

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT
ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-7
INDEPENDENT AUDITORS' REPORT	8-10
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of net position	13
Statement of revenues, expenses and changes in net position	14
FUND FINANCIAL STATEMENT	
Balance sheet-governmental funds	16
Reconciliation of balance sheet-governmental funds to the statement of net position	17
Statement of revenues, expenditures, and changes in fund balances-governmental funds	18
Reconciliation of the statement of revenues, expenditures, and changes in fund balances- governmental funds to the statement of activities	19
NOTES TO BASIC FINANCIAL STATEMENTS	20-29
OTHER INFORMATION	
Schedule of compensation, benefits and other payments to chief executive officer	31
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	32-33
SCHEDULE OF FINDINGS AND RESPONSES	34

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis

Within this section of the West Trace Community Development District'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 June 30, 2019. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This is the entity's first fiscal year, therefore comparative information will not be presented.

Financial Highlights

- The District's assets were less than its liabilities by \$(801,650) (deficit net position), for the fiscal year reported.
- Total revenues of \$65,241 were less than total expenditures of \$866,891, which resulted in a current year deficit of \$(801,650).
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$(4,809,796) include construction in progress, and is reduced for outstanding debt related to the purchase of capital assets.
 - (2) Restricted net position of \$4,008,146 representing investments restricted for the completion of the construction in progress and for debt service.
 - (3) Unrestricted net position of \$0.

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

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

This Management Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include the financial statements and 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, plus deferred outflows of resources, less liabilities, less deferred inflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position 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.

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.

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.

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis (Continued)

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.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Financial Analysis of the District as a Whole

The District's net position(deficit) at fiscal year-end is \$(801,650). The following table provides a summary of the District's net position:

Assets:	
Current assets	\$ 4,026,183
Capital assets-Construction in progress	<u>2,465,204</u>
Total assets	<u>\$ 6,491,387</u>
Deferred outflows of resources	<u>\$ _____</u> -
Liabilities:	
Current liabilities	\$ 18,037
Long-term liabilities	<u>7,275,000</u>
Total liabilities	<u>\$ 7,293,037</u>
Deferred inflows of resources	<u>\$ _____</u> -
Net position:	
Net investment in capital assets	\$ (4,809,796)
Restricted	4,008,146
Unrestricted	-
Total net position(deficit)	<u>\$ (801,650)</u>

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis (Continued)

The net investment in capital assets is the construction in progress less the debt acquired. The District uses these capital assets to provide services to its residents. The restricted net position amounts are to complete the construction and pay the bonds.

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

Nonoperating Revenues	\$ <u>65,241</u>
Total Revenues	65,241
Depreciation Expense	-
Other Operating Expenses	-
Nonoperating Expenses	<u>866,891</u>
Total Expenses	<u>866,891</u>
Change in Net Position	(801,650)
Beginning Net Position	-
Ending Net Position	<u>\$ (801,650)</u>

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2019, was \$2,465,204. See Note B for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

Nondepreciable assets:	
Construction in progress	\$ <u>2,465,204</u>
Depreciable assets:	\$ -
Less accumulated depreciation	<u>-</u>
Book value-depreciable assets	<u>\$ -</u>
Percentage depreciated	<u>-%</u>
Book value-all assets	<u>\$ 2,465,204</u>

Construction in progress of \$2,465,204 at June 30, 2019 is infrastructure for Tracts 5, 6, 7, 9, 15 and 16 of the District (additional cost of \$2,820,000 is expected and completion is expected in the fiscal year ending June 30, 2020).

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Management's Discussion and Analysis (Continued)

Long-Term Debt

At the end of the fiscal year, the District had total debt obligations outstanding of \$7,275,000. During the year, the District issued \$7,275,000 of the outstanding debt balance. See Note C for additional information regarding long-term debt.

Economic Factors

The District has only one landowner within its boundaries, West Trace Landco, LLC, (Landco) the developer. Because of this, the District is susceptible to economic conditions that could affect its only taxpayer and from any future landowners who purchase lots from Landco.

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, Mrs. Andrea Mahfouz, Clerk at 1001 Mulberry Street, Westlake, LA. 70669.

