

**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, 2016

(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**

Table of Contents

	<u>Page</u>
Accountants' Compilation Report	1 - 2
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	7
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	8
Other Supplementary Information:	
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	9
Schedule of Findings and Management Corrective Action Plan	10 - 11
Status of Prior Year Findings	12

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, 2016, 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 7 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 16, 2017

**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, 2016

(See Accountants' Compilation Report)

Assets

Cash & cash equivalents	\$	44,227	
Capital assets, net of accumulated depreciation		<u>670,117</u>	
			<u>\$ 714,344</u>

Liabilities & Net Assets

Liabilities:			
Bonds payable - current	\$	31,000	
Bonds payable - long-term		<u>-</u>	
Total liabilities			31,000
Net Position:			
Net investment in capital assets		639,117	
Unrestricted		<u>44,227</u>	
Total net position			<u>683,344</u>
Total liabilities & net position			<u>\$ 714,344</u>

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

Governmental Funds

Balance Sheet

December 31, 2016

(See Accountants' Compilation Report)

	<u>Assets</u>			<u>Total Government Funds</u>
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Current Assets:				
Cash & cash equivalents	\$ 239	-	43,988	44,227
	<u>239</u>	<u>-</u>	<u>43,988</u>	<u>44,227</u>
 <u>Liabilities & Fund Balance</u> 				
Current Liabilities:				
Accounts payable	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Committed to capital projects	239	-	43,988	44,227
Total fund balance	<u>239</u>	<u>-</u>	<u>43,988</u>	<u>44,227</u>
Total liabilities & fund balance	\$ <u>239</u>	<u>-</u>	<u>43,988</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	670,117
Debt used in governmental activities are not financial uses and are therefore not reported in the funds	<u>(31,000)</u>
Net position of governmental activities	\$ <u>683,344</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, 2016

(See Accountants' Compilation Report)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
Revenues:				
Parcel fees	\$ -	-	115,597	115,597
Interest income	-	-	129	129
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	-	115,726	115,726
Expenditures:				
General				
Administrative expense	2,877	-	-	2,877
Accounting & audit	2,747	-	-	2,747
Repairs & maintenance	-	-	27,380	27,380
Debt Service				
Principal	-	30,000	-	30,000
Interest	-	2,277	-	2,277
Capital outlay	-	-	43,296	43,296
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	5,624	32,277	70,676	108,577
Other financing sources:				
Transfers (to)/from other funds	5,289	32,277	(37,566)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	5,289	32,277	(37,566)	-
Net change in fund balance	(335)	-	7,484	7,149
Fund balance, beginning of period	574	-	36,504	37,078
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of period	\$ 239	-	43,988	44,227
	<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, 2016

(See Accountants' Compilation Report)

Net change in fund balances - total governmental funds	\$ 7,149
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is capitalized and depreciated when applicable.	43,296
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.	<u>30,000</u>
Change in net position of governmental activities	\$ <u><u>80,445</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 - Budget and Actual (Budgetary Basis) - General Fund**

For the Year Ended December 31, 2016

(See Accountants' Compilation Report)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
General				
Administrative expense	2,500	2,500	2,877	(377)
Accounting & audit	2,739	2,739	2,747	(8)
Debt Service				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,239</u>	<u>5,239</u>	<u>5,624</u>	<u>(385)</u>
Other:				
Transfers (to)/from other funds	<u>4,665</u>	<u>4,665</u>	<u>5,289</u>	<u>(624)</u>
Net change in fund balance	(574)	(574)	(335)	239
Fund balance, beginning of period	<u>574</u>	<u>574</u>	<u>574</u>	<u>-</u>
Fund balance, end of period	<u>\$ -</u>	<u>-</u>	<u>239</u>	<u>239</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, 2016

Otto Mehrgut, Chairman of the District, received no compensation, benefits, or other payments of any kind during the year ended December 31, 2016.

**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, 2016

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.

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.

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.

**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, 2016

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, 2016

Finding 2015-1:

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.

**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, 2016 thru December 31, 2016

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, 2016 thru December 31, 2016, 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.

Debt Service

1. Obtain the entity's written policies and procedures over debt service (or report that the entity does not have any written policies and procedures over debt service) and report whether those written policies and procedures address (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

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

Corrective Action: *If in the future the District has a need for covenants or millage as it relates to debt service the Board of Directors will draft a policy. As of the date of this report the District is debt free.*

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

Finding: *The District made scheduled debt service payments during the year. There were no debt covenants.*

Corrective action: *There is no required corrective action.*

3. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

***Finding:** Procedure is not applicable.*

***Corrective action:** There is no required corrective action.*

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

June 29, 2017