

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

ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITORS' REPORT

Year Ended December 31, 2017

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GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis

Within this section of the Gravity Drainage District No. 7 of Cameron Parish's (District) annual financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2017. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District's assets exceeded its liabilities by \$2,305,988 (net position) for the fiscal year reported.
- Total revenues of \$423,472 exceeded total expenditures of \$352,075, which resulted in a current year excess of \$71,397, compared to a prior year excess of \$35,649.
- Total net position is comprised of the following:
 1. Net investment in capital assets of \$140,729 includes property and equipment, net of accumulated depreciation.
 2. Unrestricted net position of \$2,165,259 represents the portion available to maintain the District's continuing obligation to citizens and creditors.
- Overall, the District continues to maintain a strong financial position and is continuing to work to improve on this financial position.

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

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

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

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

Fund Financial Statements

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

The District has one kind of fund:

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

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

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

Notes to the Basic Financial Statements

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget presentations. Budgetary comparison statements are included as "required supplemental information" for the general fund. These statements and schedules demonstrate compliance with the District's adopted and final revised budget. Required supplemental information can be found on pages 37 and 40 of this report.

Financial Analysis of the District as a Whole

The District's net position at fiscal year-end is \$2,305,988. The following table provides a summary of the District's net position:

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 2,213,613	\$ 2,062,159
Capital assets	<u>140,729</u>	<u>195,509</u>
Total assets	2,354,342	2,257,668
Deferred outflows of resources	<u>45,502</u>	<u>81,835</u>
Liabilities:		
Current liabilities	25,785	12,421
Net OPEB obligation	32,028	25,209
Net pension liability	<u>30,626</u>	<u>57,912</u>
Total liabilities	88,439	95,542
Deferred inflows of resources	<u>5,417</u>	<u>9,370</u>
Net position:		
Net investment in capital assets	140,729	195,509
Unrestricted	<u>2,165,259</u>	<u>2,039,082</u>
Total net position	<u>\$ 2,305,988</u>	<u>\$ 2,234,591</u>

The District continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 86 to 1 (166 to 1 for 2016). Note that approximately 6% (9% for 2016) of the net position is tied up in capital. The District uses these capital assets to provide services to its taxpayers.

The District reported positive balances in net position, which increased by \$71,397. The District's overall financial position improved during the fiscal year 2017.

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

	<u>2017</u>	<u>2016</u>
Revenues	\$ 423,472	\$ 451,513
Expenses		
General government	<u>352,075</u>	<u>415,864</u>
Change in Net Position	71,397	35,649
Beginning Net Position	<u>2,234,591</u>	<u>2,198,942</u>
Ending Net Position	<u>\$ 2,305,988</u>	<u>\$ 2,234,591</u>

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Governmental Revenues

The District is heavily reliant on property taxes to support governmental operations. Property taxes provided 97% of the District's total revenues, excluding FEMA revenue. As a result, the general economy and the local businesses have a major impact on the District's revenue streams.

Budgetary Highlights

The General Fund – When the budget was adopted, it was anticipated that the total revenues were going to be \$90,282 less than the prior year and expenditures were anticipated to be \$138,876 more than the previous fiscal year's budget.

The budget was amended once during the year, the revenues, mainly for a decrease in the ad valorem taxes, of \$17,690 and the expenditures a decrease of \$229,025, mainly for capital outlay and repairs.

The actual revenues were more than the final budget by \$61,621 or 14.6%, and the actual expenditures were more than the final budget by \$4,326 or 1.5%, mainly due to insurance.

Capital Assets and Debt Administration

Capital assets

The District's net investment in capital assets for governmental activities as of December 31, 2017, was \$140,729. See Note C for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital assets activity.

	<u>2017</u>	<u>2016</u>
Buildings & improvements	\$ 94,821	\$ 94,821
Equipment & vehicles	609,901	606,404
Furniture & office equipment	<u>10,082</u>	<u>10,081</u>
	714,804	711,307
Less accumulated depreciation	<u>574,075</u>	<u>515,798</u>
Net investment in fixed assets	<u>\$ 140,729</u>	<u>\$ 195,509</u>

At December 31, 2017, the depreciable capital assets for governmental activities were 80% depreciated, compared to 73% in 2016.

Long-term Debt

The District has no debt at December 31, 2017.

