

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE  
DISTRICT NO. 5 OF THE PARISH OF ST. TAMMANY,  
STATE OF LOUISIANA**

**Financial Statements with Supplementary Information**

**December 31, 2017**

**(With Accountants' Compilation Report Thereon)**

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

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Accountants' Compilation Report

**Board of Commissioners  
Sub-Drainage District No. 2 of Gravity Drainage District No. 5  
of the Parish of St. Tammany, State of Louisiana  
Mandeville, Louisiana**

Management is responsible for the accompanying basic financial statements of the governmental activities of Sub-Drainage District No. 2 of Gravity District No. 5 of the Parish of St. Tammany, State of Louisiana (the District), as of and for the year ended December 31, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 8 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

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

The other supplementary information on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. This information was subject to our compilation engagement, however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

We are not independent with respect to the District.

*Griffin & Furman, LLC*

January 21, 2018

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Statement of Net Position**

**December 31, 2017**

**(See Accountants' Compilation Report)**

**Assets**

Cash & cash equivalents	\$	48,734	
Capital assets, net of accumulated depreciation		<u>712,262</u>	
			<u>\$ 760,996</u>

**Liabilities & Net Assets**

**Liabilities:**

Bonds payable - current	\$	-	
Bonds payable - long-term		<u>-</u>	

**Total liabilities** -

**Net Position:**

Net investment in capital assets	712,262	
Unrestricted	<u>48,734</u>	

**Total net position** 760,996

**Total liabilities & net position** \$ 760,996

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Statement of Activities**

**For the Year Ended December 31, 2017**

**(See Accountants' Compilation Report)**

<b>Expenses:</b>		
Accounting & audit	\$ (3,250)	
Bank charges	(343)	
Repairs & maintenance	(34,130)	
Management fee	(2,500)	
Total expenses	<u>(40,223)</u>	(40,223)
<b>General Revenues:</b>		
Parcel fees	<u>118,439</u>	
Total general revenues		118,439
<b>Non-Operating Revenue (Expense):</b>		
Interest income	203	
Interest expense	(767)	
Total non-operating revenue (expense)		<u>(564)</u>
Change in net position		77,652
Net position - beginning of year		<u>683,344</u>
Net position - end of year	\$	<u><u>760,996</u></u>



**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Governmental Funds**

**Statement of Revenues, Expenditures, and Changes in Fund Balance**

**For the Year Ended December 31, 2017**

**(See Accountants' Compilation Report)**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
<b>Revenues:</b>				
Parcel fees	\$ -	-	118,439	118,439
Interest income	-	-	203	203
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>118,642</b>	<b>118,642</b>
<b>Expenditures:</b>				
<b>General</b>				
Administrative expense	2,843	-	-	2,843
Accounting & audit	3,250	-	-	3,250
Repairs & maintenance	-	-	34,130	34,130
<b>Debt Service</b>				
Principal	-	31,000	-	31,000
Interest	-	767	-	767
Capital outlay	-	-	42,145	42,145
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total expenditures</b>	<b>6,093</b>	<b>31,767</b>	<b>76,275</b>	<b>114,135</b>
<b>Other financing sources:</b>				
Transfers (to)/from other funds	7,110	31,767	(38,877)	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total other financing sources</b>	<b>7,110</b>	<b>31,767</b>	<b>(38,877)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>1,017</b>	<b>-</b>	<b>3,490</b>	<b>4,507</b>
<b>Fund balance, beginning of period</b>	<b>239</b>	<b>-</b>	<b>43,988</b>	<b>44,227</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balance, end of period</b>	<b>\$ 1,256</b>	<b>-</b>	<b>47,478</b>	<b>48,734</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Governmental Funds**

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

**For the Year Ended December 31, 2017**

**(See Accountants' Compilation Report)**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 4,507</b>
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>	
<b>Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is capitalized and depreciated when applicable.</b>	<b>42,145</b>
<b>Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces non-current liabilities in the Statement of Net Position. This is the amount of bond principal repayments.</b>	<b><u>31,000</u></b>
<b>Change in net position of governmental activities</b>	<b><u><u>\$ 77,652</u></u></b>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Governmental Funds**

**Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual (Budgetary Basis) - General Fund**

**For the Year Ended December 31, 2017**

**(See Accountants' Compilation Report)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
<b>General</b>				
Administrative expense	2,500	2,500	2,843	(343)
Accounting & audit	2,739	2,739	3,250	(511)
<b>Debt Service</b>				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,239</u>	<u>5,239</u>	<u>6,093</u>	<u>(854)</u>
<b>Other:</b>				
Transfers (to)/from other funds	<u>4,665</u>	<u>4,665</u>	<u>7,110</u>	<u>(2,445)</u>
Net change in fund balance	(574)	(574)	1,017	1,591
Fund balance, beginning of period	<u>574</u>	<u>574</u>	<u>239</u>	<u>335</u>
Fund balance, end of period	<u>\$ -</u>	<u>-</u>	<u>1,256</u>	<u>1,926</u>

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Schedule of Compensation, Benefits and Other Payments to  
Agency Head or Chief Executive Officer**

**For the Year Ended December 31, 2017**

**Steve Cohan, Chairman of the District, received no compensation, benefits, or other payments of any kind during the year ended December 31, 2017.**

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Schedule of Findings and Management Corrective Action Plan**

**For the Year Ended December 31, 2017**

**Finding 2017-1:**

***Criteria:***

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

***Condition & Cause:***

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Company's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

***Recommendation:***

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

***Management Corrective Action Plan:***

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Company's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

**Finding 2017-2:**

***Criteria:***

Management is responsible for amending their annual budget when there is a 5% variance in revenues or expenditures.

