

**ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1  
STATE OF LOUISIANA**

Annual Component Unit Financial Statements  
with Independent Auditors' Report  
and  
Report on Internal Control Over Financial Reporting  
and Compliance and Other Matters

For the Year Ended September 30, 2017

# CONTENTS

	<u>Page</u>
<u>FINANCIAL INFORMATION SECTION</u>	
Independent Auditors' Report	1-3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	7
Budgetary Comparison (Non-GAAP Basis) - General Fund	8
Budgetary Comparison (Non-GAAP Basis) - Capital Maintenance Fund	9
Notes to the Financial Statements	10-26
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of District's Proportionate Share of the Net Pension Liability (unaudited)	27
Schedule of District Contributions (unaudited)	28
<u>GENERAL SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits, and Reimbursements To Agency Head, Political Subdivision Head, or Chief Executive Officer	29
<u>INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS SECTION</u>	
Independent Auditors' Report On Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	30-31
Schedule of Findings	32-34

## CONTENTS

	<u>Page</u>
Summary of Prior Year Findings and Related Corrective Action Prepared by St. Mary Parish Consolidated Gravity Drainage District No. 1	35
Corrective Action Plan Prepared by Management of St. Mary Parish Consolidated Gravity Drainage District No. 1	36-37



INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
St. Mary Parish Consolidated Gravity  
Drainage District No. 1  
Franklin, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund of St. Mary Parish Consolidated Gravity Drainage District No. 1, a component unit of St. Mary Parish, as of and for the year ended September 30, 2017, and the related notes to these 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.

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 and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 1, as of September 30, 2017 and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Capital Maintenance Fund, 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 Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions on pages 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.

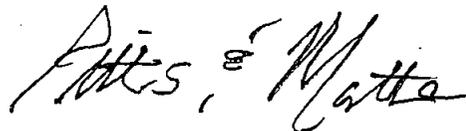
Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Compensation, Benefits, and Reimbursements to Agency Head, Political Subdivision Head, or Chief Executive Officer is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits, and Reimbursements to Agency Head, Political Subdivision Head, or Chief Executive Officer is the responsibility of management and was derived from and related 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 information 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 February 2, 2018, on our consideration of the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana  
February 2, 2018

ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Statement of Net Position  
September 30, 2017

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current assets	
Cash and cash equivalents	\$2,142,887
Accounts receivable - other governments	118,059
Total current assets	<u>2,260,946</u>
Capital assets	
Land	8,600
Buildings and improvements, net of accumulated depreciation	57,460
Equipment, net of accumulated depreciation	358,288
Infrastructure - drainage, net of accumulated depreciation	2,815,764
Total net capital assets	<u>3,240,112</u>
Total assets	<u>5,501,058</u>
Deferred outflows of resources	
Deferred outflows related to pensions	152,949
Total assets and deferred outflows of resources	<u><u>\$5,654,007</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$59,099
Total current liabilities	<u>59,099</u>
Net pension liability	123,303
Total liabilities	<u>182,402</u>
Deferred inflows of resources	
Deferred inflows related to pension	22,161
Total liabilities and deferred inflows of resources	<u>204,563</u>
Net Position	
Net investment in capital assets	3,247,597
Restricted for Yokely Pump Station	31,041
Unrestricted	2,170,806
Total net position	<u>5,449,444</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$5,654,007</u></u>

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

**ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1**

**Statement of Activities  
For the Year Ended September 30, 2017**

	<u>Total</u>
<u>Expenses</u>	
Drainage	
Salaries, wages, and benefits	\$549,698
Pump operation and maintenance	327,192
Insurance	94,003
Truck expenses	75,762
Utilities	15,689
Miscellaneous	35,728
Depreciation expense	350,402
Pension expense	72,902
	<hr/>
Total expenses	1,521,376
	<hr/>
<u>General revenues</u>	
Ad valorem taxes	1,386,410
State revenue sharing	39,145
Investment income	3,980
Intergovernmental revenues	30,667
Nonemployer pension contributions	4,423
	<hr/>
Total general revenues	1,464,625
	<hr/>
Change in net assets	(56,751)
	<hr/>
Net Position - beginning of year	5,506,195
	<hr/>
Net Position - end of year	\$5,449,444
	<hr/> <hr/>

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

**ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO.1**

**Balance Sheet  
Governmental Funds  
September 30, 2017**

	<u>General Fund</u>	<u>Capital Maintenance Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$2,108,377	\$34,510	\$2,142,887
Accounts receivable - other governments	118,059		118,059
Due from Capital Maintenance	3,469		3,469
	<u>\$2,229,905</u>	<u>\$34,510</u>	<u>\$2,264,415</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$59,099		\$59,099
Due to General Fund		3,469	\$3,469
	<u>59,099</u>	<u>3,469</u>	<u>62,568</u>
<b>Fund balances:</b>			
Unassigned	2,170,806		2,170,806
Restricted for Yokely Pump Station		31,041	31,041
	<u>2,170,806</u>	<u>31,041</u>	<u>2,201,847</u>
<b>Total liabilities and fund balances</b>	<u>\$2,229,905</u>	<u>\$34,510</u>	<u>\$2,264,415</u>

Reconciliation of the total fund balance -- total governmental funds  
to the net position of governmental activities:

Total fund balance - Governmental Funds		\$2,201,847
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		3,240,112
Noncurrent liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental fund balance sheet:		
Net Pension Liability	<u>123,303</u>	<u>(123,303)</u>
Deferred outflows and inflows of resources do not affect the current period and, therefore, they are not reported in the governmental fund balance sheet:		
Deferred outflows of resources related to pensions	152,949	
Deferred inflows of resources related to pensions	<u>(22,161)</u>	<u>130,788</u>
Net position of governmental activities		<u>\$5,449,444</u>

**ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO.1**

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

	General Fund	Capital Maintenance Fund	Total Governmental Funds
<b>Revenues</b>			
Ad valorem taxes	\$1,386,410		\$1,386,410
State revenue sharing	39,145		39,145
Intergovernmental revenues	24,000	\$6,667	30,667
Investment income	3,980		3,980
Total revenues	1,453,535	6,667	1,460,202
<b>Expenditures</b>			
Current operating			
Drainage			
Salaries and per diems	378,182		378,182
Pump operation and maintenance	311,142	3,469	314,611
Personnel benefits	217,408		217,408
Insurance	90,594	3,409	94,003
Truck expenditures	75,762		75,762
Utilities	15,689		15,689
Miscellaneous	35,728		35,728
Capital outlays	12,581		12,581
Total expenditures	1,137,086	6,878	1,143,964
Excess (deficiency) of revenues over expenditures	316,449	(211)	316,238
<b>Other financing sources (uses)</b>			
Transfer in from other funds		3,333	3,333
Transfer out to other funds	(3,333)		(3,333)
Total other financing sources (uses)	(3,333)	3,333	-
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	313,116	3,122	316,238
Fund balance at beginning of year	1,857,690	27,919	1,885,609
Fund balance at end of year	\$2,170,806	\$31,041	\$2,201,847

Reconciliation of the changes in fund balances -- total governmental funds  
to the change in net position of governmental activities

Net change in fund balance - Governmental Funds \$316,238

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 as depreciation expense. This  
is the amount by which capital outlays meeting the District's  
Capitalization Policy in the current period (\$0) was exceeded by  
depreciation (\$350,402) (350,402)

Government funds report employer contributions to pension costs as  
expenditures. However, in the statement of activities, the cost of pension  
benefits earned net of employee contributions is reported as pension  
expense.

