

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
MORGAN CITY, LOUISIANA**

Annual Financial Statements

September 30, 2017



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Independent Auditor's Report

To the Board of Commissioners
St. Mary Parish Consolidated Gravity Drainage District No. 2
Morgan City, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 2 (the District), a component unit of St. Mary Parish, Louisiana, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 and each major fund of the District as of September 30, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A(3), 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 agency head is the responsibility of management and was derived from and relates 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 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 of compensation, benefits, and other payments to agency head 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 January 17, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Mary Parish Consolidated Gravity Drainage District No. 2's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
January 17, 2018

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Statement of Net Position
September 30, 2017

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Cash | \$ 9,546,273 |
| Prepaid Expenses | 64,229 |
| Capital Assets Being Depreciated, Net of Accumulated Depreciation | 5,122,120 |
| Capital Assets Not Being Depreciated | <u>10,691,963</u> |
| Total Assets | <u>25,424,585</u> |
| Deferred Outflows of Resources | |
| Deferred Amount on Refunding of Debt | <u>473,621</u> |
| Liabilities | |
| Accounts Payable | 1,403,593 |
| Accrued Expenses | 21,588 |
| Bonds Payable | |
| Due Within One Year | 804,118 |
| Due in More than One Year | <u>12,839,121</u> |
| Total Liabilities | <u>15,068,420</u> |
| Net Position | |
| Net Investment in Capital Assets | 9,180,067 |
| Restricted - Debt Service | 516,752 |
| Unrestricted | <u>1,132,967</u> |
| Total Net Position | <u><u>\$ 10,829,786</u></u> |

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

ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Statement of Activities
For the Year Ended September 30, 2017

| Functional Programs | Expenses | Program Revenues Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|--|---------------------|--|--|
| Governmental Activities | | | |
| Drainage Works | \$ 1,385,382 | \$ - | \$ (1,385,382) |
| Grant Revenue | - | 1,419,610 | 1,419,610 |
| Interest on Long-Term Debt | 231,365 | - | (231,365) |
| Total Governmental Activities | \$ 1,616,747 | \$ 1,419,610 | (197,137) |
| General Revenues | | | |
| Taxes | | | |
| Ad Valorem Taxes | | | 1,843,451 |
| Interest Income | | | 15,420 |
| Miscellaneous | | | 66,810 |
| Total General Revenues | | | 1,925,681 |
| Change in Net Position | | | 1,728,544 |
| Net Position, Beginning of Year | | | 9,101,242 |
| Net Position, End of Year | | | \$ 10,829,786 |

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Balance Sheet
Governmental Funds
September 30, 2017**

| | General Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|--|-------------------|-------------------------|-----------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 499,210 | \$ 512,654 | \$ 8,534,409 | \$ 9,546,273 |
| Due from Other Funds | - | 4,098 | - | 4,098 |
| Total Assets | \$ 499,210 | \$ 516,752 | \$ 8,534,409 | \$ 9,550,371 |
| Liabilities | | | | |
| Accounts Payable | \$ 71,324 | \$ - | \$ 1,332,269 | \$ 1,403,593 |
| Accrued Liabilities | 1,309 | - | - | 1,309 |
| Due to Other Funds | 4,098 | - | - | 4,098 |
| Total Liabilities | 76,731 | - | 1,332,269 | 1,409,000 |
| Fund Balances | | | | |
| Restricted | - | 516,752 | 7,202,140 | 7,718,892 |
| Unassigned | 422,479 | - | - | 422,479 |
| Total Fund Balances | 422,479 | 516,752 | 7,202,140 | 8,141,371 |
| Total Liabilities and Fund Balances | \$ 499,210 | \$ 516,752 | \$ 8,534,409 | \$ 9,550,371 |

