

**JOHN K. KELLY GRAND BAYOU  
RESERVOIR COMMISSION  
COUSHATTA, LOUISIANA**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED December 31, 2016**

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**  
**FINANCIAL REPORT**  
December 31, 2016

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# Dees Gardner, Certified Public Accountants, LLC

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## INDEPENDENT AUDITOR'S REPORT

John K. Kelly Grand Bayou Reservoir Commission  
Coushatta, Louisiana

We have audited the accompanying financial statements of the John K. Kelly Grand Bayou Reservoir Commission, Coushatta, Louisiana, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the John K. Kelly Grand Bayou Reservoir Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the John K. Kelly Grand Bayou Reservoir Commission as of December 31, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-8 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the John K. Kelly Grand Bayou Reservoir Commission's basic financial statements. The schedule of compensation, benefits and other payments to agency head or 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 agency head or chief executive officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to agency head or 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 Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the John K. Kelly Grand Bayou Reservoir Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the John K. Kelly Grand Bayou Reservoir Commission's internal control over financial reporting and compliance.

*Dees Gardner, CPAs, LLC*

Mansfield, Louisiana  
June 29, 2017

REQUIRED SUPPLEMENTAL INFORMATION

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
As of and for the Year Ended December 31, 2016

As management of the John K. Kelly Grand Bayou Reservoir Commission, Coushatta, Louisiana, (hereafter referred to as the "Commission") we offer the readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission as of and for the year ended December 31, 2016. This document focuses on the current year's activities, resulting changes, and currently known facts. We encourage readers to consider the information presented here in conjunction with the Commission's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

**FINANCIAL HIGHLIGHTS**

- The Commission experienced a increase in its net position of 1.77% (\$93,739) during the year ended December 31, 2016 compared to a decrease of 3.56% (\$195,153) for the prior year.
- Overall revenues increased \$365,291 (81.98%) to \$810,880 for year ended December 31, 2016.
- Program revenue increased \$114,953 (25.8%) to \$560,524 compared to an \$88,321 (24.72%) increase to \$445,571 during the prior year. This was due to a \$66,552 increase in charges for recreational services and \$48,401 in Federal FEMA funds to repair damage due to the 2016 disaster-declared flooding in March, 2016.
- 2016 was the first year for the Commission to collect a 1% ad valorem tax passed by the voters in November, 2015. The levied taxes were \$233,767 for year end December 31, 2016.
- Expenses increased \$76,399 (11.92%) to \$717,141 compared to \$640,742 during the prior year.
- As of December 31, 2016, the assets of the Commission exceeded its liabilities by \$5,377,552. Of this amount, \$397,299 or 7.4% is reported as "unrestricted net position" and represents the amount available to be used to meet the Commission's ongoing obligations to the citizens of Red River Parish. This compares to \$57,764 (1.1%) available at December 31, 2015.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

John K Kelly Grand Bayou Reservoir Commission is a special-purpose government engaged in only one business-type activity, and therefore required to report as a proprietary fund. This

business-type function is normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activity of the Commission consists primarily of the rental of lodging and recreational facilities to the general public.

The minimum requirements for the John K. Kelly Grand Bayou Reservoir Commission's basic financial statements established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements--and Management's Discussion and Analysis—for State and Local Governments* consists of three sections—1) Management's Discussion and Analysis (this section) 2) the basic financial statements (including the notes to the financial statements), and 3) required supplementary information.

The required basic financial statement components are described below:

### **Basic Financial Statements**

- The **Statement of Net Position** presents all of the Commission's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Commission's net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The **Statement of Revenues, Expenses, and Changes in Net Position** presents information showing how the Commission's net position changed during the most recent year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some of the revenues and some expenses that are reported in this statement will not result in cash flows until future years.
- The purpose of the **Statement of Cash Flows** is to provide relevant information about the cash receipts and cash payments of any entity during a period. Together with other information this will help the user assess the Commission's ability to generate future net cash flows and meet future obligations as they become due.
- The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided. The notes to the financial statements can be found immediately following the three basic financial statements.

### **Other Supplementary Information**

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented to fulfil the requirements of Louisiana Revised Statute 24:513(A)(3).



## FINANCIAL ANALYSIS OF ENTITY

### *Net Position*

The Commission's net position totaled \$5,377,552 and \$5,283,813 at the end of the fiscal years 2016 and 2015, respectively.