Pension contributions subsequent to the measurement date	45,892	
Cost of benefits earned net of employee contributions	<u>(72,902)</u>	(27,010)

Some revenues reported in the statement of activities do not provide  
current financial resources in governmental funds

Non employer pension contributions		<u>4,423</u>
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Change in net position of governmental activities		<u><u>(\$56,751)</u></u>
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**ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO.1**

**Budgetary Comparison (Non-GAAP Basis) -  
General Fund  
For the Year Ended September 30, 2017**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget Positive (Negative)
<u>Revenues</u>				
Ad valorem taxes	\$1,453,505	\$1,453,505	\$1,386,410	\$ (67,095)
State revenue sharing	60,662	60,662	39,145	(21,517)
Intergovernmental revenues	24,000	24,000	24,000	-
Investment income	3,262	3,262	3,980	718
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,541,429	1,541,429	1,453,535	(87,894)
 <u>Expenditures</u>				
Current operating				
Drainage				
Salaries and Wages	377,182	356,525	379,098	(22,573)
Personnel Benefits	244,729	209,999	216,492	(6,493)
Pump operation and maintenance	353,333	378,355	311,142	67,213
Insurance	103,976	105,756	90,594	15,162
Truck expenditures	71,356	56,976	75,762	(18,786)
Utilities	17,043	14,366	15,689	(1,323)
Miscellaneous	30,875	79,964	35,728	44,236
Capital outlay	810,000	910,000	12,581	897,419
Transfer to Maintenance Fund	3,334	3,334	3,333	1
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,011,828	2,115,275	1,140,419	974,856
 Excess (deficiency) of revenues over expenditures				
	<hr/>	<hr/>	<hr/>	<hr/>
	(470,399)	(573,846)	313,116	886,962
 Fund balances, beginning of year				
	<hr/>	<hr/>	<hr/>	<hr/>
	900,838	1,012,547	1,857,690	(845,143)
 Fund balances, end of year				
	<hr/>	<hr/>	<hr/>	<hr/>
	\$430,439	\$438,701	\$2,170,806	\$41,819

St. Mary Parish  
Consolidated Gravity Drainage District No. 1  
Franklin, Louisiana

**Budgetary Comparison (Non-GAAP Basis)  
Capital Maintenance Fund  
For the year ended September 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
City of Franklin	\$ 3,333	\$ 3,333	\$ 3,333	-
St. Mary Parish Government	3,333	3,333	3,334	\$ 1
Transfer in from General Fund	3,334	3,334	3,333	(1)
Interest Income	30	30	-	(30)
	<u>10,030</u>	<u>10,030</u>	<u>10,000</u>	<u>(30)</u>
<u>Expenditures</u>				
Pump Operations & Maintenance	6,900	6,900	3,469	3,431
Insurance-General	3,686	3,686	3,409	277.00
	<u>10,586</u>	<u>10,586</u>	<u>6,878</u>	<u>3,708</u>
Excess (deficiency) of revenues over expenditures	<u>(556)</u>	<u>(556)</u>	<u>3,122</u>	<u>3,678</u>
Fund balances, beginning of year	<u>25,928</u>	<u>25,928</u>	<u>27,919</u>	<u>1,991</u>
Fund balances, end of year	<u>\$ 25,372</u>	<u>\$ 25,372</u>	<u>\$ 31,041</u>	<u>\$ 5,669</u>

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

ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Notes to the Financial Statements  
September 30, 2017

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

St. Mary Parish Consolidated Gravity Drainage District No. 1 was created by Resolution No. 500 of the St. Mary Parish Police Jury on December 11, 1946. The District encompasses the area in west St. Mary Parish from Calumet, Louisiana to the St. Mary Parish line near Jeanerette, Louisiana. The purpose of the District is to construct and maintain gravity drainage works in the above stated area.

The financial statements of the St. Mary Parish Consolidated Gravity Drainage District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

*Based upon the above criteria, the District is a component unit and integral part of St. Mary Parish (the primary government).*

These financial statements include only the operations of the District.

**B. Basic Financial Statements - Government-wide Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities which report all activities of the District as a whole. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The following is a description of the two funds utilized by the District. The District reports both these funds as major funds.

#### Governmental Fund

##### General Fund

The General Fund is the primary operating fund of the District. The General Fund uses the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

##### Special Revenue Fund

The Capital Maintenance Fund, a special revenue fund, is used to account for the amounts contributed by the City of Franklin, the St. Mary Parish Council, and the District that are earmarked for expenditures for operations and maintenance of the Yokely Pump Station.

### D. Basis of Accounting

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

#### Government-wide Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Fund Financial Statements

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. when they both become "measurable and available"). Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities (the District uses a thirty day period after year end). Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principle and interest which are reported as expenditures in the year due.

#### E. Revenues

The following is a summary of the District's recognition policies for its major revenue sources:

Ad valorem taxes and the related State revenue sharing (which is based on population and homesteads in the Parish) are recorded in the year the taxes are assessed.

Revenues from grants are recognized when management believes all significant applicable grant requirements have been met.

Investment earnings are generally recorded when earned.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Net Pension Liability and Deferred Outflows and Inflows of Resources

In a prior year, the District implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions ", which establishes accounting and financial reporting by state and local governments for pensions. This pronouncement requires the District to calculate and recognize a net pension liability and certain deferred outflows and inflows of resources and pension expense. The District is a member of the Parochial Employees' Retirement System of Louisiana – Plan A (PERS-A), a cost sharing multiple employer public employee retirement system. For purposes of measuring its net pension liability, deferred outflows and inflows of resources, and pension expense, the District uses the same basis as PERS-A.

See Note 6 for further details about this pension plan.

