

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE  
DISTRICT NO. 5 OF THE PARISH OF ST. TAMMANY,  
STATE OF LOUISIANA**

**Financial Statements with Supplementary Information**

**December 31, 2013**

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

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

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**Independent Accountants' Compilation Report**

**Board of Commissioners  
Sub-Drainage District No. 3 of Gravity Drainage District No. 5  
of the Parish of St. Tammany, State of Louisiana  
Mandeville, Louisiana**

We have compiled the accompanying basic financial statements of the governmental activities of the Sub-Drainage District No. 3 of Gravity Drainage District No. 5 of the Parish of St. Tammany, State of Louisiana (the District) as of December 31, 2013, and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the District in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the 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, these financial statements are not designed for those who are not informed about such matters.

The budgetary comparison information on page 7 is presented for purposes of additional analysis. Such information, although not a required 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. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or any other form of assurance on such supplementary 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.

*Griffin & Company, LLC*

January 17, 2014

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Statement of Net Assets**

**December 31, 2013**

**(See Independent Accountants' Compilation Report)**

**Assets**

Cash & cash equivalents	\$	128,107	
Capital assets		<u>219,645</u>	
			\$ <u><u>347,752</u></u>

**Liabilities & Net Assets**

<b>Liabilities:</b>			
Accounts payable	\$	-	
Bonds payable - current		21,000	
Bonds payable - long-term		<u>120,000</u>	
Total liabilities			141,000
<b>Net Assets:</b>			
Investment in capital assets		78,645	
Unrestricted		<u>128,107</u>	
Total net assets			<u><u>206,752</u></u>
Total liabilities & net assets			\$ <u><u>347,752</u></u>

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Statement of Activities**

**For the Year Ended December 31, 2013**

**(See Independent Accountants' Compilation Report)**

<b>Expenses:</b>		
Accounting & audit	\$ (3,835)	
Advertising	(275)	
Bank charges	(527)	
Legal & professional	(50)	
Repairs & maintenance	(6,400)	
Management fee	<u>(1,041)</u>	
Total expenses		(12,128)
<b>General Revenues:</b>		
Parcel fees	<u>56,605</u>	
Total general revenues		56,605
<b>Non-Operating Revenue (Expense):</b>		
Interest income	236	
Interest expense	<u>(6,015)</u>	
Total non-operating revenue (expense)		<u>(5,779)</u>
Change in net assets		38,698
Net assets - beginning of year		<u>168,054</u>
Net assets - end of year		\$ <u><u>206,752</u></u>

**SUB-DRAINAGE DISTRICT NO. 3 OF GRAVITY DRAINAGE DISTRICT NO. 5  
OF THE PARISH OF ST. TAMMANY, STATE OF LOUISIANA**

**Governmental Funds**

**Balance Sheet**

**December 31, 2013**

**(See Independent Accountants' Compilation Report)**

				<u>Assets</u>					
				<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>		
<b>Current Assets:</b>									
	Cash & cash equivalents	\$	<u>8,784</u>	<u>-</u>	<u>119,323</u>	<u>128,107</u>			
			<u>8,784</u>	<u>-</u>	<u>119,323</u>	<u>128,107</u>			
				<u>Liabilities &amp; Fund Balance</u>					
<b>Current Liabilities:</b>									
	Accounts payable		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			
	Total current liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			
<b>Fund Balance:</b>									
	Committed to capital projects		<u>8,784</u>	<u>-</u>	<u>119,323</u>	<u>128,107</u>			
	Total fund balance		<u>8,784</u>	<u>-</u>	<u>119,323</u>	<u>128,107</u>			
	Total liabilities & fund balance	\$	<u>8,784</u>	<u>-</u>	<u>119,323</u>				

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	219,645
Debt used in governmental activities are not financial uses and are therefore not reported in the funds	<u>(141,000)</u>
Net assets of governmental activities	\$ <u>206,752</u>

**SUB-DRAINAGE DISTRICT NO. 3 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, 2013**

**(See Independent Accountants' Compilation Report)**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Government Funds</u>
<b>Revenues:</b>				
Parcel fees	\$ -	-	56,605	56,605
Interest income	-	-	236	236
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	-	56,841	56,841
<b>Expenditures:</b>				
<b>General</b>				
Administrative expense	1,893	-	-	1,893
Accounting & audit	3,835	-	-	3,835
Repairs & maintenance	-	-	6,400	6,400
<b>Debt Service</b>				
Principal	-	21,000	-	21,000
Interest	-	6,015	-	6,015
Capital outlay	-	-	22,305	22,305
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	5,728	27,015	28,705	61,448
<b>Other financing sources:</b>				
Transfers (to)/from other funds	4,624	27,015	(31,639)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources	4,624	27,015	(31,639)	-
Net change in fund balance	(1,104)	-	(3,503)	(4,607)
Fund balance, beginning of period	9,888	-	122,826	132,714
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of period	\$ 8,784	-	119,323	128,107
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**SUB-DRAINAGE DISTRICT NO. 3 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, 2013**

**(See Independent Accountants' Compilation Report)**

Net change in fund balances - total governmental funds	\$ (4,607)
 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.	22,305
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces non-current liabilities in the Statement of Net Assets. This is the amount of bond principal repayments.	<u>21,000</u>
Change in net assets of governmental activities	<u><u>\$ 38,698</u></u>

**SUB-DRAINAGE DISTRICT NO. 3 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, 2013**

**(See Independent Accountants' Compilation Report)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Interest income	\$ -	-	-	-
Total revenues	-	-	-	-
<b>Expenditures:</b>				
<b>General</b>				
Administrative expense	732	732	1,893	(1,161)
Accounting & audit	3,700	3,700	3,835	(135)
Legal & professional	-	-	-	-
Contingency	1,000	1,000	-	1,000
<b>Debt Service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>5,432</u>	<u>5,432</u>	<u>5,728</u>	<u>(296)</u>
<b>Other:</b>				
Transfers (to)/from other funds	<u>4,432</u>	<u>4,432</u>	<u>4,624</u>	<u>(192)</u>
Net change in fund balance	(1,000)	(1,000)	(1,104)	(104)
Fund balance, beginning of period	<u>9,888</u>	<u>9,888</u>	<u>9,888</u>	-
Fund balance, end of period	\$ <u>8,888</u>	<u>8,888</u>	<u>8,784</u>	<u>(104)</u>

SUB-DRAINAGE DISTRICT NO. 3 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, 2013

**Finding 2013-1:**

***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. Recently issued 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.

SUB-DRAINAGE DISTRICT NO. 3 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, 2013

**Finding 2012-1:**

***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. Recently issued 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.

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***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.