Statements of Net Position		
December 31,		
	2016	2015
Current and Other Assets	\$ 415,023	\$ 68,805
Capital Assets- net	4,980,253	5,226,049
<b>Total Assets</b>	<b>5,395,276</b>	<b>5,294,854</b>
<b>Total Current Liabilities</b>	<b>17,724</b>	<b>11,041</b>
Net Position:		
Net Investment in Capital Assets	4,980,253	5,226,049
Unrestricted	397,299	57,764
<b>Total Net Position</b>	<b>\$ 5,377,552</b>	<b>\$ 5,283,813</b>

At December 31, 2016, \$4,980,253 (92.61%) of the Commission's net position reflects the Commission's investment in capital assets such as land, buildings, equipment, water and sewer plant and improvements, less any related debt used to acquire those assets that is still outstanding. The Commission uses these capital assets to provide services to the general public; consequently, these assets are not available for future spending.

The other portion of the Commission's net position, \$397,299 (7.39%) is unrestricted and may be used to meet the Commission's ongoing obligations to citizens and creditors at the discretion of the board of commissioners.



### **Changes in Net Position**

The Commission's net position increased \$93,739 (1.77%) and decreased by \$195,153 (3.56%) during the years ended December 31, 2016 and 2015, respectively.

Statements of Activities		
For the years ended December 31,		
	2016	2015
<b>Revenues:</b>		
Program revenues:		
Charges for Services	\$ 512,123	\$ 445,571
Federal capital grant	48,401	-
General revenues:		
Ad valorem taxes	233,767	-
Insurance proceeds	16,575	-
Interest	14	18
Total revenues	<u>810,880</u>	<u>445,589</u>
<b>Expenses:</b>		
Recreation	717,141	640,742
Total expenses	<u>717,141</u>	<u>640,742</u>
<b>Decrease in net position</b>	93,739	(195,153)
Net position-beginning	5,283,813	5,478,966
<b>Net position-ending</b>	<u>\$ 5,377,552</u>	<u>\$ 5,283,813</u>

### **CAPITAL ASSET ADMINISTRATION**

The Commission's investment in capital assets as of December 31, 2016, totaled \$9,153,785, net of accumulated depreciation of \$4,173,532, leaving a book value of \$4,980,253. This investment in capital assets consists of land, buildings, equipment, water and sewer plant, and improvements. Depreciation charges for the year 2016 totaled \$245,796 compared to \$247,722 for the prior year.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Commission considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

1. Charges for services
2. Ad valorem taxes revenue
3. Increased repairs and maintenance

The Commission does not expects to increase repairs and maintenance in next year's results as compared to the current year.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the finances of the Commission and seeks to demonstrate the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Rene' Albright, Manager, John K. Kelly Grand Bayou Reservoir Commission, 5286 Highway 784, Coushatta, Louisiana 71019 or by calling (318)932-0066.

## BASIC FINANCIAL STATEMENTS

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**

**STATEMENT OF NET POSITION**

December 31, 2016

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 107,364
Accounts receivable	295,884
Prepaid expenses	11,710
Total current assets	<u>414,958</u>

Noncurrent Assets:

Capital assets, net of depreciation	4,980,253
Deposits	65
Total noncurrent assets	<u>4,980,318</u>

Total assets	<u>\$ 5,395,276</u>
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**LIABILITIES AND NET POSITION**

**LIABILITIES**

Current Liabilities:

Accounts payable	\$ 9,289
Sales tax payable	2,505
Accrued salaries	1,187
Payroll taxes payable	4,743
Total current liabilities	<u>17,724</u>

Total liabilities	<u>17,724</u>
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**NET POSITION**

Net investment in capital assets	4,980,253
Unrestricted	397,299
Total net position	<u>5,377,552</u>

Total Liabilities and Net Position	<u>\$ 5,395,276</u>
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The accompanying notes are an integral part of this statement.  
See the accompanying independent auditor's report

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
Coushatta, Louisiana

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Year Ended December 31, 2016

<b>PROGRAM REVENUE</b>	
Service fees and rental income	\$ 512,123
Federal capital grants	48,401
Total operating revenue	<u>560,524</u>
<b>OPERATING EXPENSES</b>	
Advertising	3,793
Fuel	5,648
Insurance	44,638
Office supplies	3,865
Postage	307
Repairs and maintenance	58,695
Telephone	2,799
Utilities	71,709
Legal and professional	38,570
Supplies	11,635
Salaries	192,480
Payroll taxes	17,948
Depreciation	245,796
General and administrative	19,258
Total operating expenses	<u>717,141</u>
Operating income (loss)	(156,617)
<b>GENERAL REVENUES</b>	
Ad valorem taxes	233,767
Insurance proceeds	16,575
Interest income	14
Total nonoperating income	<u>250,356</u>
Change in net position	93,739
Net position, beginning of year	<u>5,283,813</u>
Net position, end of year	<u>\$ 5,377,552</u>