G. Budgets

Fund budgets are adopted on a non-GAAP basis which is the same as GAAP basis except for:

	<u>General Fund</u>	<u>Capital Maintenance Fund</u>
Item of other financing sources is included with revenue:		
Transfer In		\$3,333
Item of other financing uses is included with expenditures:		
Transfer to maintenance fund	\$(3,333)	

Annual appropriated budgets are adopted for the General Fund and the Capital Maintenance Fund. All annual appropriations lapse at fiscal year end. Budgets are amended when needed upon approval by the Board. In the financial statement budgetary comparison of the budget to actual amounts, both the original and final amended budget amounts are shown.

H. Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include demand deposits, money market accounts, and/or certificates of deposit with original short-term maturities.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### I. Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether they are reported in the government-wide or fund financial statements.

#### Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All purchased fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets are reported at their historical cost or estimated fair market value less their accumulated depreciation. 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 is computed using the straight-line method based on the estimated useful life of the various assets. The following is a summary of estimated useful lives by classification of the fixed assets:

<u>Category</u>	<u>Years</u>
Building and improvement	40
Equipment	5-10
Other infrastructure	10-50

GASB No. 34 required the District to begin reporting and depreciating new infrastructure assets acquired effective with the beginning of the year ended June 30, 2003. Infrastructure assets include the District's drainage systems. The District is allowed but not required to report infrastructure assets (along with applicable depreciation) acquired prior to 2003. In accordance with directives from the Districts' oversight entity the St. Mary Parish Council, the District is not recording any infrastructure acquired prior to 2003.

#### Fund Financial Statements

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

### J. Equity Classifications

#### Government-wide Statements

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation less any debt that remains outstanding that was used to finance those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

Governmental fund equity may be classified by five categories; nonspendable, restricted, committed, assigned or unassigned. At present, the District only requires reporting of restricted and unassigned. Restricted represents those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Unassigned represents those portions of fund equity that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

K. Interfund Transfers

Permanent reallocations of resources between funds of the District are classified as interfund transfers. For the purpose of the Statement of Activities, the interfund transfer between the general fund and the special revenue fund has been eliminated.

During the year, the District transferred \$3,333 from the General fund to the Capital Maintenance fund for their share of the maintenance of the Yokely Pumping Station (See Note 7).

## NOTE 2 - CASH AND CASH EQUIVALENTS

The District does not have a formal investment policy related to interest rate risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition, the District does not have a formal investment policy related to credit risk (including concentrations of credit). However the District does follow state law as to limitations on types of deposits and investments as described below.

The District does not invest in any investments subject to foreign currency risk.

### Cash and cash equivalents

Under state law the District may deposit its funds with certain state and federally chartered financial institutions. These deposits are required to be insured or collateralized by the financial institutions.

At year end 2017 the carrying amount of the District's cash was \$2,142,887 and the bank balance was \$2,156,263, \$322,247 was covered by federal depository insurance and the remaining \$1,834,016 was collateralized with securities held by the financial institution, in the District's name.

## NOTE 3 - TAXES

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and taxes are considered delinquent January 1. Notices regarding seizures are sent in April with the seizure date being May 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District actually receives most of the taxes in December and January.

NOTE 4 - FIXED ASSETS

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

	<u>Balance</u> <u>9/30/16</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance</u> <u>9/30/17</u>
Capital assets not being depreciated				
Land	\$ <u>8,600</u>			\$ <u>8,600</u>
Total capital assets not being depreciated	<u>8,600</u>			<u>8,600</u>
Other capital assets:				
Building and Improvements	194,216			194,216
Equipment	1,947,701		\$(613)	1,947,088
Infrastructure-drainage	<u>5,835,197</u>			<u>5,835,197</u>
Total other capital assets at historical cost	<u>7,977,114</u>		\$ (613)	<u>7,976,501</u>
Less accumulated depreciation for:				
Buildings and improvements	(131,900)	\$ (4,885)		(136,755)
Equipment	(1,476,231)	(113,183)	613	(1,588,801)
Infrastructure-drainage	<u>(2,787,069)</u>	<u>(232,364)</u>		<u>(3,019,433)</u>
Total accumulated depreciation	<u>(4,395,200)</u>	<u>(350,402)</u>	<u>613</u>	<u>(4,744,989)</u>
Other capital assets, net	<u>3,581,914</u>	<u>(350,402)</u>		<u>3,231,512</u>
Total capital assets, net	<u>\$3,590,514</u>	<u>\$(350,402)</u>	<u>\$</u>	<u>\$3,240,112</u>

Depreciation expense for the year is approximately \$350,000.

NOTE 5 - COMPENSATION OF BOARD MEMBERS

Board members received the following per diems for the year ended September 30, 2017:

<u>Name</u>	<u>Amount</u>
Earlon Arnaud	\$1,300
Alton Broussard	1,200
Donnie Coots	1,200
Lamonika Dwyer	1,200
Chad Gianfala	1,200
J.P. Hebert, Jr.	1,300
Cleveland Jackson	<u>1,500</u>
	<u>\$8,900</u>

NOTE 6 - PENSION PLAN

***Plan Description***

The District contributes to the Parochial Employees' Retirement System of Louisiana Plan A (PERS-A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees. The System was established and provided for by the Louisiana Revised Statutes (LRS).

***Benefits Provided***

PERS-A provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. All permanent employees who work at least 28 hours a week may become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

NOTE 6 – PENSION PLAN (continued)

Retirement Benefits

Members can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

The monthly retirement allowance consists of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits

Upon the death of any member with five or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member who is eligible for normal retirement at time of death, the surviving spouse shall receive benefits, as outlined in the statutes.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve months immediately preceding death of the member, shall be paid benefits beginning at age 50.

NOTE 6 – PENSION PLAN (continued)

Deferred Retirement Option Plan.

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for members who are eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, members who are eligible to retire may elect to participate in DROP in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the DROP account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS-A, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits.

Members shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen years, or three percent multiplied by years of service assuming continued service to age sixty.

NOTE 6 – PENSION PLAN (continued)

Cost of Living Increases.

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

**Contributions**

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation. However, the actual rate for the fiscal year ending December 31, 2016 was 13.00%. Contributions to the Pension Plan from the District were \$45,503 for the year ended September 30, 2017.

