconciled.

⁵ A collection location is a physical location where cash is collected. An THE DISTRICT may have one or more collection locations whose collections are brought to a deposit site for deposit.

6. 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)⁶. *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - 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).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Findings: Four exceptions noted where the deposit was not made within one business day of receipt at the collection location.

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

7. 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).

Findings: We obtained the listing and management's representation.

8. For each location selected under #8 above, obtain a listing 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.
 - b) At least two employees are involved in processing and approving 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.

⁶ If "bank reconciliations" have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for bank reconciliations.

- 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.

Findings: The District does not have employees; the Treasurer handles all of the day to day operations of the District. It was noted that the Treasurer initiates purchase request, approves purchases, and makes the purchase. It was also noted that the Treasurer is not prohibited from adding/modifying vendor files and mails the signed checks after they have been signed.

9. For each location selected under #8 above, obtain the District'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.
b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Findings: Five exceptions noted where the disbursement documentation did not include evidence of segregation of duties.

*Ethics*⁷

10. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above⁸, 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.
b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the District's ethics policy during the fiscal period.

Findings: The District does not have any employees; the Treasurer handles all day to day operations with limited supervision by the Board. It was noted that neither the Treasurer nor any of the Board members had documentation of the required ethics training.

Other

11. 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

⁷ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

⁸ If "payroll and personnel" have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

District reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the District is domiciled.

Findings: The District did not have any misappropriations of public funds and assets during the fiscal period. This testing is not applicable.

12. Observe that the District has posted on its premises⁹ and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.¹⁰

Findings: No exceptions noted.

Management's Response

We concur with the results of the procedures and are working diligently to improve controls.

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 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.

Cameron, Hines & Company (APAC)

West Monroe, Louisiana

June 24, 2019

⁹ Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

¹⁰ This notice is available for download or print at www.la.gov/hotline.