Economic Conditions Affecting the District

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Management's Discussion and Analysis (Continued)

Contacting the District's Financial Management

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



Gragson, Casiday & Guillory, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

May 25, 2018

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Gravity Drainage District No. 7 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Gravity Drainage District No. 7 of Cameron Parish as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplemental information on pages 3 through 7, and 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Gravity Drainage District No. 7 of Cameron Parish
May 25, 2018
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to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018, on our consideration of Gravity Drainage District No. 7 of Cameron Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Gragson, Casiday & Guillory

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Statement of Net Position

December 31, 2017

ASSETS	
Cash	\$ 1,502,090
Investments	300,888
Receivables	
Ad valorem taxes, net	408,846
Prepaid insurance	1,789
Capital assets, net	140,729
Total assets	<u>2,354,342</u>
DEFERRED OUTFLOWS OF RESOURCES	
	<u>45,502</u>
LIABILITIES	
Accounts payable	4,150
Accrued liabilities	21,635
Net OPEB obligation	32,028
Net pension liability	30,626
Total liabilities	<u>88,439</u>
DEFERRED INFLOWS OF RESOURCES	
	<u>5,417</u>
NET POSITION	
Net investment in capital assets	140,729
Net position - Unrestricted	2,165,259
	<u>\$ 2,305,988</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Statement of Activities

Year Ended December 31, 2017

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities: General government	\$ 352,075	\$ -	\$ -	\$ (352,075)
		General Revenues:		
			Property taxes, net	409,042
			LNG cooperative endeavor	10,673
			Investment income	2,073
			Other	1,684
			Total General Revenues	<u>423,472</u>
			Change in Net Position	71,397
			Net Position, beginning	<u>2,234,591</u>
			Net Position, ending	<u>\$ 2,305,988</u>

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

FUND FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Balance Sheet - Governmental Fund

December 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 1,502,090	\$ 1,388,890
Investments	300,888	315,796
Prepaid insurance	1,789	2,107
Receivable - ad valorem taxes, net	408,846	355,366
Total Assets	<u>2,213,613</u>	<u>2,062,159</u>
DEFERRED OUTFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	<u>\$ 2,213,613</u>	<u>\$ 2,062,159</u>
LIABILITIES		
Accounts payable	\$ 4,150	\$ 6,867
Accrued liabilities	21,635	5,554
Net OPEB obligation	32,028	25,209
Total Liabilities	<u>57,813</u>	<u>37,630</u>
DEFERRED INFLOWS OF RESOURCES		
	<u>-</u>	<u>-</u>
FUND BALANCE		
Unassigned	2,155,800	2,024,529
Total Fund Balance	<u>2,155,800</u>	<u>2,024,529</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
	<u>\$ 2,213,613</u>	<u>\$ 2,062,159</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

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

December 31, 2017

Total fund balance for governmental fund at December 31, 2017:		\$ 2,155,800
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$ 574,075		140,729
Deferred outflows and inflows for pension resources are not financial resources or currently payable:		
Deferred inflows related to pensions	\$ 45,502	
Deferred outflows related to pensions	<u>(5,417)</u>	40,085
Long-term debt which is not included as a liability in the governmental fund type balance sheet:		
Net pension liability		<u>(30,626)</u>
Total net position of governmental activities at December 31, 2017		<u>\$ 2,305,988</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

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

Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
REVENUES		
Ad valorem taxes (net)	\$ 409,042	\$ 357,852
Investment income	2,073	6,146
Intergovernmental - state	-	1,321
Other	1,684	2,788
LNG cooperative endeavor	10,673	83,406
Total revenues	<u>423,472</u>	<u>451,513</u>
EXPENDITURES		
General Government		
Advertising	881	472
Contract labor	4,088	17,139
Dues and subscriptions	45	-
Equipment rental	5,505	96
Fuel	5,505	4,701
Insurance-general	6,829	10,106
Insurance-hospitalization	44,898	35,652
Intergovernmental-OPEB	6,819	6,658
Maintenance and repairs	16,787	69,417
Miscellaneous	932	4,523
Office expense	1,773	1,902
Payroll taxes	1,785	3,595
Per diem	5,200	6,200
Professional fees	7,000	27,061
Retirement	15,920	15,939
Salaries	127,680	124,123
Supplies	27,853	18,730
Telephone	6,138	5,715
Travel	439	1,074
Utilities	2,627	2,473
Capital outlay	3,497	33,560
Total Expenditures	<u>292,201</u>	<u>389,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	131,271	62,377
FUND BALANCE - BEGINNING	<u>2,024,529</u>	<u>1,962,152</u>
FUND BALANCE - ENDING	<u>\$ 2,155,800</u>	<u>\$ 2,024,529</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