According to state statute, the System also receives  $\frac{1}{4}$  of 1% of ad valorem taxes collected within the respective parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

NOTE 6 – PENSION PLAN (continued)

***Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Relate to Pensions***

At September 30, 2017, the District reported a liability of \$123,303 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2016, the District's proportion was 0.059870%, which was an decrease of 0.001452% from its proportion measured as of December 31, 2015. For the year ended September 30, 2017, the District recognized pension expense of \$72,902. The District recognized revenue of \$4,423 as its proportionate share of non-employer contributions for the year ended September 30, 2017. At September 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 21,577
Change of assumptions	23,410	-
Net difference between projected and actual investment earnings on pension plan investments	95,688	-
Change in proportion and differences between the District's contributions and proportionate share of contributions	-	584
District's contributions subsequent to the measurement date	33,851	-
	<u>\$ 152,949</u>	<u>\$ 22,161</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:

2017	\$ 35,903
2018	38,444
2019	25,177
2020	(2,586)

NOTE 6 – PENSION PLAN (continued)

**Actuarial Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016, are as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.00% (Net of investment expense)
Expected Remaining Service lives	4 years
Projected Salary Increases	5.25% (2.75% Merit/2.50% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality	RP-2000 Employee Sex District Table was selected for employees. RP-2000 Healthy Annuitant Sex District Table was selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Sex Distinct Table (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, RP-2000 Disabled Lives Mortality Table set back 4 years for males and 3 years for females was used.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the Capital Asset Pricing Model, (CAPM) (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

NOTE 6 – PENSION PLAN (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real Assets	2%	0.12%
Totals	<u>100%</u>	<u>5.66%</u>
Inflation		<u>2.0%</u>
Expected Arithmetic Nominal Return		<u>7.66%</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 – PENSION PLAN (continued)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% than the current rate:

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
District's Proportionate Share of Net Pension Liability (Asset)	\$368,849	\$123,303	(\$ 84,313)

The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on its financial statements for the year ended December 31, 2016. Access to the audit report can be found on the System's website: [www.persla.org](http://www.persla.org) or on the Office of Louisiana Legislative Auditor's official website: [www.lla.state.la.us](http://www.lla.state.la.us).

NOTE 7 - COMMITMENTS

The City of Franklin (City), the St. Mary Parish Council (Council), and the District have agreed to set up a fund for maintenance of the Yokely Pumping Station. Each of the three is to place in the Capital Maintenance Fund money in the amount of \$3,333 per year until the amount reaches the sum of \$50,000. At any time the fund falls below \$50,000 each entity is to replenish the fund on the same equal basis up to \$50,000. The District is in charge of overseeing the Capital Maintenance Fund. The Fund is reported in these financial statements as a special revenue fund.

The St. Mary Levee District and the District have entered into an agreement whereas the District is to assist the Levee District with maintenance and oversight of its levees within the District and the Levee District's boundaries. The Levee District is to pay the District \$2,000 a month to offset the additional burdens on the District's maintenance supervisor. This is reported as intergovernmental revenue on the financial statements.

NOTE 8 - RISK MANAGEMENT AND CONTINGENCIES

The District is exposed to various risks of loss related to torts, theft, or damage to assets, errors and omissions, injuries to employees and natural disasters. The District has purchased commercial insurance to protect against loss from substantially all of these perils.

There were no significant reductions in insurance coverages from prior years.

NOTE 9 - ACCOUNTS RECEIVABLE - OTHER GOVERNMENTS

Accounts receivable - other governments is made up of the following:

U.S. Army Corps of Engineers reimbursement for maintenance cost on jointly held drainage pumps	\$118,059
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Note 10- SUBSEQUENT EVENT

The District plans to lease an excavator with payments of approximately \$4,900 per month for sixty months.

REQUIRED SUPPLEMENTARY INFORMATION

St. Mary Parish Consolidated Gravity Drainage District No. 1

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 Parochial Employees Retirement System of Louisiana (Plan A)  
 as of December 31, 2016 (The Plan Measurement Date)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.059870%	0.061322%	0.056614%
Amount of District's proportionate share of the net pension liability (asset)	\$ 123,303	\$ 161,417	\$ 15,479
District's covered-employee payroll	\$ 353,605	\$ 351,590	\$ 337,035
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.87%	45.91%	4.59%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	92.23%	99.15%

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

**St. Mary Parish Consolidated Gravity Drainage District No. 1**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**Parochial Employees Retirement System of Louisiana (Plan A)**  
**For the Year Ended September 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 45,503	\$ 49,637	\$ 48,811
Contributions in relation to the contractually require contribution	<u>(45,503)</u>	<u>(49,637)</u>	<u>(48,811)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 360,439	\$ 369,715	\$ 327,814
Contributions as a percentage of covered-employee payroll	12.62%	13.43%	14.89%

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

GENERAL SUPPLEMENTARY INFORMATION

**St. Mary Parish Consolidated Gravity Drainage District No. 1**

Schedule of Compensation, Benefits, and Reimbursements to  
Agency Head, Political Subdivision Head, or Chief Executive Officer  
For the Year Ended September 30, 2017

Supervisor: Harry Pontiff

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 51,531
Benefits-Insurance	12,052
Benefits-Retirement	4,990
Reimbursements	<u>2,139</u>
Total	<u>\$ 70,712</u>

These amounts represent all compensation, benefits, and reimbursements for the year.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND  
OTHER MATTERS SECTION



a corporation of  
certified public accountants

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 Commissioners  
St. Mary Parish Consolidated  
Gravity Drainage District No. 1  
Franklin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund of the St. Mary Parish Consolidated Gravity Drainage District No. 1, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the St. Mary Parish Consolidated Gravity Drainage District No. 1's basic financial statements, and have issued our report thereon dated February 2, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the St. Mary Parish Consolidated Gravity Drainage District No. 1'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 St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Mary Parish Consolidated Gravity Drainage District No. 1'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 were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item 2017-001 that we consider to be a material weakness.

#### Compliance and Other Matters

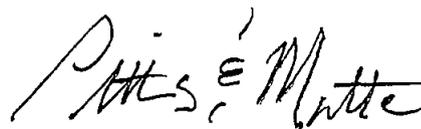
As part of obtaining reasonable assurance about whether the St. Mary Parish Consolidated Gravity Drainage District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is detailed in the accompanying schedule of findings as item 2017-002.

#### St. Mary Parish Consolidated Gravity Drainage District No. 1's Response to Findings

St. Mary Parish Consolidated Gravity Drainage District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Mary Parish Consolidated Gravity Drainage District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Louisiana Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana  
February 2, 2018

**ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1**

Schedule of Findings  
For the Year Ended September 30, 2017

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of the St. Mary Parish Consolidated Gravity Drainage District No. 1.
2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control over Financial Reporting

There was one deficiency in internal control over financial reporting noted during the audit of the financial statements. This condition is reported as a material weakness.

Compliance and Other Matters

There was one material instance of noncompliance required to be reported.

3. Federal Awards

This section is not applicable for the year ended September 30, 2017.