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|--|----------------------|
| Total Fund Balance | \$ 8,141,371 |
| Prepaid expenses used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. | 64,229 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. | 15,814,083 |
| Long-term liabilities, including bonds and capital lease payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements. | (13,643,239) |
| Accrued interest and expenses associated with long-term liabilities are not reported in the fund financial statements. | (20,279) |
| Deferred amounts on bond refunding are not financial resources and, therefore, are not reported in the fund financial statements. | 473,621 |
| Net Position of Governmental Activities | \$ 10,829,786 |

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

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017**

| | General Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|-------------------|-------------------------|-----------------------------|--------------------------------|
| Revenues | | | | |
| Ad Valorem Taxes | \$ 818,080 | \$ 1,025,371 | \$ - | \$ 1,843,451 |
| Grant Revenue | - | - | 1,419,610 | 1,419,610 |
| Interest Income | 2,462 | 3,256 | 9,702 | 15,420 |
| Miscellaneous | 53,935 | 12,875 | - | 66,810 |
| Total Revenues | 874,477 | 1,041,502 | 1,429,312 | 3,345,291 |
| Expenditures | | | | |
| Drainage Works | | | | |
| Advertising and Publishing | 4,024 | 1,879 | - | 5,903 |
| Fuel and Electricity | 36,994 | - | - | 36,994 |
| Insurance | 92,214 | - | - | 92,214 |
| Miscellaneous | 17,898 | 1,602 | 419 | 19,919 |
| Pension | 26,732 | 33,505 | - | 60,237 |
| Per Diem - Board | 4,615 | - | - | 4,615 |
| Professional Fees | 150,838 | 13,000 | 7,578 | 171,416 |
| Repairs and Maintenance | 175,077 | - | 7,785 | 182,862 |
| Salaries and Wages | 241,579 | - | - | 241,579 |
| Supplies | 7,563 | - | - | 7,563 |
| Debt Service - Principal | - | 720,000 | - | 720,000 |
| Debt Service - Interest and Fiscal Charges | - | 192,940 | - | 192,940 |
| Debt Issuance Costs | - | 113,781 | 139,036 | 252,817 |
| Capital Outlay | 124,896 | - | 4,822,770 | 4,947,666 |
| Total Expenditures | 882,430 | 1,076,707 | 4,977,588 | 6,936,725 |
| Deficiency of Revenues Over Expenditures | (7,953) | (35,205) | (3,548,276) | (3,591,434) |
| Other Financing Sources (Uses) | | | | |
| Bonds Proceeds | - | 3,130,000 | 6,115,000 | 9,245,000 |
| Premium Received on Bonds Issued | - | 320,668 | 432,571 | 753,239 |
| Payment to Refunded Bonds Escrow Agent | - | (3,886,887) | - | (3,886,887) |
| Total Other Financing Sources (Uses) | - | (436,219) | 6,547,571 | 6,111,352 |
| Net Change in Fund Balances | (7,953) | (471,424) | 2,999,295 | 2,519,918 |
| Fund Balances, Beginning of Year | 430,432 | 988,176 | 4,202,845 | 5,621,453 |
| Fund Balances, End of Year | \$ 422,479 | \$ 516,752 | \$ 7,202,140 | \$ 8,141,371 |

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

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2017**

| | |
|--|--------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 2,519,918 |
|--|--------------|

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. | 4,614,059 |
|---|-----------|

The issuance of long-term debt (e.g., certificates of indebtedness, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:

| | |
|--|-------------|
| Bond Proceeds | (9,998,239) |
| Principal Payments | 720,000 |
| Payments to Escrow on Refunding | 3,886,887 |
| Amortization of Deferred Amounts on Bond Refunding | (43,056) |
| Change in Prepaid Expenses | 24,344 |
| Change in Accrued Interest | 4,631 |

| | |
|--|----------------------------|
| Change in Net Position of Governmental Activities | \$ <u>1,728,544</u> |
|--|----------------------------|

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

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of St. Mary Parish Consolidated Gravity Drainage District No. 2 conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of significant accounting policies.