INDEPENDENT AUDITORS' REPORT

December 6, 2019

Board of Supervisors
West Trace Community Development District

We have audited the accompanying financial statements of the governmental activities and each major fund of West Trace Community Development District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the West Trace Community Development District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion 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 the 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits and other payments to 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 to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

Board of Supervisors
West Trace Community Development District
December 6, 2019
Page Three

in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to chief executive officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Accounting Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the West Trace Community Development District'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 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 West Trace Community Development District's internal control over financial reporting and compliance.

Shagson, Casiday, Skully

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Statement of Net Position

June 30, 2019

ASSETS	
Restricted assets	
Investments	\$ 4,026,183
Capital assets	
Construction in progress	2,465,204
TOTAL ASSETS	<u>\$ 6,491,387</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>
LIABILITIES	
Accounts payable	\$ 18,037
Long-term debt	
Due within one year	-
Due after one year	7,275,000
TOTAL LIABILITIES	<u>\$ 7,293,037</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ -</u>
NET POSITION	
Net investment in capital assets	\$ (4,809,796)
Net position - Restricted for debt service	1,119,562
Net position - Restricted for capital projects	2,888,584
Net position - Unrestricted	-
TOTAL NET POSITION	<u>\$ (801,650)</u>

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

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Statement of Activities

Year Ended June 30, 2019

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net position Primary Government Governmental Activities</u>
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Interest and other costs	\$ 866,891	\$ -	\$ -	\$ (866,891)
Total Governmental Activities	<u>\$ 866,891</u>	<u>\$ -</u>	<u>\$ -</u>	\$ (866,891)
General Revenues:				
Investment income				65,241
Total general revenues				<u>65,241</u>
Change in net position				(801,650)
Net position - Beginning				<u>-</u>
Net position - Ending				<u>\$ (801,650)</u>

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

FUND FINANCIAL STATEMENTS

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Balance Sheet - Governmental Funds

June 30, 2019

	Debt Service	Capital Projects	Total
ASSETS			
Investments	\$ 1,119,562	\$ 2,906,621	\$ 4,026,183
TOTAL ASSETS	<u>1,119,562</u>	<u>2,906,621</u>	<u>4,026,183</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,119,562</u>	<u>\$ 2,906,621</u>	<u>\$ 4,026,183</u>
LIABILITIES			
Accounts payable	\$ -	18,037	\$ 18,037
TOTAL LIABILITIES	<u>-</u>	<u>18,037</u>	<u>18,037</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Debt service	1,119,562	-	1,119,562
Capital projects	-	2,888,584	2,888,584
Unassigned	-	-	-
TOTAL FUND BALANCES	<u>1,119,562</u>	<u>2,888,584</u>	<u>4,008,146</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,119,562</u>	<u>\$ 2,906,621</u>	<u>\$ 4,026,183</u>

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

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Position

June 30, 2019

Total fund balance for governmental funds at June 30, 2019:	\$ 4,008,146
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. Those assets consist of:	
Construction in progress	2,465,204
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:	
Long-term debt	<u>(7,275,000)</u>
Total net position of governmental activities at June 30, 2019	<u>\$ (801,650)</u>

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

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Statement of Revenue, Expenditures and Changes
In Fund Balances - Governmental Funds

Year Ended June 30, 2019

	Debt Service	Capital Projects	Total
REVENUES			
Investment income	\$ -	\$ 65,241	\$ 65,241
TOTAL REVENUES	<u>-</u>	<u>65,241</u>	<u>65,241</u>
EXPENDITURES			
Current:			
Capital Outlay	-	2,465,204	2,465,204
Debt Service:			
Interest	432,079	-	432,079
TOTAL EXPENDITURES	<u>432,079</u>	<u>2,465,204</u>	<u>2,897,283</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(432,079)	(2,399,963)	(2,832,042)
OTHER FINANCING SOURCES (USES)			
Transfers in		5,288,547	5,288,547
Transfers out	(5,288,547)		(5,288,547)
Debt issuance costs	(434,812)		(434,812)
Bond Proceeds	7,275,000		7,275,000
	<u>1,551,641</u>	<u>5,288,547</u>	<u>6,840,188</u>
NET CHANGES IN FUND BALANCE	1,119,562	2,888,584	4,008,146
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>1,119,562</u>	<u>2,888,584</u>	<u>4,008,146</u>