## B. FINDINGS - FINANCIAL STATEMENT AUDIT

### INTERNAL CONTROL

#### Material Weakness

#### ITEM 2017-001

#### Segregation of Duties

#### Auditors' Comments

Condition: While performing audit tests and inquiring about internal control; we discovered that there is very little segregation of duties within the District's accounting function.

Criteria: Ordinarily, the accounting duties performed in an organization are segregated to reduce possible errors or irregularities that could occur in the accounting records and not be detected.

Effect: Lack of segregation of duties results in a material weakness in internal accounting controls.

Cause: The District has limited personnel.

#### Management's Comments

We have reviewed this situation and have decided that the additional controls derived by employing an additional person in our bookkeeping area are outweighed by the additional personnel costs.

### COMPLIANCE AND OTHER MATTERS

#### ITEM NO. 2017-002 NONCOMPLIANCE WITH BUDGET MONITORING

#### Auditors' Comments

Condition: During the course of the audit for the year ended September 30, 2017, it was noted that the District's operating budget needed amendments which were not made.

Criteria: State Statute require that budgets be amended when actual revenues are less than budgeted revenues by five percent or more or actual expenditures exceed budgeted expenditures by five percent or more.

Effect: Failure to amend budgets to recognize anticipated shortfalls in funds prevents the District from effectively curtailing projects and/or services in accordance with actual available resources.

Cause: The operating budget was not amended although actual revenue was less than budgeted revenue by five percent or more:

<u>Actual Amount</u>	<u>Budgeted Amount</u>	<u>Variance</u>	<u>Percent</u>
\$1,453,535	\$1,541,429	\$(87,894)	5.7%

Recommendation: The District should fine tune its budget monitoring program to periodically make budget adjustment when variances exceed percentages as specified in the state statute.

Management's Response: We will monitor budget variances on a monthly basis and budget adjustments will be made when variances exceed the percentages as specified in the state statute.

#### C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2017.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION  
PREPARED BY ST. MARY PARISH CONSOLIDATED  
GRAVITY DRAINAGE DISTRICT NO. 1

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL  
STATEMENTS

Item 2016-001 - Internal Control

Material Weakness

Segregation of Duties

Condition: While performing audit tests and inquiring about internal control; our auditors discovered that there is very little segregation of duties within the District's accounting function.

Corrective Action: We have reviewed this situation and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable to prior year.

ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

305 HIGHWAY AVENUE  
FRANKLIN, LA 70538  
PHONE 337-828-0675  
FAX 337-828-1480

C. Gianfala, President  
D. Coots, Vice President  
C. Jackson, Secretary/Treasurer  
H. Pontiff, Supervisor

Commissioners:  
Earlon Arnaud  
Alton Broussard, Jr.  
Lamonika Dwyer  
J.P. Hebert, Jr.

February 02, 2018

Mr. Daryl Pupera, CPA  
Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Pupera:

St. Mary Parish Consolidated Gravity Drainage District No. 1, respectfully submits the following correction action plan for the year ending September 30, 2017.

**CORRECTION ACTION:**

Person Responsible: Chad Gianfala  
St. Mary Parish Consolidated Gravity Drainage District No. 1  
305 Hwy Avenue, Franklin, LA 70538

Material Weakness: RE: Item No. 2017-001

Segregation of Duties: While performing audit test and inquiring about internal control, our auditors discovered that there is very little segregation of duties within the District's accounting function.

Corrective Action: We have reviewed the situation and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

Noncompliance: RE: Item No. 2017-002

Noncompliance with Budget Monitoring: Our auditors notified us that we did not amend our budget as required by State Statute.

Corrective Action: We will monitor budget variances on a monthly basis and budget adjustments will be made when variances exceed the percentages as specified in the state statute.

This plan of action is being submitted in accordance with Legislative requirements. If you have any questions concerning this action, contact the undersigned.

St. Mary Parish Consolidated Gravity Drainage District No. 1

Chad Gianfala  
President

A handwritten signature in cursive script that reads "Chad Gianfala".

**ST. MARY PARISH**  
**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1**  
**STATE OF LOUISIANA**

SCHEDULE OF PROCEDURES PERFORMED AND  
ASSOCIATED FINDINGS BASED UPON THE  
STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED  
September 30, 2017  
WITH  
AGREED UPON PROCEDURES REPORT  
BY  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

	<b>Page No.</b>
Independent Certified Public Accountants' Report on Applying Agreed Upon Procedures	1
Schedule of Procedures Performed and Associated Findings Based upon the Statewide Agreed-Upon Procedures	
Guide to Presentation Format	2
Written Policies and Procedures	3-5
Board	6
Bank Reconciliations	7
Collections	8-10
Disbursements – General (Excluding Credit Card/ Debit Card/ Fuel Card/ P-Card Purchases or Payments)	11-13
Credit Card/Debit Card/Fuel Cards/P-Cards	14-16
Travel and Expense Reimbursement	17-18
Contracts	19-20
Payroll and Personnel	21-23
Ethics	24
Debt Service	25
Other	26



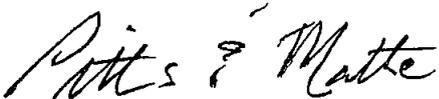
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners  
St. Mary Parish Consolidated Gravity  
Drainage District No.1  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), which were agreed to by St. Mary Parish Consolidated Gravity Drainage District No. 1 (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 presented in the attached Schedule. 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 in the attached Schedule either for the purpose for which this report has been requested or for any other purpose.

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*. 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 may be distributed by the LLA as a public document.

  
CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana  
March 22, 2018

**ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO.1  
STATE OF LOUISIANA**

**Schedule of Procedures Performed and Associated Findings Based upon the  
Statewide Agreed-Upon Procedures  
For the Year Ended September 30, 2017**

Guide to Presentation Format

This report contains these items presented in this order:

Statewide Agreed-Upon Procedures (AUPS) prescribed by the Louisiana Legislative Auditor (LLA),

Procedures performed by the Independent Certified Public Accountant,

Findings based upon the procedures performed, and

Management's Comments relative to the findings, if applicable.

In order to facilitate understanding this report - the procedures and findings are presented in the following format:

<u>Order of Presentation</u>	<u>Presentation Format</u>
Area or function	<b>Centered all CAPITALS IN BOLD TYPE</b>
Statewide Agreed-Upon Procedures Prescribed (AUPS) by Louisiana Legislative Auditor (LLA)	Regular type highlighted with numbers or letters (if there are multiple parts)
Actual procedures performed by Independent Certified Public Accountant	Denoted as <b>Procedure Performed:</b> (in bold type) followed by procedure in regular type
Finding based upon procedure performed	Denoted as <b>Findings:</b> (in bold type) followed by findings in regular type
Management's response to findings	Denoted as <b>Management's Response:</b> (in bold type) followed by <i>managements response in italics</i>

## WRITTEN POLICIES AND PROCEDURES

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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:

### Budgeting

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

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for budgeting, however, the entity follows state budget law which includes all required functions.