Reporting Entity

On November 12, 1997, the St. Mary Parish Council created St. Mary Parish Consolidated Gravity Drainage District No. 2 (the District), a consolidated gravity drainage district which includes the boundaries of Gravity Drainage District No. 3 and Gravity Drainage District No. 5. The District was created and established pursuant to the provisions of Part II, Chapter 7, Title 38 of the Louisiana Revised Statutes of 1950, as amended. The District has full power and authority to drain lands in the District by construction, maintenance, and operation of pumping plants, dikes, levees, and other related works.

This report includes all funds which are controlled by or dependent on the District's executive and legislative branches (the Board of Commissioners). Control by or dependence on the District was determined on the basis of budget adoptions, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The District is an integral part of the Parish of St. Mary.

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 No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63 in June 2011.

Government-Wide Financial Statements

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

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide Financial Statements (Continued)

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) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain district functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures are at least 10 percent of the corresponding total for all governmental and proprietary funds and at least 5 percent of the aggregate amount for all governmental and proprietary funds.

The District reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or repair or replacement of major capital facilities.

Measurement Focus / Basis of Accounting

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

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus / Basis of Accounting (Continued)

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period, or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when payment is due, and certain compensated absences and claims and judgments, if any, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an economic resources measurement focus and 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, regardless of the timing of related cash flows. Ad valorem taxes and other major revenues are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Ad valorem taxes are recognized as revenues in the year in which such taxes are levied and billed to taxpayers.

Cash

Cash includes amounts in interest-bearing demand deposits. Cash equivalents would include amounts in time deposits and those investments 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.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

All capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | | |
|--|---------------|-----------------------|
| Buildings, Pump Stations, and Improvements | 15 - 40 Years | Straight-Line |
| Drainage System Improvements | 20 - 25 Years | Straight-Line |
| Equipment, Pumps, and Engines | 15 - 25 Years | Straight-Line |
| Land, Canals, Levees, and Construction in Progress | | Not Being Depreciated |

Bonds Payable

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Equity Classifications

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources related to those assets.

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Restricted

This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted

All other net position is reported in this category.

In the governmental fund financial statements, fund balances are classified as follows:

1. Restricted Fund Balance - Amounts that can be spent only for specific purposes because of enabling legislation or externally imposed conditions by grantors, creditors, or citizens.
2. Unassigned Fund Balance - All amounts not included in other spendable classifications.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Recently Issued Accounting Principles

The District adopted GASB Statement No. 76 (GASB 76), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 76 is to identify, within the context of the current governmental financial reporting environment, the sources of the accounting principles (GAAP) and the framework for selecting those principles.

In August 2015, the GASB issued Statement No. 77 (GASB 77), *Tax Abatement Disclosures*. The objective of GASB 77 is to provide for the disclosure of tax abatements in the financial statements of governments. GASB 77 was implemented by the District in the year ended September 30, 2017.

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 2. Cash

At September 30, 2017, cash consisted of demand deposits with a carrying value of \$9,546,273 and a bank balance of \$10,611,196. These deposits are stated at cost which approximates market.

Custodial Credit Risk - Deposits

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

At September 30, 2017, the District had \$10,611,196 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 in federal deposit insurance and \$11,032,699 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Note 3. Interfund Receivables and Payables

The composition of interfund balances at September 30, 2017, consisted of the following:

| | Interfund Receivables | Interfund Payables |
|-------------------|----------------------------------|-------------------------------|
| General Fund | \$ - | \$ 4,098 |
| Debt Service Fund | 4,098 | - |
| Total | \$ 4,098 | \$ 4,098 |