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

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended June 30, 2019

Total net changes in fund balance at June 30, 2019 per Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 4,008,146
<p>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.</p> <p>Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances</p>		
	\$ 2,465,204	
Depreciation expense for the year ended June 30, 2019	<u>-</u>	2,465,204
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term debt in the statement of net assets.</p>		
Proceeds from Long Term Debt	(7,275,000)	
Principal Payments on Bonds	<u>-</u>	<u>(7,275,000)</u>
Total changes in net position at June 30, 2019 per Statement of Activities		<u>\$ (801,650)</u>

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

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Trace Community Development District is a political subdivision of the State of Louisiana, created pursuant to the Community Development District Act, Chapter 27-B of Title 33 of the Louisiana Revised Statutes of 1950, as amended (the "Act"), and by Ordinance No. 946 enacted by the City Council of the City of Westlake, Louisiana on January 22, 2018. The District was created for the purpose of delivering certain community development services and facilities for the benefit of District lands, and has previously determined to undertake the acquisition and/or construction of public improvements and community facilities as set forth in the Act for the special benefit of certain District lands. The Act authorized the District to issue bonds for the purpose of, among others, financing, funding, planning, establishing, acquiring, constructing or reconstructing, enlarging or extending, equipping water management, water supply, sewer and wastewater management, bridges or culverts, public roads, street lights and other basic infrastructure projects within or without the boundaries of the District as provided in the Act.

The boundaries of the District include approximately 151.02 acres of land entirely within the boundaries of the City (the "District lands") which are being developed as a residential planned development known as "West Trace" (the "Development"). West Trace is an existing golf course community containing the National Golf Club of Louisiana which is an 18-hole golf course located in the Development. Additionally, there are approximately 40 high end homes constructed to date in West Trace. Neither the golf course, club or existing homes are security for the Series 2018 Bonds.

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

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the District.

The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board statement No. 14 (Codification Section 2100.120140). This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the District has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the District.

2. Basis of Presentation

The accompanying financial statements of the West Trace Community Development 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 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.

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 emphasis on fund financial statements is on major funds, each displayed on a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund is at least 5 percent of the corresponding total for all governmental funds combined.

The District reports the following major funds:

The Debt Service Fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and related cost.

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

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.

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental 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, governmental 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. However, debt service expenditures are recorded only when payment is due.

4. Cash and Investments

Cash

Cash includes amounts in demand deposits, interest-bearing 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, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2019, the District has \$0 in deposits (collected bank balances).

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 June 30, 2019 are as follows:

	Fair Value	Quoted Price in Active Markets Identical assets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Cost
Short-term investments:					
Federated Gov't					
Oblig Fd # 158	\$ 4,026,183	\$ 4,026,183	\$ -	\$ -	\$ 4,026,183
	<u>\$ 4,026,183</u>	<u>\$ 4,026,183</u>	<u> </u>	<u> </u>	<u>\$ 4,026,183</u>

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Federated Government Obligations Fund (the "Fund") is managed by Federated Investment Management Company. The Fund is a money market fund that seeks to maintain a stable net asset value of \$1.00 per Share. The Fund's investment objective is to provide current income consistent with stability of principal.

The Fund invests in a portfolio of U.S. Treasury and government securities maturing in 397 days or less and repurchase agreements collateralized fully by U.S. Treasury and government securities. The Fund may also hold cash. The Fund limits its investments to those that would enable it to qualify as a permissible investment for federally chartered credit unions as set forth in applicable federal banking regulations.

- Credit risk: Administrative shares of the Federated Government Obligations Fund is rated AAAM by Standard & Poor's.
- Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
- Concentration of credit risk: The Fund is composed of U.S. Government Agency Debt, U.S. Government Agency Repurchase Agreement, U.S. Treasury Debt and U.S. Treasury Repurchase Agreement
- Interest rate risk: Prices of fixed-income securities generally fall when interest rates rise. Recent and potential future changes in monetary policy made by central banks and/or their governments are likely to affect the level of interest rates.
- Foreign currency risk: Not applicable.

Federated Investment Management Company is part of Federated Investors, Inc. Federated Investors, Inc. is registered with the SEC as an investment company and listed on the New York Stock Exchange.

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Capital Assets

Capital assets are reported in the applicable governmental activities columns 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 costs 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.

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

6. Long - Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

7. 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 accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, 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”.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Board members or the finance committee has provided otherwise in its commitment or assignment actions.

8. 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.