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

Year Ended December 31, 2017

Total net changes in fund balance at December 31, 2017 per Statement of Revenues, Expenditures and Changes in Fund Balance		\$	131,271
The change in net position reported for governmental activities in the in the Statement of Activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$	3,497	
Depreciation expense for the year ended December 31, 2017		<u>(58,277)</u>	<u>(54,780)</u>
Net pension expense is reported in the governmental funds as expenditures as they are paid, however, in the statement of activities the net position expense is reported according to estimates required by GASB 68:			
Pension expense paid		15,920	
Pension expense per GASB 68		<u>(21,014)</u>	<u>(5,094)</u>
Total changes in net position at December 31, 2017 per Statement of Activities			<u>\$ 71,397</u>

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

As the governing authority, for reporting purposes, the Cameron Parish Police Jury is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Cameron Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability.

The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

2. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", issued in June 1999.

Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of services offered by the District; and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

The District has one fund, the General Fund, which is therefore considered its major fund.

3. Measurement Focus/Basis of Accounting

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus

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

Basis of Accounting

In the government-wide statement of net position and statement of activities, the activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

4. Cash

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

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2017, the District had \$1,502,352 in deposits (collected bank balances), of which all was secured from risk by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Investments

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

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

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

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

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2015 are as follows:

	<u>Fair Value</u>	Quoted prices in Active markets Identical assets <u>Level 1</u>	Significant Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	<u>Cost</u>
Short-term investments:					
U.S. Government Securities	\$ 300,888	\$ 300,888	\$ -	\$ -	\$ 337,325

6. Accounts Receivable

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Budgets

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

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

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

8. Capital assets

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

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

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

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

9. Compensated Absences

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. At December 31, 2017 the District's liability for compensated absences is \$5,874.

10. Equity Classification

In the government-wide statements, equity is classified as net position and displayed in three components:

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

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

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

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Use of Estimates

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

12. Subsequent Events

Management has evaluated subsequent events through May 25, 2018, the date the financial statements were available to be issued.

13. Comparative Data

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

NOTE B – AD VALOREM TAXES

For the year ended December 31, 2017, taxes were levied on taxable assessed valuations of \$86,327,603 at a millage of 4.90.

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

NOTE C--CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2017 follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Buildings and improvements	\$ 94,821	\$ -	\$ -	\$ 94,821
Equipment	550,095	3,497	-	553,592
Vehicles	56,309	-	-	56,309
Furniture and office equipment	10,082	-	-	10,082
Totals at cost	711,307	3,497	-	714,804
Less accumulated depreciation for:				
Buildings and improvement	45,662	2,777	-	48,439
Equipment	424,031	43,654	-	467,685
Vehicles	38,911	11,163	-	50,074
Furniture and office equipment	7,194	683	-	7,877
Total accumulated depreciation	515,798	58,277	-	574,075
Governmental activities:				
Capital assets – net	\$ 195,509	\$ (54,780)	\$ -	\$ 140,729

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE D – RISK MANAGEMENT

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

NOTE E - RETIREMENT COMMITMENTS

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

Parochial Employees' Retirement System

The System is composed of two district plans, Plan A and Plan B with separate assets and benefit provisions. Employees of the District are members of Plan A. Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least twenty-eight hours per week and not participating in another public funded retirement system. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the system. Under Plan A, employees hired prior to January 1, 2007 can retire at any age with 30 or more years of creditable service, age 55 with 25 years of creditable service, age 60 with 10 years of creditable service, or age 65 with 7 years of creditable service. Employees hired after January 1, 2007 can retire at age 55 with 30 or more years of creditable service, age 62 with 10 years of creditable service, or age 67 with 7 years of creditable service. Retirees are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or jointed months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

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

Plan members are required to contribute 9.5% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 12.5% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the System's Board of Trustees. The District's contributions to the System for the year ended December 31, 2017 totaled \$15,920.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE E - RETIREMENT COMMITMENTS – CONTINUED

At December 31, 2017, the District reported a liability of \$30,626 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 their pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2016, the District's proportion was .0148706%.