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 4. Capital Assets

Capital assets activity for the year ended September 30, 2017, was as follows for the governmental activities:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|---------------------|------------------|---------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 2,594,657 | \$ - | \$ - | \$ 2,594,657 |
| Construction in Progress | 3,371,570 | 4,725,736 | - | 8,097,306 |
| Total Capital Assets Not Being Depreciated | 5,966,227 | 4,725,736 | - | 10,691,963 |
| Capital Assets Being Depreciated | | | | |
| Pumps, Engines, and Equipment | 2,678,782 | 214,675 | - | 2,893,457 |
| Pump Station Improvements | 5,960,331 | 7,255 | - | 5,967,586 |
| Drainage Improvements | 2,895,773 | - | - | 2,895,773 |
| Buildings | 264,233 | - | - | 264,233 |
| Vehicles | 40,363 | - | - | 40,363 |
| Total Capital Assets Being Depreciated | 11,839,482 | 221,930 | - | 12,061,412 |
| Less Accumulated Depreciation for: | | | | |
| Pumps, Engines, and Equipment | (1,926,213) | (68,115) | - | (1,994,328) |
| Pump Station Improvements | (3,053,281) | (161,642) | - | (3,214,923) |
| Drainage Improvements | (1,363,974) | (92,296) | - | (1,456,270) |
| Buildings | (246,744) | (3,481) | - | (250,225) |
| Vehicles | (15,473) | (8,073) | - | (23,546) |
| Total Accumulated Depreciation | (6,605,685) | (333,607) | - | (6,939,292) |
| Total Capital Assets Being Depreciated, Net | 5,233,797 | (111,677) | - | 5,122,120 |
| Capital Assets, Net | \$ 11,200,024 | \$ 4,614,059 | \$ - | \$ 15,814,083 |

Depreciation expense in the amount of \$333,607 was charged to drainage works for the year ended September 30, 2017.

At September 30, 2017, the District's construction in progress consisted of survey and certification services for several levee improvement projects, the construction of the safe room for pumping stations 3 and 4, and ongoing construction and materials for improvements to pumping station number 6.

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 5. Deferred Outflows of Resources - Refunding of Debt

In 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements provide guidance on reporting the difference between the reacquisition price and net carrying amount of old debt for current and advance refunding resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt. At September 30, 2017, the District had a deferred amount on refunding debt of \$473,621, which resulted from the advance refunding of the General Obligations Bonds, Series 2005 and 2009.

Note 6. Accounts Payable

The payables, as reposted on the statement of net position at September 30, 2017, included the following:

| | Governmental Activities | Total |
|------------------|------------------------------------|---------------------|
| Accounts Payable | \$ 1,403,593 | \$ 1,403,593 |
| Accrued Expenses | 21,588 | 21,588 |
| Total | \$ 1,425,181 | \$ 1,425,181 |

Note 7. Bonds Payable

The following is a summary of bonds payable of the District as of September 30, 2017:

| | |
|--|--------------|
| \$6,320,000 General Obligation Bonds dated November 1, 2009; balance due in annual principal installments, starting March 1, 2012, of \$175,000 - \$380,000, plus semi-annual interest payments, through March 1, 2022, with interest at 4% to 5%. During 2017, the bond maturities for the years 2023 through 2029 were defeased. | \$ 1,610,000 |
| \$3,280,000 General Obligation Refunding Bonds dated August 20, 2014; balance due in annual principal installments, starting March 1, 2015, of \$285,000 - \$505,000, plus semi-annual interest payments, through March 1, 2025, with interest at 2.39%. | 2,035,000 |

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 7. Bonds Payable (Continued)

| | |
|---|-----------------------------|
| \$3,130,000 General Obligation Refunding Bonds dated February 22, 2017; balance due in annual principal installments, starting March 1, 2023, of \$360,000 - \$535,000, plus semi-annual interest payments, through March 1, 2029, with interest at 3% to 4%. | 3,130,000 |
| \$6,115,000 General Obligation Bonds dated August 30, 2017; balance due in annual principal installments, starting March 1, 2019, of \$65,000 - \$565,000, plus semi-annual interest payments, through March 1, 2037, with interest at 2% to 4%. | <u>6,115,000</u> |
| Total | <u>\$ 12,890,000</u> |