9. Subsequent Events

Management has evaluated subsequent events through December 6, 2019, the date the financial statements were available to be issued.

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE B – CAPITAL ASSETS

A summary of changes in capital assets for the year follows:

	<u>Beginning of year</u>	<u>Net Additions (Deletions)</u>	<u>End of Year</u>
Governmental Activities:			
Construction in progress	\$ -	\$ 2,465,204	\$ 2,465,204
Less accumulated depreciation	-	-	-
Governmental activities			
Capital assets, Net	<u>\$ -</u>	<u>\$ 2,465,204</u>	<u>\$ 2,465,204</u>

Depreciation expense was \$- for the year ended June 30, 2019.

Construction in progress of \$2,465,204 at June 30, 2019 is infrastructure for Tracts 5, 6, 7, 9, 15 and 16 of the District (additional cost of \$2,820,000 is expected and completion is expected in the fiscal year ending June 30, 2020).

NOTE C – LONG-TERM DEBT

Debt Outstanding

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2019:

Governmental Activities:	
Bonds payable, June 30, 2018	\$ -
Bonds paid	-
Bonds issued	<u>7,275,000</u>
Bonds payable, June 30, 2019	<u>\$ 7,275,000</u>

Long-term debt at June 30, 2019 is comprised of the following individual issue:

\$7,275,000 Series 2018 Special Assessment Revenue Bonds due in semi-annual principal installments ranging from \$57,500 to \$287,500, interest at 6.875%, maturing at December 1, 2046	<u>\$ 7,275,000</u>
---	---------------------

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Notes to the Financial Statements

June 30, 2019

NOTE C – LONG-TERM DEBT – CONTINUED

A summary of the annual principal and interest maturities of outstanding debt are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 500,156	\$ 500,156
2021	-	500,156	500,156
2022	57,500	500,156	557,656
2023	120,000	496,203	616,203
2024	130,000	487,953	617,953
2025-2029	800,000	2,291,953	3,091,953
2030-2034	1,112,500	1,977,422	3,089,922
2035-2039	1,542,500	1,539,656	3,082,156
2040-2044	2,145,000	931,734	3,076,734
2045-2047	1,367,500	171,877	1,539,377
	<u>\$ 7,275,000</u>	<u>\$ 9,397,266</u>	<u>\$ 16,672,266</u>

This Board of Supervisors duly adopted a resolution on June 14, 2018 authorizing issuance, sale and delivery in multiple series of not exceeding \$17,000,000 Special Assessment Revenue Bonds, Series 2018 (West Trace Community Development District) for the purpose of financing various infrastructure improvements within the district.

NOTE D – CONCENTRATIONS

The District currently has only one landowner, West Trace Landco, LLC. Because of this, the District is susceptible to economic conditions that could affect its only taxpayer.

NOTE E – COMMITMENTS AND CONTINGENCIES

Pursuant to the Completion Agreement, the Developer, West Trace Landco, LLC, will make provision for any additional funds that may be needed in the future for the completion of the Series 2018 Improvements over and above that amount including, but not limited to, all administrative, legal, warranty, engineering, permitting costs, costs associated with work required prior to final acceptance by an appropriate government body, and other related soft and hard costs. In addition, the Developer, West Trace Landco, LLC, is responsible for any cash flow shortages required to pay any future operating expenses, debt principal and debt interest.

Nothing herein shall cause or be construed to require the District to issue additional bonds or indebtedness to provide funds for any portion of the Remaining Series 2018 Improvements.

OTHER INFORMATION

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

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

Year Ended June 30, 2019

Chief Executive Officer: Bobby LeTard, Chairman

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 6, 2019

Board of Supervisors
West Trace Community Development District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities of the West Trace Community Development District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the West Trace Community Development District's basic financial statements, and have issued our report thereon dated December 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Trace Community Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances of the West Trace Community Development District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Trace Community Development District's internal control.