For the year ended December 31, 2017, the District recognized pension expense of \$5,094 including employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$5. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,359
Difference between expected and actual investment	23,767	-
Difference between expected and actual assumption	5,815	-
Changes in proportion and differences between:		
Contributions and proportionate share of contributions	-	58
Contributions subsequent to the measurement date	15,920	-
Total	<u>\$ 45,502</u>	<u>\$ 5,417</u>

\$15,920 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other accounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2018	\$ 9,635
2019	6,320
2020	(637)
2021	-
2022	-
Thereafter	-

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE E - RETIREMENT COMMITMENTS - CONTINUED

Actuarial methods and assumption. The total pension liability in the December 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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	Plan A – 5.25% (2.75% Merit/2.50% Inflation)
Cost of Living Adjustments	The present values of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet amortized by the Board of Trustees.
Mortality	RP-2000 Employee Sex District Tables was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

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

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations and projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE E - RETIREMENT COMMITMENTS - CONTINUED

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.

Best estimates of arithmetic real rates of return for 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%
Total	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

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 then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent of the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

Sensitivity to changes in discount rate. The following presents the net pension liability of the District 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.

	Changes in Discount Rate 2016		
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability (Asset)	\$ 91,615	\$ 30,626	\$ (20,942)

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The Gravity Drainage District No. 7 of Cameron Parish's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

Most employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P entry) provision are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2008, retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service. For the few employees not covered by that system, the same retirement eligibility has been assumed. Complete plan provisions are included in the official plan documents.

Contribution Rates. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy. In 2017, the Gravity Drainage District No. 7 of Cameron Parish's portion of health care funding cost for retired employees totaled \$0.

Effective with the year ended December 31, 2009, the Gravity Drainage District No. 7 of Cameron Parish implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB Codification Section P50). This statement has been implemented prospectively. Using this method, the beginning OPEB liability is set at zero and the actuarially determined OPEB liability relative to past service (prior to January 1, 2009) will be amortized and recognized as an expense over thirty years.

Effective January 1, 2009, Gravity Drainage implemented Government Accounting Standards Board Codification Section P50, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution. The Gravity Drainage District No. 7 of Cameron Parish's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	2017	2016
Normal Cost	\$ 5,522	\$ 5,309
30-year UAL amortization amount	1,747	1,680
Annual required contribution (ARC)	<u>\$ 7,268</u>	<u>\$ 6,989</u>

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN - CONTINUED

Net Post-employment Benefit Obligation. The table below shows the Gravity Drainage District No. 7 of Cameron Parish's Net Other Post-employment Benefit (OPEB) Obligation for the fiscal year.

	2017	2016
Annual required contribution	\$ 7,268	\$ 6,989
Interest on Net OPEB Obligation	1,008	742
ARC Adjustment	(1,458)	(1,073)
Annual OPEB Cost	6,819	6,658
Contributions made	-	-
Current year retiree premium	-	-
Increase in Net OPEB Obligation	6,819	6,658
Beginning Net OPEB Obligation	25,209	18,551
Ending Net OPEB Obligation	<u>\$ 32,028</u>	<u>\$ 25,209</u>

The following table shows the Gravity Drainage District No. 7 of Cameron Parish's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability:

Post Employment OPEB Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net Obligation
Medical	December 31, 2017	\$ 6,819	0.0%	\$ 32,028
Medical	December 31, 2016	\$ 6,658	0.0%	\$ 25,209

Funded Status and Funding Progress. In the fiscal year ended December 31, 2017, the Gravity Drainage District No. 7 of Cameron Parish made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2015 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year ended December 31, 2017 was \$31,410 which is defined as that portion, as determined by a particular actuarial cost method (the Gravity Drainage District No. 7 of Cameron Parish uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN – CONTINUED

	2017	2016
Actuarial Accrued Liability (AAL)	\$ 31,410	\$ 30,202
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accrued Liability (UAAL)	\$ 31,410	\$ 30,202
Funded Ratio (Act. Val. Assets/AAL)	0.00%	0.00%
Covered Payroll (active Plan members)	\$ 127,361	\$ 123,990
UAAL as a percentage of covered payroll	24.66%	24.36%

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Gravity Drainage District No. 7 of Cameron Parish and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Gravity Drainage District No. 7 of Cameron Parish and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Gravity Drainage District No. 7 of Cameron Parish and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the United Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets. There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50 will be used.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN– CONTINUED

Turnover Rate. An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average of approximately 5%.