**Findings:** The entity does not have any written policies and procedures for budgeting. The entity follows state budget law.

### Purchasing

- 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.

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for purchasing.

**Findings:** The entity does not have any written policies and procedures for purchasing.

### Disbursements

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

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for disbursements.

**Findings:** The entity does not have any written policies and procedures for disbursements.

### Receipts

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

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for receipts.

**Findings:** The entity does not have any written policies and procedures for receipts.

## WRITTEN POLICIES AND PROCEDURES (CONTINUED)

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### Payroll/Personnel

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

**Procedure Performed:** Obtained from management the "Personnel Policy Manual" and read the written policy for payroll and personnel.

**Findings:** Found that the written policy includes the specified functions listed above.

### Contracting

- 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

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for contracting.

**Findings:** The entity does not have any written policies and procedures for contracting.

### Credit Cards

- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they only have fuel cards and that they do not have written policies and procedures for credit cards (and debit cards, fuel cards, P-cards)

**Findings:** The entity only has fuel cards. The entity does not have any written policies and procedures for fuel cards.

### Travel and expense reimbursement

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

**Procedure Performed:** Obtained from management the "Personnel Policy Manual" and read the written policy for travel and expense reimbursement.

**Findings:** Found that the written policy includes the specified functions listed above.

## WRITTEN POLICIES AND PROCEDURES (CONTINUED)

### Ethics

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

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for ethics.

**Findings:** The entity does not have any written policies and procedures for ethics.

### Debt Service

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

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have any debt in the current year and they do not have written policies and procedures for debt.

**Findings:** The entity does not have any debt in the current year. The entity does not have written policies and procedures for debt.

### *Management's response:*

*The District has policies and procedures in all the areas above however, they are not in writing except for payroll/personnel which includes travel and expense reimbursement.*

*Due to the small size of our District, the simple scope of our business operations and our limited number of personnel, we do not believe it is cost effective to have written procedures in all areas.*

*We do plan to put into writing our policies and procedures related to:*

*Purchasing*

*Disbursements*

*Contracting, and*

*Receipts.*

*In addition we will add a section on Ethics to our "Personnel Policy Manual."*

## BOARD

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### 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.

**Procedure Performed:** Obtained and read the board minutes for the fiscal period (October 1, 2016 to September 30, 2017).

**Findings:** The board met monthly with a quorum present.

- 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.

**Procedure Performed:** Obtained and read the board minutes for the fiscal period.

**Findings:** Found financial statements are presented at monthly meetings but there is not a comparison to budget.

The entity did not operate at a deficit.

- 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.

**Procedure Performed:** Obtained and read the board minutes for the fiscal period.

**Findings:** The minutes contained non-budgetary financial information (approval of disbursements) for all monthly meetings during the fiscal period.

### ***Management's response:***

*We will modify our monthly financial statements to include a comparison to budget.*

## BANK RECONCILIATIONS

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

**Procedure Performed:** Obtained the listing of bank accounts from management, and received management's written representation that the list is complete.

**Findings:** The listing includes only two bank accounts.

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 5 accounts). 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.

**Procedure Performed:** Selected 2 bank accounts out of a total of 2 accounts. Inspected bank statements and bank reconciliations prepared for each month during the fiscal period for both accounts.

**Findings:** A bank reconciliation was prepared for each bank account for all months in the fiscal period.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation, and

**Procedure Performed:** Inspected bank reconciliations for all months in the fiscal period.

**Findings:** Observed evidence that a member of management (with no involvement in the transactions associated with the bank account) had reviewed each bank reconciliation

- 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.

**Procedure Performed:** Inspected bank reconciliations for the end of the fiscal period.

**Findings:** There were no items outstanding for more than 6 months.

***Management's response:***

*No comments.*

## COLLECTIONS

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

**Procedure Performed:** Obtained the listing of cash/check/money order (cash) collections locations and management's written representation that the listing is complete.

**Findings:** The entity has only one cash collection location.

The entity does not receive any cash nor money orders, only checks all of which are from other governmental entities.

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 5 locations). **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.

**Procedure Performed:** Inquired and obtained written confirmation as to all of the requirements listed above for the entities one cash collection location and requested and observed any written documentation (bank reconciliations, deposit slips, and copies of checks received).

**Findings:** The entity does not have written documentation in this area other than bank reconciliations, deposit slips, and copies of checks received.

The office manager responsible for collecting checks is not bonded.

The office manager is responsible for depositing the checks in the bank, recording the related transactions and reconciling the related bank account.

The office manager has a locking cash drawer which is not shared with any other employee.

Found there is a compensating control (See Procedure and Finding at 4b above) the bank reconciliation is reviewed by a member of management (who has no involvement with the transactions or associated with bank account).

- 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.

## COLLECTIONS (CONTINUED)

**Procedure Performed:** Inquired of management and obtained and inspected and compared the written documentation (bank reconciliations, deposit slips, copies of checks received and general ledger).

**Findings:** The entity has a formal process to reconcile cash collections, it is not in writing.

The entity reconciles the cash collections to the general ledger. The reconciliation is done by the person responsible for cash collections, however the reconciliation is reviewed by a supervisor.

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.

**Procedure Performed:** Obtained and inspected the entity's collection documentation (deposit slips, reconciliations, and bank statements). For the week in which the entity had its largest weekly receipt, we traced daily collections to the deposit date on the corresponding bank statement documenting number of days from receipt to deposit for each day.

**Findings:** All deposits were made within one day of receipt of checks.

➤ 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.

**Procedure Performed:** Observed and compared copies of checks received, bank deposit slips, bank statements, and general ledger postings for the items selected in 6(c).

**Findings:** All collections recorded in the general ledger are in agreement with and are supported by documentation (copies of checks received, deposit slips, and bank statements)

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.

## COLLECTIONS (CONTINUED)

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**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have a process to determine the completeness of all collections by a person who is not responsible for collections.

**Findings:** The entity does not have a process to determine completeness of collections.

***Management's response:***

*We will put our policies and procedures in this area in writing.*

*We will obtain a fidelity bond for our office manager.*

*Our policies and procedures will include a process to determine completeness of collections.*

**DISBURSEMENTS – GENERAL (EXCLUDING CREDIT CARD/DEBIT CARD/FUEL CARD/P-CARD PURCHASES OR PAYMENTS):**

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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.