***Condition & Cause:***

Actual expenditures for the general fund exceeded budgeted expenditures by 16.3%. There were no amendments made to the adopted budget during the year.

***Recommendation:***

We recommend the District monitor revenues and expenditures in relation to the budget throughout the year to ensure any required amendments are made to the budget.

***Management Corrective Action Plan:***

The District will compare budgeted and actual expenditures at each Board meeting and amend the budget as needed.

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Status of Prior Year Findings**

**For the Year Ended December 31, 2017**

**Finding 2016-1:**

***Criteria:***

Management is responsible for developing internal controls related to the preparation of financial statements as well as preparing financial statements in accordance with accounting principles generally accepted in the United States of America.

***Condition & Cause:***

As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting entries and to prepare the Company's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls. Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

***Recommendation:***

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

***Management Corrective Action Plan:***

In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Company's annual financial reports. We therefore agree with the auditors' recommendation that no correction action is necessary.

***Status of Finding:***

There is no change in the status of this comment.

**Finding 2016-2:**

***Criteria:***

Management is responsible for amending their annual budget when there is a 5% variance in revenues or expenditures.

***Condition & Cause:***

Actual expenditures for the general fund exceeded budgeted expenditures by 7.3%. There were no amendments made to the adopted budget during the year.

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Status of Prior Year Findings**

**For the Year Ended December 31, 2017**

***Recommendation:***

**We recommend the District monitor revenues and expenditures in relation to the budget throughout the year to ensure any required amendments are made to the budget.**

***Management Corrective Action Plan:***

**The District will compare budgeted and actual expenditures at each Board meeting and amend the budget as needed.**

***Status of Finding:***

**Unresolved – See Finding 2017-2.**

**SUB-DRAINAGE DISTRICT NO. 2 OF GRAVITY DRAINAGE DISTRICT NO. 5 OF  
THE PARISH OF ST. TAMMANY**

**Independent Accountants' Report  
On Applying Agreed-Upon Procedures**

**For the Period of January 1, 2017 thru December 31, 2017**

To the Board of Directors  
Sub-Drainage District No.2 of Gravity Drainage District No. 5 of the Parish of St. Tammany  
Mandeville, Louisiana

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the Sub-Drainage District No.2 of Gravity Drainage District No. 5 of the Parish of St. Tammany, is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the District and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the District's compliance with certain laws and regulations during the period of January 1, 2017 thru December 31, 2017, in accordance with Act 774 of 2014 Regular Legislative Session.

This agreed-upon procedures engagement was performed 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.

***Board Oversight (or Finance Committee, if applicable)***

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1. Obtain the entity's written policies and procedures over budgeting (or report that the entity does not have any written policies and procedures over budgeting) and report whether those written policies and procedures address preparing, adopting, monitoring, and amending the budget.

***Finding:*** *The District does not have any written policies and procedures over budgeting.*

***Corrective Action:*** *The District will develop and adopt written policies and procedures over budgeting.*

2. Obtain and review the board/committee minutes for the fiscal period, and:
  - a. Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

***Finding:*** *The Board's enabling legislation does not specify how often the Board should meet. The Board met on May 8, 2017, August 21, 2017 and November 30, 2017.*

***Corrective Action:*** *Not applicable.*

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

***Finding:** The minutes provided did not include a budget-to-actual comparison of the General Fund or any other funds identified as major funds. The November 30, 2017 minutes included a break down for the 2018 project list to allow \$70,000 to spend toward capital projects in the neighborhood. Of that, 60% of the budget will go to major projects including liability issues, main drainage ditch and emergency projects. Of the budget, 37% will be allocated to ditching and maintenance projects that include routine maintenance and 3% of the budget will be allocated to a Contingency Fund.*

***Corrective Action:** The District will formally incorporate budget to actual comparisons into its meeting agendas in the future.*

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

***Finding:** The May 8, 2017 minutes reviewed contract work scheduled for replacing the fence posts and ongoing drainage projects. During the August 21, 2017 meeting, Kort's Construction was awarded the bid for items #6-8 and #11 on the bid document to perform the Catch Basin Rehab on 3 locations and the Pond Slope Repair at 7125 Edgewater. The other items on the bid document will be revisited in 2018.*

***Corrective Action:** Not applicable.*

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Sub-Drainage District No.2 of Gravity Drainage District No. 5 of the Parish of St. Tammany and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Griffin & Furman, LLC***

May 14, 2018