Post employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence three years after eligibility to enter the D.R.O.P. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on a graded schedule beginning with 8.0% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present valued of OPEB benefits to be paid. The employer pays a flat \$250 per month of the cost of the medical and life insurance combined for the retirees only (not dependents). Because of the combined nature of the flat monthly employer payment, we have valued only the medical benefits. Effective with this valuation and forward, retirees with at least thirty years of service are entitled to 100% of medical benefits paid by the employer for retiree only coverage, not dependents.

Inflation Rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases. The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Notes to Financial Statements

December 31, 2017

NOTE F – POSTEMPLOYMENT HEALTHCARE PLAN – CONTINUED

Below is a summary of OPEB cost and contributions for the last three fiscal years.

	OPEB Costs and Contributions		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
OPEB Cost	\$ 6,505	\$ 6,658	\$ 6,819
Contribution	-	-	-
Retiree premium	-	-	-
Total contribution and premium	-	-	-
Change in net OPEB obligation	<u>\$ 6,505</u>	<u>\$ 6,658</u>	<u>\$ 6,819</u>
% of contribution to cost	0.0%	0.0%	0.0%
% of contribution plus premium to cost	0.0%	0.0%	0.0%

NOTE G – PER DIEM

Per diem paid commissioners for the year ended December 31, 2017 were as follows:

Russell Badon	\$ 1,100
Rodney Billiot	1,100
Roger Romero	1,000
Ernest Trahan	900
Robert Trahan	<u>1,100</u>
	<u>\$ 5,200</u>

NOTE H – TAX ABATEMENTS

Louisiana's State Constitution Chapter VII Section 21 authorizes the State Board of Commerce and Industry to create a ten (10) year ad valorem tax abatement program for new manufacturing establishments in the State. Under the terms of this program, qualified businesses may apply for an exemption of local ad valorem taxes on capital improvements and equipment related to manufacturing for the first ten years of its operation; after which the property will be added to the local tax roll and taxed at the value and millages in force at the time. The future value of this exempt property could be subject to significant fluctuation from today's value; however, the District could receive a substantial increase in ad valorem tax revenues once the exemption on this property expires. All applicable agreements have been entered into by the Cameron Parish Police Jury and directly affect the District's ad valorem assessments. Because these taxes are not assessed or due, no adjustments have been made to the District's financial statements to record a receivable. As of December 31, 2017, \$1,898,130,343 of assessed property in the District's taxing jurisdiction is receiving this exemption, which amounts to \$9,300,839 in ad valorem taxes.

REQUIRED SUPPLEMENTAL INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Ad valorem taxes (net)	\$ 367,859	\$ 350,169	\$ 409,042	\$ 58,873
Investment income	500	510	2,073	1,563
Intergovernmental - state	-	-	-	-
Other	-	500	1,684	1,184
LNG cooperative endeavor	-	10,672	10,673	1
TOTAL REVENUES	368,359	361,851	423,472	61,621
EXPENDITURES				
General Government				
Advertising	1,000	1,021	881	140
Contract labor	20,500	12,283	4,088	8,195
Dues and subscriptions	-	-	45	(45)
Equipment rental	1,500	480	5,505	(5,025)
Fuel	7,000	4,949	5,505	(556)
Insurance-general	10,000	7,500	6,829	671
Insurance-hospitalization	-	-	44,898	(44,898)
Intergovernmental-OPEB	-	-	6,819	(6,819)
Maintenance and repairs	165,000	35,413	16,787	18,626
Miscellaneous	2,200	771	932	(161)
Office expense	3,000	3,152	1,773	1,379
Payroll taxes	-	-	1,785	(1,785)
Per diem	6,000	5,300	5,200	100
Professional fees	27,500	7,000	7,000	-
Retirement	-	-	15,920	(15,920)
Salaries	180,000	188,584	127,680	60,904
Supplies	15,000	6,595	27,853	(21,258)
Telephone	6,000	6,000	6,138	(138)
Travel	1,700	475	439	36
Utilities	3,000	3,000	2,627	373
Capital outlay	67,500	5,352	3,497	1,855
TOTAL EXPENDITURES	516,900	287,875	292,201	(4,326)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(148,541)	73,976	131,271	57,295
FUND BALANCE - BEGINNING	2,024,529	2,024,529	2,024,529	-
FUND BALANCE - ENDING	\$ 1,875,988	\$ 2,098,505	\$ 2,155,800	\$ 57,295