The following is a summary of debt transactions of the District for the year ended September 30, 2017:

| | Debt Payable October 1, 2016 | Issued | Retired | Debt Payable September 30, 2017 | Due Within 1 Year |
|---|------------------------------------|---------------------|-----------------------|---------------------------------------|----------------------|
| Governmental Activities | | | | | |
| \$6,320,000 General Obligation Bonds, Series 2009 | \$ 5,345,000 | \$ - | \$ (3,735,000) | \$ 1,610,000 | \$ 240,000 |
| \$3,280,000 General Obligation Refunding Bonds, Series 2014 | 2,525,000 | - | (490,000) | 2,035,000 | 505,000 |
| \$3,130,000 General Obligation Refunding Bonds, Series 2017 | - | 3,130,000 | - | 3,130,000 | - |
| \$6,115,000 General Obligation Bonds, Series 2017 | - | 6,115,000 | - | 6,115,000 | - |
| Unamortized Premium on Debt | - | 753,239 | - | 753,239 | 59,118 |
| Total Governmental Activities | <u>7,870,000</u> | <u>9,998,239</u> | <u>(4,225,000)</u> | <u>13,643,239</u> | <u>804,118</u> |
| Total Debt | <u>\$ 7,870,000</u> | <u>\$ 9,998,239</u> | <u>\$ (4,225,000)</u> | <u>\$ 13,643,239</u> | <u>\$ 804,118</u> |

General obligation bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 10% of the assessed value of taxable property in the District. At September 30, 2017, the District had not exceeded this statutory limit.

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 7. Bonds Payable (Continued)

The following is a schedule of future principal debt service requirements:

| Year Ending September 30, | General Obligation Bonds | | |
|------------------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2018 | \$ 745,000 | \$ 334,518 | \$ 1,079,518 |
| 2019 | 575,000 | 420,300 | 995,300 |
| 2020 | 610,000 | 399,916 | 1,009,916 |
| 2021 | 640,000 | 379,517 | 1,019,517 |
| 2022 | 670,000 | 356,918 | 1,026,918 |
| 2023-2027 | 3,855,000 | 1,462,928 | 5,317,928 |
| 2028-2032 | 3,170,000 | 795,538 | 3,965,538 |
| 2033-2037 | 2,625,000 | 323,000 | 2,948,000 |
| Total | \$ 12,890,000 | \$ 4,472,635 | \$ 17,362,635 |

Advance Refunding

Details of Advance Refunding - General Obligation Refunding Bonds, Series 2017

During 2017, the District advance refunded the 2023 to 2029 maturities totaling \$3,505,000 of the General Obligation Bonds, Series 2009. In addition to \$550,000 of funds transferred from the Debt Service Fund, the District issued \$3,130,000 of general obligation refunding bonds to provide additional resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt account group. This advance refunding was undertaken to reduce total debt service payments over 7 years by \$251,045, and to obtain an economic gain of \$127,401.

Defeased Debt Outstanding

The District defeased general obligation bonds by placing the proceeds of the bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities of the defeased bonds are not included in the District's financial statements. At September 30, 2017, \$3,505,000 of defeased bonds remained outstanding.

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 8. Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the Tax Assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

The following is a summary of authorized and levied ad valorem taxes:

| | Authorized | Levied |
|----------------------------|-------------------|---------------|
| Maintenance and Operations | 7.38 | 7.38 |
| Debt Service | 9.25 | 9.25 |

Note 9. Grant Revenue

Grant revenues totaling \$1,419,610 for the year ended September 30, 2017, were received by the District from the Costal Protection and Restoration Authority to help fund levee improvement projects taken on by the District.