The accompanying notes are an integral part of this statement.  
See the accompanying independent auditor's report

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
Coushatta, Louisiana

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2016

Cash flow from operating activities:	
Receipts from customers	\$ 512,123
Cash payments to suppliers for goods and services	(257,922)
Cash payments to employees for services	(206,189)
Net cash used in operating activities	<u>48,012</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	-
Ad Valorem tax receipts	1,506
Insurance proceeds	1,353
Net cash used in capital and related financing activities	<u>2,859</u>
Cash flows from investing activities:	
Interest income	14
Net cash from investing activities	<u>14</u>
Net change in cash	50,885
Cash, beginning of year	<u>56,479</u>
Cash, end of year	<u>\$ 107,364</u>
Reconciliation of operating income to net cash from operating activities:	
Operating loss	\$ (156,617)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	245,796
(Increase) Decrease in prepaid expenses	551
(Increase) Decrease in accounts receivable	(48,401)
Increase (Decrease) in accounts payable	2,136
Increase (Decrease) in sales tax payable	308
Increase (Decrease) in accrued salaries	1,187
Increase (Decrease) in payroll taxes payable	3,052
Net cash flows from operating activities	<u>\$ 48,012</u>

The accompanying notes are an integral part of this statement.  
See the accompanying independent auditor's report

## NOTES TO THE FINANCIAL STATEMENTS



**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2016

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The John K. Kelly Grand Bayou Reservoir Commission (the Commission), which was originally named the Black Lake Bayou Recreation and Water Conservation Commission of Red River Parish, was established by Act 474 of 1958 containing R.S. 38:2701 through 38:2717 of the Louisiana Legislature. The Commission is located in Red River Parish with the purpose of development of the wealth and natural resources of the area by the conservation of soil and water for agricultural, recreational, commercial, industrial, and sanitary purposes. The Commission is a political subdivision of the State of Louisiana and is governed by a board of seven (7) commissioners appointed by the governor for a five (5) year term. Members of the board of commissioners receive no compensation for their services.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation and Measurement Focus

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with these principles.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial reporting purposes, the Commission is considered a special-purpose government engaged only in business-type activities (enterprise fund type). GASB No. 34, paragraph 66 indicates that reporting should focus on determining operating income, changes in net position (or cost recovery), financial position, and cash flows. GASB No. 34, paragraph 91 lists the following required financial statements for an enterprise fund type: 1) statement of net position, 2) statement of revenues, expenses, and changes in fund net position, and 3) statement of cash flows.

The Commission's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Application of the accrual basis of accounting may, at times, require use of certain private sector standards issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989. In determining which of those standards to apply, the Commission follows the guidance included in GASB Statement No. 62- *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA*.

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Presentation and Measurement Focus (continued)

*Revenue Recognition*

Revenues are recognized using the full accrual basis of accounting, therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

*Expense Recognition*

Expenses are recognized on the accrual basis, therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. Substantially all receivables are considered to be fully collectible, and no allowance for uncollectibles is considered necessary. At December 31, 2016, the Commission's accounts receivable consist of ad valorem taxes due. A

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid expenses.

Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the Commission is charged as an expense against operations in the Statement of Revenues, Expenses, and Changes in Net Position. Capital assets, net of accumulated depreciation, are reported on the Statement of Net Position. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 10 to 40 years for buildings and building improvements and 5 to 10 years for moveable property. Expenditures for maintenance, repairs, and minor renewals are charged to expenses as incurred. Major expenditures for renewals and betterments are capitalized.

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2016

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Compensated Absences

Full-time employees of the Commission earn one to two weeks of annual leave, depending on length of service, and one week of sick leave each year. Fifteen days of sick leave cannot be accumulated or carried over from one year to the next, but is not paid if the employee leaves. Therefore, no liability for compensated absences has been recorded in the accompanying financial statements.

Restricted Net Position

GASB No. 34, paragraph 98 requires net position to be reported in the following three components:

1. Investment in capital assets, net of related debt – 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 attributed to the acquisition, construction, or improvement of those assets. At December 31, 2016, the Commission did not have any debt balances.
2. Restricted net position – net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation. At December 31, 2016, the Commission did not have any restricted balances.
3. Unrestricted – all other net position is reported in this category.