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Employee Health Care Plan

December 31, 2017

Schedule of Funding Progress (Unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
December 31, 2013	\$ 0	\$ 9,698	\$ 9,698	0.00%	\$ 84,442	11.48%
December 31, 2014	\$ 0	\$ 10,086	\$ 10,086	0.00%	\$ 96,878	10.41%
December 31, 2015	\$ 0	\$ 29,040	\$ 29,040	0.00%	\$ 109,213	26.59%
December 31, 2016	\$ 0	\$ 30,202	\$ 30,202	0.00%	\$ 123,990	24.35%
December 31, 2017	\$ 0	\$ 31,410	\$ 31,410	0.00%	\$ 127,361	24.66%

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

Schedule of Employer's Proportionate Share of Net Pension Liability

Year Ended December 31, 2017

Parochical Employees' Retirement System of Louisiana

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Employer's portion of the net pension liability (asset)	0.01487%	0.02200%	0.02141%
Employer's proportionate share of the net pension liability (asset)	\$ 30,626	\$ 57,913	\$ 5,717
Employer's covered payroll	\$ 127,361	\$ 123,990	\$ 109,213
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.05%	46.71%	5.23%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	92.23%	99.14%

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

*The amounts presented have a measurement date of December 31, 2016.

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

Schedule of Employer Contributions

Year Ended December 31, 2017

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

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

OTHER INFORMATION

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

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

Year Ended December 31, 2017

Chief Executive Officer: Ernest Trahan, Board President

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-cell phone	-
Car allowance	-
Vehicle provided by government	-
Per diem	900
Reimbursements	-
Travel	-
Registration fees	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing Unvouchered expenses	-
Special meals	-



Gragson, Casiday & Guillory, L.L.P.
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MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
GRAHAM A. PORTUS, E.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BARLOW, C.P.A.
BRIAN MCCAIN, C.P.A.
BLAKE MANUEL, C.P.A.

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

May 25, 2018

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Gravity Drainage District No. 7 of Cameron Parish, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gravity Drainage District No. 7 of Cameron Parish's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

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Compliance and Other Matters

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

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

Gravity Drainage District No. 7 of Cameron Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Gravity Drainage District No. 7 of Cameron Parish's response was not subjected to the auditing procedures applied in the audit to the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Gragson, Casiday & Guillory

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Schedule of Findings and Responses

Year Ended December 31, 2017

1. Summary of Auditors' Results:

Type of auditors' opinion issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Control deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

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

Finding 2017-001:

Inadequate Segregation of Duties

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

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

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

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

GRAVITY DRAINAGE DISTRICT NO. 7 OF CAMERON PARISH

Schedule of Findings and Responses-Continued

Year Ended December 31, 2017

3. Federal Award Findings and Questioned Costs

- N/A

4. Prior Year Audit Findings

Finding 2016-001:

Inadequate Segregation of Duties

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

Status: Repeat finding in 2017.



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INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

May 25, 2018

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

We have performed the procedures included enumerated below, which were agreed to by Gravity Drainage District No. 7 of Cameron Parish and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUP's) for the year ended December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUP's.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the District'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 District does not have any written policies and procedures), as applicable:
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
The District does not have a policies and procedures manual.
 - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
The District does not have a policies and procedures manual.
 - c) *Disbursements*, including processing, reviewing, and approving.
The District does not have a policies and procedures manual.
 - d) *Receipts*, including receiving, recording, and preparing deposits.
The District does not have a policies and procedures manual.

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

The District does not have a policies and procedures manual.

- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The District does not have a policies and procedures manual.

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

The District does not have a policies and procedures manual.

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

The District does not have a policies and procedures manual.

- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the District's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The District does not have a policies and procedures manual.

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

The District does not have a policies and procedures manual.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board minutes for the fiscal year, 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.

The Board met monthly during the fiscal year.

- 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 District'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 year reflect that the board is monitoring the plan.

The minutes did not reference nor include monthly budget-to-actual comparisons.

- 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 year.

Minutes, where applicable, contained approval of non-budgetary financial information.

Bank Reconciliations

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

The listing was provided by management.

4. Using the listing provided by management, select all of the District'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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal year and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for all of the selected bank accounts for all months in the fiscal year.

- 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

There is no documentation that a member of management or a board member has 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.