Note 10. Compensation Paid to Board Members

For the year ended September 30, 2017, the following individuals served on the Board of Commissioners and received per diem allowances as follows:

| | |
|-----------------|------------------------|
| Jean Paul Bourg | \$ 1,820 |
| Paul Cheramie | 780 |
| Leroy Trim | 780 |
| Ronald Berry | 715 |
| Lee Dragna | <u>520</u> |
| Total | <u>\$ 4,615</u> |

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**

Notes to Financial Statements

Note 11. 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. During the year ended September 30, 2017, the District carried insurance through various commercial carriers to cover all risks of loss. The District had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 12. Tax Abatements

For the year ended September 30, 2017, a total of \$80,562 in ad valorem taxes receivable by the District were abated on tax-exempt properties.

REQUIRED SUPPLEMENTARY INFORMATION

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended September 30, 2017**

| | Budget | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|--------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Ad Valorem Taxes | \$ 675,000 | \$ 822,200 | \$ 818,080 | \$ (4,120) |
| Interest Income | 2,500 | 3,100 | 2,462 | (638) |
| Miscellaneous | 11,500 | 53,935 | 53,935 | - |
| Total Revenues | 689,000 | 879,235 | 874,477 | (4,758) |
| Expenditures | | | | |
| Drainage Works | | | | |
| Advertising and Publishing | 2,000 | 4,165 | 4,024 | 141 |
| Fuel and Electricity | 55,000 | 55,500 | 36,994 | 18,506 |
| Insurance | 86,500 | 89,000 | 92,214 | (3,214) |
| Miscellaneous | 5,000 | 10,000 | 17,898 | (7,898) |
| Pension | 26,000 | 26,732 | 26,732 | - |
| Per Diem - Board | 6,150 | 4,800 | 4,615 | 185 |
| Professional Fees | 100,000 | 160,000 | 150,838 | 9,162 |
| Repairs and Maintenance | 175,000 | 150,000 | 175,077 | (25,077) |
| Salaries and Wages | 205,000 | 241,000 | 241,579 | (579) |
| Supplies | 7,500 | 7,500 | 7,563 | (63) |
| Capital Outlay | 5,000 | 150,000 | 124,896 | 25,104 |
| Total Expenditures | 673,150 | 898,697 | 882,430 | 16,267 |
| Net Change in Fund Balance | \$ 15,850 | \$ (19,462) | (7,953) | \$ 11,509 |
| Fund Balance, Beginning of Year | | | 430,432 | |
| Fund Balance, End of Year | | | \$ 422,479 | |

OTHER SUPPLEMENTARY INFORMATION

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Schedule of Compensation, Benefits, and Other Payments
to Agency Head
For the Year Ended September 30, 2017**

Louisiana Revised Statute (LRS) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees, be reported as a supplemental report within the financial statements of a local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended LRS 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
Lee Dragna, Board Chairman

| Purpose | Amount |
|--|---------------|
| Salary | \$0 |
| Benefits - Insurance | \$0 |
| Benefits - Retirement | \$0 |
| Benefits - Other | \$0 |
| Car Allowance | \$0 |
| Vehicle Provided by Government | \$0 |
| Per Diem | \$520 |
| Reimbursements | \$0 |
| Travel | \$0 |
| Registration Fees | \$0 |
| Conference Travel | \$0 |
| Continuing Professional Education Fees | \$0 |
| Housing - Relocation Expense | \$0 |
| Miscellaneous Expenses | \$0 |
| Special Meals | \$0 |

See independent auditor's report.

**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**

Independent Auditor's Report

To the Board of Commissioners
St. Mary Parish Consolidated Gravity Drainage District No. 2
Morgan City, Louisiana

We have audited, 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, the financial statements of the governmental activities and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 2 (the District), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
January 17, 2018

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Schedule of Findings and Responses
For the Year Ended September 30, 2017**

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies? | None reported |
| c. Noncompliance material to the financial statements? | No |
| 3. Management letter comment provided? | None |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Compliance and Other Matters

None.

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2017**

Section II. Financial Statement Findings

None.

Section III. Findings and Questioned Costs for Federal Awards

Not applicable.