The Commission typically uses restricted funds first, followed by unrestricted funds when an expenditure is incurred for purposes for which amounts in either of these classifications could be used.

Estimates

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

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2016

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**2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Cash and cash equivalents include demand deposits at local financial institutions with a carrying value of \$107,364 at December 31, 2016. Deposits in financial institutions can be exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a financial institution failure, the Commission's deposits may not be returned to them. To mitigate this risk, state law requires deposits to be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent financial institution. As of December 31, 2016, the Commission's bank balance totaled \$110,448 and was fully collateralized through FDIC insurance and therefore was not exposed to custodial credit risk.

**3. LEVIED TAXES**

The John K Kelly Grand Bayou Reservoir Commission levies taxes on real and business property located within the boundaries of Red River Parish. Property taxes are levied by the Commission on property values assessed by the Red River Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The Red River Sheriff's office bills and collects property taxes for the Commission. Collections are remitted to the Commission monthly. The Commission recognizes property tax revenues when levied.

The property tax calendar:

Assessment date	January 1, 2016
Levy date	June 30, 2016
Tax bills mailed	October 15, 2016
Total taxes are due	December 31, 2016
Penalties & interest added	January 31, 2017
Tax sale	May 15, 2017

The Commission has authorized ad valorem tax millage of 1.0 mill and levied taxes of 1.0 mill for 2016. This tax is dedicated for the purpose of maintaining, operating, and supporting the Grand Bayou Resort, including acquiring, constructing, improving, maintaining, and operating facilities, equipment, and programs, and assisting Wildlife and Fisheries in controlling aquatic vegetation in Grand Bayou Reservoir. This tax expires in November, 2026. Revaluation of all property is required to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2016. Total assessed value in the Commission's district was \$245,081,370 in 2016. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was a total of \$11,304,760 in 2016. Total of ad valorem tax revenues recognized in 2016 by the Commission was \$233,777.

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2016

**4. ACCOUNTS RECEIVABLE**

Accounts Receivable at December 31, 2016 consists of the following:

Ad valorem taxes	\$	232,261
Insurance reimbursement		15,222
Federal FEMA funds		48,401
	\$	<u>295,884</u>

**5. CAPITAL ASSETS**

A summary of the Commission's capital assets at December 31, 2016 follows:

	Balance December, 31 2015	Additions	Disposals	Balance December, 31 2016
Capital assets not being depreciated:				
Land	\$ 93,000	\$ -	\$ -	\$ 93,000
Total capital assets not being depreciated	<u>93,000</u>	<u>-</u>	<u>-</u>	<u>93,000</u>
Capital assets being depreciated:				
Buildings and building improvements	8,913,823	-	-	8,913,823
Furniture, fixtures, and equipment	146,962	-	-	146,962
Total capital assets being depreciated	<u>9,060,785</u>	<u>-</u>	<u>-</u>	<u>9,060,785</u>
Less accumulated depreciation for:				
Buildings and building improvements	3,837,160	230,291	-	4,067,451
Furniture, fixtures, and equipment	90,576	15,505	-	106,081
Total accumulated depreciation	<u>3,927,736</u>	<u>245,796</u>	<u>-</u>	<u>4,173,532</u>
Total capital assets, net	<u>\$ 5,226,049</u>	<u>(245,796)</u>	<u>-</u>	<u>\$ 4,980,253</u>

**6. LEASES**

The Commission is obligated under one lease agreement accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore, the result of the lease agreement is not reflected in the Commission's capital assets.

**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2016

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**7. RISK MANAGEMENT/LITIGATION**

The Commission is exposed to various risks of loss related to limited torts, theft of or damage to and destruction of assets, and errors and omissions. To handle some of the risk, the Commission maintains surety bond coverage. No settled claims from these risks have exceeded insurance coverage in the last three years. There were no significant changes to insurance coverage during the year ended December 31, 2016

The Commission was not involved in any litigation at December 31, 2016.