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

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

Board of Supervisors
West Trace Community Development District
December 6, 2019
Page Two

Compliance and Other Matters

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

Purpose of this Report

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

Shagson, Cassidy; Shullory

WEST TRACE COMMUNITY DEVELOPMENT DISTRICT

Schedule of Findings and Responses

Year Ended June 30, 2019

1. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses(es) identified? _____ yes X no
- Control deficiency(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

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

None

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

None

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Supervisors
West Trace Community Development District

December 6, 2019

We have performed the procedures included enumerated below, which were agreed to by the West Trace Community Development District and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2018 through June 30, 2019 (first year of inception). The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations)
 - a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.
The District does not have a complete written policies and procedures manual.
 - b) *Purchasing*, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
The District does not have a complete written policies and procedures manual.
 - c) *Disbursements*, including processing, reviewing, and approving.
The District does not have a complete written policies and procedures manual.
 - d) *Receipt/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmations with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequence, agency fund forfeiture monies confirmation).
The District does not have a complete written policies and procedures manual.

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

The District does not have a complete written policies and procedures manual.

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

The District does not have a complete written policies and procedures manual.

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

The District does not have a complete written policies and procedures manual.

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

The District does not have a complete written policies and procedures manual.

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

The District does not have a complete written policies and procedures manual.

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

The District does not have a complete written policies and procedures manual.

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

The District does not have a complete written policies and procedures manual.

Management Response: A written policies and procedures manual is currently in process of being completed.

Council or Finance Committee

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

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

The minutes reflected that the managing council met monthly in accordance with enabling legislation.

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

The District did not maintain a general fund for the fiscal year.

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

The District did not maintain a general fund for the fiscal year.

Bank Reconciliations

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

There is no evidence that bank reconciliations were prepared within 2 months of the statement closing date.

Management Response: Management will provide evidence that bank reconciliations are prepared timely in the future.

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

Bank reconciliations did not include evidence that a member of management/board member reviewed each reconciliation.

Management Response: Procedures will be implemented to have a board member document review of each month's bank reconciliation/statement.

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

Not applicable, there were no items outstanding for more than 12 months for the statements tested.

Collections

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

The listing was provided by management.

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

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

Not applicable, the District does not collect cash.

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

Not applicable, the District does not collect cash.

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

Not applicable, the District does not collect cash.

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

Not applicable, the District does not collect cash.

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

Not applicable, the District does not have employees.

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

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

Not applicable, no deposits were made in the current fiscal year.

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

Not applicable, no deposits were made in the current fiscal year.

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

Not applicable, no deposits were made in the current fiscal year.

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

Not applicable, no deposits were made in the current fiscal year.

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

Not applicable, no deposits were made in the current fiscal year.

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

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

The listing was provided by management.

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

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

Purchase orders are not utilized. However, all payments were made according to a single construction contract and to a debt service schedule.

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

Not applicable, there are no District employees and all payments are made by trustee bank.

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

Not applicable, there are no District employees and all payments are made by trustee bank.

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

Not applicable, there are no District employees and all payments are made by trustee bank.

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

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

All transactions tested where paid by and matched the original invoice.

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

No exceptions when applicable.

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

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

Not applicable. The District does not have active credit cards, bank debit cards, fuel cards, nor P-cards.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each

card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

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

Not applicable. The District does not have active credit cards, bank debit cards, fuel cards, nor P-cards.

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

Not applicable. The District does not have active credit cards, bank debit cards, fuel cards, nor P-cards.

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

Not applicable. The District does not have active credit cards, bank debit cards, fuel cards, nor P-cards.

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

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

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

No reimbursements were made during the year for travel and travel-related expenses.

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

No reimbursements were made during the year for travel and travel-related expenses.

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

No reimbursements were made during the year for travel and travel-related expenses.

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

No reimbursements were made during the year for travel and travel-related expenses.

Contracts

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

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

None required.

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

No exceptions.

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

Not applicable..

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

No exceptions.

Payroll and Personnel

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

Not applicable. The District has no employees/elected officials and is ran only by its board.

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

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Not applicable. The District has no employees/elected officials and is ran only by its board.

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

Not applicable. The District has no employees/elected officials and is ran only by its board.

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

Not applicable. The District has no employees/elected officials and is ran only by its board.

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

Not applicable. The District has no employees/elected officials and is ran only by its board.

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

Not applicable. The District has no employees/elected officials and is ran only by its board.

Ethics

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

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

Not applicable.

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

The District does not have a written ethics policy.

Management response: The District will adopt an ethics policy within its policy and procedures manual.

Debt Service

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

The State Bond Commission approved the bond issued during the fiscal year.

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

No exceptions.

Other

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

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

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

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

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

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

Sharon, Cassidy: Shillery