AGREED-UPON PROCEDURES REPORT
St. Mary's Parish Consolidated Gravity Drainage District No. 2

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period October 1, 2016 - September 30, 2017

To the Board of Commissioners
St. Mary's Parish Consolidated Gravity Drainage District No. 2
Morgan City, Louisiana

We have performed the procedures enumerated below, which were agreed to by St. Mary's Parish Consolidated Gravity Drainage District No. 2 (the 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 October 1, 2016 through September 30, 2017. 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - 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.
 - c) ***Receipts***, including receiving, recording, and preparing deposits.

- d) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- e) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- f) **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.
- g) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) **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. Note: Ethics requirements are not applicable to nonprofits.
- i) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: As a result of the procedures 1.a. through 1.i., LaPorte noted that the District did not have formal policies and procedures in place over the following areas: Budgeting, Disbursements, Receipts, Payroll Processing, Credit Cards, Travel and Expense Reimbursement, and Debt Service. LaPorte noted that the District maintained formal written policies over Purchasing, Contracting, and Ethics.

Management's Response: The District will work to put the policies and procedures currently being practiced into formalized written policies for the following processes: Budgeting, Disbursements, Receipts, Payroll Processing, Credit Cards, Travel and Expense Reimbursement, and Debt Service.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g., approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results: LaPorte obtained the Board of Commissioners' minutes for the fiscal period and noted that the Board of Commissioners met on a monthly basis to review financial data, approve purchases, etc.; however, we noted that budget to actual reports were not reviewed by the board at monthly meetings.

Management's Response: The District will work to incorporate budget to actual reviews at the monthly meetings of the Board of Commissioners.

Bank Reconciliations

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

Results: LaPorte obtained a listing of bank accounts from management and management's representation that the listing was complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;
- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Results: LaPorte selected all of the entity's bank accounts to perform procedures 4.a. through 4.c. Bank reconciliations have been prepared, including evidence of management review for all accounts from October 2016 through September 2017. There were no reconciling items outstanding for greater than 6 months as of the end of the fiscal period.

Collections

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

Results: LaPorte obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than five locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:
- a) Obtain existing written documentation (e.g., insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g., sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Results: LaPorte obtained the listing of all of the entity's cash collection locations and performed procedures 6.a. through 6.c. LaPorte noted that the individual responsible for depositing cash is bonded. As a result of the procedures performed above, we noted that there are no formal written policies and procedures over cash collections and reconciliations. We also noted that the individual responsible for cash collections also deposits cash; however, due to the small size of the entity, we feel that compensating controls are in place to detect any instances of undeposited cash. There were no other exceptions noted over collections. For the highest dollar week of cash collections, we noted that deposits were made within 1 day of collection.

Management's Response: The District will work to put the policies and procedures currently being practiced into formalized written policies for the cash collections process. Management feels that compensating controls are in place and operating effectively over the cash collection and reconciliation processes.

7. Obtain existing written documentation (e.g., policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Results: As a result of the procedures performed above, we noted that there are no formal written polices and procedures over cash collections.

Management's Response: The District will work to put the policies and procedures currently being practiced into formalized written policies for the cash collections process.

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

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

Results: LaPorte obtained a listing of disbursements and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g., purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

Results: Using the disbursement population from number 8, LaPorte selected 25 disbursements and performed procedures 9.a. through 9.c. The District does not initiate purchases using a requisition/ purchase order system or an equivalent electronic system that separates initiation from approval functions; however, all purchases were approved manually prior to payment by a person other than the individual who initiated the transaction.

10. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Results: LaPorte noted that the person responsible for processing payments is also able to add vendors to the entity's purchasing system. However, we feel that compensating controls are in place to detect any potential payments to unauthorized vendors.

Management's Response: Management of the District feels that compensating controls are in place and operating effectively over disbursements.