**Procedure Performed:** Obtained the listing of disbursements and received management's written representation that the listing was complete.

**Findings:** The listing contained 1060 items including voids and credit cards (fuel cards) payments.

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; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

**Procedure Performed:** Randomly selected 25 disbursements from the list provided in #8 (excluding voids and fuel card payments) and obtained supporting documentation (approved vendor invoices, [also used to evidence receipt of goods] and check images). Compared supporting documents, approved invoices and check images with payees, dates, check numbers, and amounts with list obtained in #8 above.

**Findings:** a) The entity does not use a purchase requisition or purchase order system.

b) The entity does not use purchase orders, therefore there is no approval of a purchase order.

c) Payments for purchases were made without an approved purchase requisition or purchase order.

No payments were made without approval of receipt of goods and an approved invoice.

## DISBURSEMENTS – (CONTINUED)

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

**Procedure Performed:** We inquired of management and obtained management's written confirmation that the entity does not have written documentation stating the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

**Findings:** The person responsible for processing payments is not prohibited from adding vendors to the entity's purchasing /disbursement system.

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.

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have written documentation in this area. Also see procedures performed in #9 above.

**Findings:** There is no written documentation in this area. However, based upon procedures in #9 above it is determined that the persons with final authorization for disbursements do not initiate or record 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.

**Procedure Performed:** Inquired of management, and obtained management's written confirmation and observed that all supplies of unused checks are maintained in a locked location, with access restricted to only those persons that do not have signatory authority.

**Findings:** Supplies of unused checks are maintained in a locked location. The office manager has access to the checks and she is an authorized check signer. However, all checks require two signatures and no other check signers have access.

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.

**DISBURSEMENTS – (CONTINUED)**

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***Management's response:***

*As noted above, we will put our policies and procedures in this area in writing.*

*We will utilize a purchase order or purchase requisition system for certain of our purchases.*

*The policies and procedures will prohibit the person who processes payments from adding vendors.*

## 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.

**Procedure Performed:** We requested a listing of all active credit cards, bank debit cards, fuel cards, and P-cards and related information and obtained management's written confirmation that the list was complete.

**Findings:** The list contains only 14 fuel cards and related information. The entity has no other types of 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.

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

**Procedure Performed:** We randomly selected 10 fuel cards from the list obtained in #14 above that were used during the fiscal period and obtained monthly statements for all fuel cards selected. We selected and obtained the monthly statement with the largest dollar activity for each card in the sample and observed evidence that the monthly statement and supporting documentation (original itemized receipts) was reviewed and approved in writing by someone other than the authorized card holder. Observed the selected monthly fuel card statements selected to determine whether finance charges and/or late fees were assessed on the selected statements

**Findings:** All 10 fuel cards and supporting documentation selected were reviewed and approved by a supervisor. In one instance the supervisor approved his own card statement. However, prior to payment the Board approves the statement for payment.

Found that no finance charges or late fees were assessed.

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

## CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS (CONTINUED)

a) For each transaction, report whether the transaction is supported by:

➤ An original itemized receipt (i.e., identifies precisely what was purchased)

**Procedure Performed:** Compared each transaction in the sample as shown in the applicable monthly billing statement to the original supporting itemized receipt.

**Findings:** Found that 27 out of 51 transactions were supported by itemized receipts. See listing below:

- Card #1- 4 transactions totaling \$443.47 of which 2, totaling \$232.58, were supported by original itemized receipts
- Card #2- 3 transactions totaling \$117.48 of which all 3 were supported by original itemized receipts
- Card #3- 1 transaction totaling \$28.01 of which 0 was supported by an original itemized receipt.
- Card #4- 8 transactions totaling \$300.58 of which 7, totaling \$262.27, were supported by original itemized receipts.
- Card #5- 8 transactions totaling \$452.38 of which 2, totaling \$120.13 were supported by original itemized receipts.
- Card #6- 12 transactions totaling \$460.35 of which 2, totaling \$103.1, were supported by original itemized receipts.
- Card #7- 6 transactions totaling \$325.16 of which all 6 were supported by original itemized receipts.
- Card #8- 1 transaction totaling \$37.02 of which 0 was supported by an original itemized receipt.
- Card #9- 3 transactions totaling \$385.08 of which 0 were supported by original itemized receipts.
- Card #10- 5 transactions totaling \$217.20 of which all 5 were supported by original itemized receipts

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

**Not applicable as cards are used only to purchase fuel**

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

**Not applicable the entity does not have other documentation required by written policies**

## CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS (CONTINUED)

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- 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.

**Not applicable the entity does not have written policies and none of the transactions are subject to Louisiana Public Bid Law.**

- 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.

**Procedure Performed:** Read Article 7, Sections 14 of the Louisiana Constitution and compared it's prohibited transactions to the transactions selected for testing above.

**Findings:** Found that none of the transactions in the test were prohibited.

***Management's Response:***

*We will emphasize to our employees and the supervisor the importance of obtaining and retaining original receipts for all fuel purchases.*

## TRAVEL AND EXPENSE REIMBURSEMENT

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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.

**Procedure Performed:** Obtained a listing of all travel and related expense reimbursements, by person, during the fiscal period. Obtained management's written representation that the listing is complete.

**Findings:** We found the list reported reimbursements to nine individuals for a total of \$1,331 for travel and expense reimbursements for the fiscal period.

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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

**Procedure Performed:** We obtained and read the entity's written policies related to travel and expense reimbursements. We observed the per diem and mileage rates established by the U.S. General Services Administration by accessing the information on their website.

**Findings:** The entity's written policies do not specify a per diem amount nor a mileage amount.

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.

**Procedure Performed:** We Selected the three employees from the list at #17 with the most travel costs reimbursements during the fiscal period and obtained the related documentation and compared it to the allowable GSA rates from #18 above; and to the written policy obtained at #18.

**Findings:** Two of the three reimbursements were for mileage only. The third was for mileage, meals, and hotel. The actual mileage reimbursement did not exceed GSA rates.

The meal and lodging reimbursement complied with the written policy.

## TRAVEL AND EXPENSE REIMBURSEMENT (CONTINUED)

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.]

**Procedure Performed:** Traced each expense (that required an itemized receipt) to the original itemized receipt that identifies precisely what was purchased.

**Findings:** Found that the reimbursed expenses were supported by itemized receipts.

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

**Procedure Performed:** Observed original itemized receipts.

**Findings:** The original itemized receipt documented the business purpose

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

**Procedure Performed:** Read the entity's written travel and expense reimbursement policy obtained in step #18, to determine any other documentation requirements, and compared the requirement to the original receipt. Traced each expense to the original itemized receipt.