**8. COMPENSATION PAID TO BOARD MEMBERS**

The members of the Board of Commissioners of the John K. Kelly Grand Bayou Reservoir Commission receive no compensation for their services. During the year ended December 31, 2016, the members of the Board were as follows:

Mary Ann Wiggins, Chairman  
Peggy A. McCoy, Vice-Chairman  
Dallas Bryan  
Anita S. Hinds  
J. Blake McCartney  
Faerie Sledge (appointed August, 2016)  
Cindy Coffey (appointed August, 2016, resigned September 6, 2016)  
Anthony D. Thomas (appointed November 9, 2016)

**9. SUBSEQUENT EVENTS**

Management has performed an evaluation of the Commission's activities through June 29, 2017, and has concluded that there are no significant events requiring recognition or disclosure through the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION



**JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION**  
**Coushatta, Louisiana**

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO  
 AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

December 31, 2016

Park Manager	<u>Rene' Albright</u>
Purpose:	
Salary	\$ 22,926
Benefits- Insurance	-
Benefits- retirement	-
Payroll taxes employer	2,041
Car Allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Total	<u>\$ 24,967</u>

See the accompanying independent auditor's report

OTHER REPORTS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS*



# Dees Gardner, Certified Public Accountants, LLC

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## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

John K. Kelly Grand Bayou Reservoir Commission  
5386 Hwy 784  
Coushatta, Louisiana

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the John K. Kelly Grand Bayou Reservoir Commission, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the John K. Kelly Grand Bayou Reservoir Commission's basic financial statements and have issued our report thereon dated June 29, 2017.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the John K. Kelly Grand Bayou Reservoir Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the John K. Kelly Grand Bayou Reservoir Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the John K. Kelly Grand Bayou Reservoir Commission's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and management's responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies described in the accompanying schedule of findings and management's responses to be material weaknesses. 2016-01 and 2016-02

*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. We consider the deficiencies described in the accompanying schedule of findings and management's responses to be significant deficiencies. 2016-03

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the John K. Kelly Grand Bayou Reservoir Commission'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard and which are* described in the accompanying schedule of findings and management's responses as Items 2016-04, 2016-05, 2016-06.

### **John K. Kelly Grand Bayou Reservoir Commission's Response to Findings**

John K. Kelly Grand Bayou Reservoir Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and management's responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of any 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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 21:513 this report is a public document.

*Dees Gardner, CPAs, LLC*

Mansfield, Louisiana  
June 29, 2017

## SCHEDULE OF FINDINGS

# JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION

Schedule of Findings and Management's Responses  
For the year ended December 31, 2016

## SUMMARY OF AUDITOR'S REPORTS

### INDEPENDENT AUDITOR'S REPORT:

We have audited the basic financial statements of John K. Kelly Grand Bayou Reservoir Commission as of and for the year ended December 31, 2016, and have issued our report thereon dated June 29, 2017. 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. Our audit of the basic financial statements as of December 31, 2016, resulted in an unqualified opinion.

### REPORT ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS MATERIAL TO THE FINANCIAL STATEMENTS:

#### Internal Control

Significant Deficiency	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Material Weakness	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

#### Compliance

Compliance Material to Financial Statements	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Other Matters	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

FEDERAL AWARDS: Not applicable

MANAGEMENT LETTER: None was issued.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Attached

## Part II. Findings relating to the Financial Statements which are required to be reported under *Government Auditing Standards*.

### FINDINGS RELATED TO INTERNAL CONTROL

#### 2016-01. Inadequate segregation of duties

*Criteria:* Good internal control requires that different personnel be assigned to authorize transactions, record transactions, and maintain custody of assets.

*Effect:* Unauthorized transactions could occur and not be detected.

*Finding:* The manager initiates purchase orders, approves the purchase orders and invoices, generates the checks, and is an authorized signatory on the checking account. The manager also completed the functions of posting the billings, collections, and making bank deposits, as well as reconciling the billing software to the general ledger. There are established policies that all checks require dual signatures including the manager and one of the commissioners, and that an outside bookkeeper reviews the cancelled checks on the bank statements to determine dual signatures are present. The bank statements are delivered directly to the office of the manager before the outside bookkeeper gets them, although we are told that they are not opened.

*Recommendation:* The duties should be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes: 1) separating transaction authorization from custody of related assets; 2) separating initializing transactions from general ledger posting and maintenance; 3) separating monitoring responsibility from record-keeping.

Where these segregations are not practical, we recommend close supervision and review by the board of directors.

*Management's response:* The board is reviewing and approving the payments when invoices are presented for their signatures. The outside bookkeeper is now reconciling the daily balancing sheets and deposits to the bank statements and general ledger.

#### **2016-02. Inadequate design of internal control over financial statement preparation.**

*Criteria:* Effective December 15, 2006, Statements on Auditing Standards 112 expanded management's responsibility over the financial statements to ensure the propriety and completeness of the financial statements and related footnotes. The Commission's management lacks the resources necessary to internally complete the statements and disclosures in accordance with generally accepted accounting principles (GAAP).