11. Using entity documentation (e.g., electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results: LaPorte noted that the individuals with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Results: LaPorte noted that the supply of unused checks is maintained in a locked location, with access restricted to those persons who do not have signatory authority. Checks are not electronically printed.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Results: LaPorte noted that the District does not use a signature stamp or machine. All checks are manually signed by authorized signatories.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: LaPorte obtained a listing of active credit cards and management's representation that the listing is complete. The District does not have bank debit cards, fuel cards, or P-cards.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Results: LaPorte obtained the monthly statements for all credits card and performed procedures 15.a. and 15.b. listed above, as there were less than 10 cards in total. We noted that for the largest month selected for testing, all statements were properly reviewed and approved prior to payment. There were no finance charges or late fees to assess on the statements tested.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e., each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased).
 - Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization).
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e., transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., cash advances or non-business purchases, regardless of whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Results: LaPorte obtained supporting documentation for all credit cards for the month with the highest charges and performed the procedures 16.a. through 16.c. All purchases were properly supported by supporting receipts and invoices, in compliance with bid law, and for the District's business/ public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Results: LaPorte noted that there were no travel and related expense reimbursements paid to employees of the District during the fiscal period. We obtained management's representation of completeness.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Results: LaPorte noted that the District does not reimburse employees for mileage or other expenses; therefore, the District does not have written policies over such expenses and reimbursements.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
- b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose. (Note: For meal charges, there should also be documentation of the individuals participating.)
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g., hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: LaPorte noted that the District does not reimburse employees for mileage or other expenses; therefore, procedures 19.a. through 19.d. are not applicable to the District.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Results: LaPorte obtained a listing of contracts and management's representation that the listing is complete.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g., Lawrason Act or Home Rule Charter).

Results: LaPorte obtained the five contracts for vendors with the largest payments during the fiscal period and performed procedures 21.a. through 21.e. We noted that all contracts are approved by the board at regularly scheduled meetings, per review of the board minutes. All contracts were in compliance with bid law, as applicable. We selected the largest payment for each vendor and agreed amounts to the underlying contract and invoice without exception. LaPorte noted that the District's contract with T-Baker Smith, LLC was amended and increased by a total of \$323,763.28 for basic and additional services required to complete a levee project on-going with the District. We also noted that the original contract terms contemplated or provided for such an amendment.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Results: LaPorte obtained a listing of employees with their related salaries and obtained management's representation that the listing was complete. Compensation was made in accordance with the terms and conditions of the employment contract for all five individuals selected and there were no changes to hourly rates during the fiscal year.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results: LaPorte obtained attendance and leave records for all employees, randomly selected a period in which leave was taken by at least one employee, and performed procedures 23.a. through 23.c. for one-third of the number of employees, as there are fewer than 25 employees at the District. We noted that attendance and leave are tracked for all employees of the District and that supervisors approve the time of hourly employees.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Results: LaPorte noted that there were no terminations during the fiscal period and obtained management's representation that this information is complete and accurate.

25. Obtain supporting documentation (e.g., cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results: LaPorte noted that the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Results: LaPorte obtained ethics compliance documentation from management for all 5 employees randomly selected for testing from procedures #22.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Results: Management has received no allegations of ethics violations during the fiscal period.

Debt Service (excluding nonprofits)

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

Results: LaPorte obtained documentation from the entity, including official statements and approved State Bond Commission forms, for all new debt issued during the fiscal year.

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

Results: LaPorte noted that the District made scheduled debt service payments and was in compliance with covenants required by debt agreements for all bonds issued and outstanding during the fiscal period.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Results: Millage collections for debt service did not exceed debt service payments by more than 10% during the fiscal period. No millages were noted as received on debt that has been paid off.

Other

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

Results: To management's knowledge, there have been no misappropriations of public funds or assets.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: LaPorte noted that the District has posted on its premises the notice required by R.S. 24:523.1. The District does not have a website.

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

Results: LaPorte noted no exceptions regarding management's representations in the procedures performed above.

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.



A Professional Accounting Corporation

Covington, LA
January 17, 2018