**Findings:** The written policy requires the supervisors' approval of employee travel. Found that the original receipts contained this approval.

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):

**Procedure Performed:** Read Article 7, Sections 14 of the Louisiana Constitution and compared it's prohibited transactions to the transactions selected for testing above.

**Findings:** Found that none of the transactions in the test were prohibited.

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

**Procedure Performed:** Inspected all transactions selected for testing for documentation for review and approval in writing other than by the person receiving the reimbursement

**Findings:** Found that all test transactions were approved by a person not receiving reimbursement.

*Management's response:*  
*No comments.*

## 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.

**Procedure Performed:** Obtained a listing of all vendors from the entity on which the entity denoted those under contract in effect during the fiscal period, and management's written confirmation that the listing was complete.

**Findings:** Found the list contained 13 vendors denoted as contracts (other than our firm).

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).

**Procedure Performed:** We selected the five vendors that were paid the most during the fiscal period from the listing at #20 and obtained and read the board minutes and the related formal/ written contracts related and paid invoices.

We selected the largest payment to each of the five vendors and obtained and compared the supporting invoices and related payment to the contract to ensure compliance with terms and conditions of the contract.

## CONTRACTS (CONTINUED)

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### Findings:

- a) Of the five contracts, two are with insurance providers they have written contracts, two are with utility providers they do not have written contracts and one is with a vendor/supplier which has a written contract.

The three contracts under written agreement support the service arrangement and amounts paid.

The two utility providers services are supported by monthly utility bills.

- b) None of the five contracts are subject to the Louisiana Public Bid Law or Procurement Code.

The entity solicited quotes for the vendor/supplier contract. The entity did seek quotes on the other four contracts.

- c) None of the contracts were amended during the fiscal period.

- d) For the largest payment made to each of the five contractors during the fiscal period we found that invoices and related payments complied with the terms and conditions of the written contracts (or utility bills in case of utility providers).

- e) Found documentation of board approval of all five contracts in minutes.

### ***Management's response:***

*We will include our definition of a "contract" and our procedures for handling contracts in the written policies and procedures for Purchases and Disbursements.*

## PAYROLL AND PERSONNEL

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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.

**Procedure Performed:** We obtained a listing of employees with their related salaries and obtain management's written representation that the listing is complete.

**Findings:** The listing contained 11 employees with their total salaries of \$331,552 (excluding any overtime pay)

There are no elected officials.

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.

**Procedure Performed:** Randomly selected 5 employees from the above listing, obtained and inspected their personnel files and the entities "Personnel Policy Manual". We inspected check stubs and check images for the fiscal period for each employee selected and compared to authorized pay rates.

**Findings:** Found that there are no employee contracts, however, payments were made in accordance with the employment 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.

**Procedure Performed:** Obtained and inspected check stubs, check images and board minutes for individuals selected at #22a for changes made to hourly pay rates/salaries during the fiscal period.

**Findings:** Found board minutes contained approval of a 2% pay raise across the board which agreed with changes made to hourly pay rates/salaries during the fiscal period.

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.)

**Procedure Performed:** Obtained attendance and leave records (Employee Time Book). Randomly selected one pay period in which leave had been taken by at least one employee and within that pay period randomly selected 4 employees (one-third of 11) and inspected daily attendance and leave records from the Employee Time Book for that period for proper documentation.

## PAYROLL AND PERSONNEL (CONTINUED)

**Findings:** Found employees daily attendance and leave is documented by the supervisor not the employee.

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

**Procedure Performed:** Inspected attendance and leave records in the Employee Time Book for supervisor approval electronically or in writing

**Findings:** Found that attendance and leave was not approved electronically or in writing. However, attendance and leave is recorded manually by the supervisor.

- 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.

**Procedure Performed:** Inquired of management and obtained written documentation of daily attendance and leave records on those selected employees that earn leave.

**Findings:** Found the Employee Time Book contained written documentation of daily attendance and leave records on the selected employees that earn leave.

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.

**Procedure Performed:** Obtained from management a list of employees that terminated during the fiscal period and management's written confirmation that the list was complete.

**Findings:** There were two terminations during the fiscal period. Found that no termination payments were made during the fiscal period.

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.

**Procedure Performed:** Obtained all payroll and retirement forms relating to payroll taxes and retirement contributions for the fiscal period and compared the actual filing or payment date to applicable deadlines for filing.

## PAYROLL AND PERSONNEL (CONTINUED)

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**Findings:** All retirement contributions and required forms were submitted by the required deadline.

All required tax forms were submitted by the required deadline.

EFT payroll tax payments for 2 pay periods out of 26 were made after the required deadline.

***Management's response:***

*Under current policy our supervisor records all workers' time in the "Employee Time Book". We will change this procedure in the future so that the employee and the supervisor approve the time worked as recorded by the supervisor.*

*We will emphasize to our office manager the importance of making EFT payment on a timely basis.*

## ETHICS

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.

**Procedure Performed:** Obtained and inspected ethics compliance certificates from management for the 5 randomly selected employees from #22.

**Findings:** Found that the entity maintained required ethics training documentation.

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.

**Procedure Performed:** Inquired of management and obtained management's written confirmation that no alleged ethics violations were reported during the fiscal period.

**Findings:** Found that no alleged ethics violation were reported during the fiscal period.

**Management's response:**

*No comment.*

## DEBT SERVICE

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

**Procedure Performed:** Inquired of management and obtained management's written confirmation that no debt was issued during the fiscal period.

**Findings:** Found that no debt was issued during the fiscal period.

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.

**Procedure Performed:** Inquired of management and obtained management's written documentation that the entity had no outstanding debt during the fiscal period.

**Findings:** Found that the entity had no outstanding debt 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.

**Procedure Performed:** Inquired of management and obtained management's written documentation that the entity had no tax millages relating to debt service.

**Findings:** The entity had no tax millages relating to debt services.

***Management's response:***

*We had no debt during the current period.*

*If we plan to incur debt in the future (including leases) we will contact our legal advisor for guidance.*

## OTHER

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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.

**Procedure Performed:** Inquired of management and obtained management's written confirmation that the entity had no misappropriation of public funds or assets during the fiscal period.

**Findings:** Found that the entity had no misappropriation of public funds or assets during the fiscal period.

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.la.gov/hotline](http://www.la.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Procedure Performed:** Observed that the entity had posted on its premises the notice required by R.S. 24:523.1. The entity does not have a website.

**Findings:** Found that the entity posted the above mentioned notice as required.

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

**Procedure Performed:** Compared managements representations to all procedures, and the results of such procedures and compared them to managements representation.

**Findings:** Found no exceptions regarding management's representations in the procedures and findings above.

***Management's response:***

*No comment.*