Checks were outstanding for more than 6 months as of the end of the fiscal period. All were cancelled and reissued in January 2018.

Collections

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

The listing was provided by management.

6. Using the listing provided by management, select all of the District'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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

The employee accepting payments is bonded. The employee who collects cash is also responsible for depositing, recording and reconciling. Cash register/drawers are not maintained.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the District 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.

The District has a formal process to reconcile cash collections to the subsidiary ledger and to the general ledger by revenue source by a person who is also responsible for cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using District 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.

All deposits were made within one day of collections.

- 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.

No evidence of exceptions was found during the testing.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the District has a process specifically defined (identified as such by the District) 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.

The District has such a process and is performed by a person responsible for collections.

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

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

The listing was provided by management.

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 District 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:

Randomly selected 25 disbursements and obtained supporting documentation for each transaction.

- 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.

Not applicable, the district does not utilize a requisition/purchase order system nor an equivalent electronic system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Not applicable, the district does not utilize a requisition/purchase order system nor an equivalent electronic system.

- 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.

The district does not utilize a requisition/purchase order system nor an equivalent electronic system. However, payments had an approved invoice.

10. Using District 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 District's purchasing/disbursement system.

The individual responsible for processing payment is not prohibited from adding vendors to the system.

11. Using District 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.

The individual with signatory authority and authorization for disbursements also has responsibility to 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 District documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The District's unused checks are maintained in a locked location with restricted access. However, the person with signatory authority also has system access to unused checks.

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.

The District has a signature stamp, which is used only with the knowledge and consent of the signer. Checks are maintained under the control of the signer or authorized user until mailed.

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.

The list was provided by management

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of

certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

The monthly statement was reviewed and approved by someone other than the authorized card holder.

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

No finance charges or late fees were assessed on the selected statement.

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

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

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

Each transaction tested was supported by an original itemized receipt.

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

Each transaction tested had the business/public purpose documented.

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

The District does not have a written policy for credit cards.

b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the District'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.

The District does not have a written purchasing /disbursements policy. No exceptions to Louisiana Public Bid Law noted.

c) For each transaction, compare the District's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Each transaction tested had the business/public purpose documented.

Travel and Expense Reimbursement

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

The listing was provided by management.

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

The District reimburses per diem and mileage at or below the GSA rates.

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 District does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

For the expense reimbursements tested, those did not exceed the GSA rates.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Each expense was reimbursed based on an established per diem amount.

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

Each expense was supported by documentation of business/public purpose.

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

All documentation appeared to be in order.

- c) Compare the District's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature

of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

The District's documentation of business/public purpose for tested expenses appeared to comply with the requirements of Article 7, Section 14 of the Louisiana Constitution.

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

Each expense tested was supported by documentation, approval in writing by someone other than the person receiving reimbursement.

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.

The listing was provided by management.

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.

Of the five highest paid vendors, none have formal/written contracts. However, invoices were present for each payment tested.

- 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 District complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

The contracts/vendors complied with public bid law when applicable.

- If no, obtain supporting contract documentation and report whether the District solicited quotes as a best practice.

Solicited quotes were obtained for one of the contracts/invoices.

- 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.

None of the contracts were amended.

- 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.

Payments complied with the invoices/contracts.

- 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).

Documentation provided reflected approval by the Board.

Payroll and Personnel

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

The listing was provided by management.

- a) Review compensation paid to each employee during the fiscal year and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

All selected employees were paid in strict accordance with the approved pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal year and report whether those changes were approved in writing and in accordance with written policy.

There were no changes to pay rate/salaries during the fiscal year.

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

All employees/officials documented their daily attendance and leave.

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

All employees/officials' leave was correctly approved.

- c) Report whether there is written documentation that the District maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

The District maintained written leave records reflecting the hours earned, the hours used, and the balance available electronically in their payroll system.

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.

No employees terminated 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.

Documentation reflected that payroll tax and retirement return/reports were timely filed and paid.

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 District maintained documentation to demonstrate that required ethics training was completed.

Ethics training documentation was maintained where required.

27. Inquire of management whether any alleged ethics violations were reported to the District 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 District's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management was not notified of any alleged or actual ethics violations during the fiscal period.

Debt Service

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

No debt was issued during the fiscal year.

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

The District did not have any debt.

30. If the District 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.

The District did not have any debt.

Other

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

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

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

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

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

The practitioner did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUP's. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Gragson, Casiday & Guillory