*Effect:* The Commission's management may not identify material misstatements in the financial statements.

*Finding:* The Commission's staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the resources necessary to internally complete the reporting requirements.

*Recommendation:* The Commission should either 1) obtain the resources and/or knowledge necessary to internally prepare or review the auditor's preparation of the financial statements and related footnote disclosures in accordance with GAAP, or 2) determine if the cost of 1) overrides the benefit of correcting this control deficiency.

*Management's response:* The Commission has assessed the need to correct this deficiency and feels the current manager will be able to oversee the financial statement preparation in the near future. She is relatively new to the position and is currently engaged in the needs of the daily operations. In the meantime, the auditor will prepare the financial statements and related footnote disclosures.

#### **2016-03 Inadequate controls over contract agreements.**

*Criteria:* Good internal controls require that all contract agreements be written and signed with all relevant terms clearly defined.

*Condition:* The Commission did not have written contracts with the outside bookkeeper, security company or attorney.

*Cause:* Verbal agreements had been established under the former park manager. When the current manager was asked to present the contracts, she became aware that no contracts existed.

*Effect:* Failure to formalize a contract or agreement to include all provisions increases the risk of misunderstandings and/or nonperformance of needed services without any protection for the Commission, including remedies for default.

*Recommendation:* The Commission should design and implement written procedures for processing contract agreements to ensure that all agreements are in writing and signed by appropriate persons, and all relevant terms are included.

*Management response:* Management concurs with the finding. Rene' Albright is responsible for obtaining the necessary written contracts. A policy will be designed to ensure written agreements will be obtained for services in the future.



## FINDINGS RELATED TO COMPLIANCE

### **2016-04. Ethics education requirement violation**

*Criteria:* Louisiana Revised Statutes LSA-R.S. 42:1170(A)(3)(a)(i) required each public servant to receive a minimum of one hour of education and training on the Code of Governmental Ethics during each year of his public employment.

*Condition:* The employees and four board members of the Commission did not complete the required training on the Code of Governmental Ethics.

*Cause:* Management was not fully aware of all the requirements of the statute.

*Effect:* Penalties could be assessed by the Board of Ethics.

*Recommendation:* Management should ensure that all employees and commissioners complete the required Ethics training annually.

*Management Response:* We concur. All board commissioners and full-time and part-time employees will complete the annual requirement of one hour of ethics education and training as required.

### **2016-05 Noncompliance with Louisiana Local Government Budget Act.**

*Criteria:* The proposed budget must be made available for public inspection no later than 15 days prior to the beginning of the fiscal year in accordance with R.S. 39:1306.

*Condition:* The Commission failed to make the 2016 budget available for public inspection.

*Cause:* Management and the Board are not fully aware of the Local Government Budget Act.

*Effect:* The Commission is not in compliance with the LGBA

*Recommendation:* Management of the Commission should prepare the budget instrument to adopt and implement the budget as required by state law and conduct at least one public hearing on the proposed budget before it is adopted.

*Management response:* Management concurs with the finding and will adopt budget policies and procedures to comply with the Louisiana Government Budget Act.

### **2016-06. Related Party ethics violation.**

*Criteria:* According to the Louisiana Code of Governmental Ethics states that members of the immediate family of a member of a governing authority of a governmental entity may not be employed in the governmental entity.

*Condition:* One of the gatehouse workers was the daughter of a Board commissioner.

*Cause:* The daughter was hired while the commissioner was serving on the Board. An ethics violation was lodged against the Commission. The attorney for the Commission concluded it was a violation and the employee would have to be terminated or the Board member would have to resign.

*Effect:* Penalties may be imposed by the Louisiana Ethics Board for the violation.

*Recommendation:* The Board and management should become familiar with the Louisiana Code of Governmental Ethics. Taking the required ethics training perhaps could have prevented this breach.

*Management response:* As soon as notified of the possible violation, we consulted with our attorney. He concluded that the hiring was an ethics violation. The employee terminated employment immediately.

## JOHN K. KELLY GRAND BAYOU RESERVOIR COMMISSION

Summary Schedule of Prior Year Findings  
For the year ended December 31, 2016

**2015-01, 2014-01, 2013-01** Segregation of Duties.

Partially resolved. See 2016-01. Management and the Board continue to make progress. An outside bookkeeper is now reconciling daily balancing sheets to the general ledger and bank statement.

**2015-02, 2014-02** Inadequate design of internal control over financial statement preparation.

Unresolved. See 2016-02. Identified a solution that can possibly be implemented this year.