

**WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1**

Vermilion Parish, Louisiana

Financial Report

Year Ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Ward One Consolidated Gravity Drainage District No. 1
Vermilion Parish, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Ward One Consolidated Gravity Drainage District No. 1, (the District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District, as of December 31, 2013, and the respective changes in financial position, 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 budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing 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.

The District has omitted management's discussion and analysis 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 statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information on page 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014 on our consideration of the District'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 the 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 District's internal control over financial reporting and compliance.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 25, 2014

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Statement of Net Position
December 31, 2013

ASSETS

| | |
|------------------------------------|------------------|
| Cash and interest-bearing deposits | \$ 784,166 |
| Due from other governmental units | 317,085 |
| Prepaid items | 2,062 |
| Capital assets, net | <u>268,767</u> |
| Total assets | <u>1,372,080</u> |

LIABILITIES

| | |
|-----------------------|---------------|
| Accounts payable | 2,816 |
| Payroll Payable | 3,159 |
| Payroll Taxes Payable | <u>5,661</u> |
| Total liabilities | <u>11,636</u> |

NET POSITION

| | |
|----------------------------------|---------------------|
| Net investment in capital assets | 268,767 |
| Unrestricted | <u>1,091,677</u> |
| Total net position | <u>\$ 1,360,444</u> |

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

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Statement of Activities
Year Ended December 31, 2013

| | |
|-------------------------|--------------------|
| Expenses: | |
| Public works | <u>\$ 397,543</u> |
| General revenues: | |
| Ad valorem taxes | 501,989 |
| State revenue sharing | 20,281 |
| Other | 822 |
| Interest income | <u>2,744</u> |
| Total general revenues | <u>525,836</u> |
| Change in net position | 128,293 |
| Net position, beginning | <u>1,232,151</u> |
| Net position, ending | <u>\$1,360,444</u> |

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

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTION

General Fund

The general fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Balance Sheet - Governmental Fund
December 31, 2013

ASSETS

| | |
|------------------------------------|---------------------|
| Cash and interest bearing deposits | \$ 784,166 |
| Ad valorem taxes receivable | 309,772 |
| State revenue sharing receivable | 7,313 |
| Prepaid insurance | <u>2,062</u> |
| Total assets | <u>\$ 1,103,313</u> |

LIABILITIES AND FUND BALANCE

| | |
|------------------------------------|---------------------|
| Liabilities: | |
| Accounts payable | \$ 2,816 |
| Payroll payable | 3,223 |
| Payroll taxes payable | <u>5,597</u> |
| Total liabilities | <u>11,636</u> |
| Fund balance: | |
| Nonspendable | 2,062 |
| Unassigned | <u>1,089,615</u> |
| Total fund balance | <u>1,091,677</u> |
| Total liabilities and fund balance | <u>\$ 1,103,313</u> |

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

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2013

| | | |
|--|----------------|--------------------|
| Total fund balance for the governmental fund at December 31, 2013 | | \$1,091,677 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of: | | |
| Land | \$ 305 | |
| Equipment, net of \$469,267 accumulated depreciation | <u>268,462</u> | <u>268,767</u> |
| Total net position of governmental activities at December 31, 2013 | | <u>\$1,360,444</u> |

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

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Fund
For the Year Ended December 31, 2013

| | |
|--------------------------------------|--------------------|
| Revenues: | |
| Ad valorem taxes | \$ 501,989 |
| State revenue sharing | 20,281 |
| Other | 822 |
| Interest income | <u>2,744</u> |
| Total revenues | <u>525,836</u> |
| Expenditures: | |
| Current - | |
| Public works - drainage | 350,697 |
| Capital outlay | <u>4,000</u> |
| Total expenditures | <u>354,697</u> |
| Excess of revenues over expenditures | 171,139 |
| Fund balance, beginning | <u>920,538</u> |
| Fund balance, ending | <u>\$1,091,677</u> |

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

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
For the Year Ended December 31, 2013

| | |
|--|---------------------------------|
| Total net changes in fund balance at December 31, 2013 per Statement of Revenues, Expenditures and Changes in Fund Balance | \$ 171,139 |
| The change in net position reported for governmental activities in the statement of activities is different because: | |
| The governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital outlay | \$ 4,000 |
| Depreciation expense | <u>(46,846)</u> <u>(42,846)</u> |
| Total changes in net position at December 31, 2013 per Statement of Activities | <u>\$ 128,293</u> |

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

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Ward One Consolidated Gravity Drainage District No. 1 (the Drainage District), a component unit of Vermilion Parish Police Jury, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the Police Jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the Police Jury created the Drainage District and appoints its board of commissioners, the Drainage District was determined to be a component unit of the Vermilion Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying financial statements present information only on the fund maintained by the Drainage District and do not present information on the Police Jury, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. The statements include all funds of the reporting entity. The Drainage District has no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Drainage District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients for goods or services offered by the Drainage District, and (b) grants and contributions that are restricted to

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements (FFS)

The accounts of the Drainage District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Drainage District maintains only one fund. It is categorized as a governmental fund. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major fund of the Drainage District is described below:

Governmental Fund –

General Fund – The General Fund is the general operating fund of the Drainage District. It is used to account for all financial resources except those required to be accounted for in another fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

Measurement Focus

On the government-wide statement of net position and the statement of activities, governmental activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with its activities are reported. Government-wide fund equity is classified as net position.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate. The governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is the reconciled, through adjustment, to a government-wide view of the Drainage District operations.

Basis of Accounting

In the government-wide statement of net position and statement of activities, the governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting.

Revenues

Intergovernmental revenues and fees, charges and commissions for services are recorded when the Drainage District is entitled to the funds.

Ad valorem taxes are recorded in the year taxes are due and payable. Ad valorem taxes are assessed in November, by the Parish Assessor, based on the assessed value and become due on November 15 of each year. The taxes become delinquent on January 1. An enforceable lien attaches to the property as of January 1.

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

The taxes are generally collected in December, January, and February of the fiscal year. Property tax revenues are accrued at fiscal year-end to the extent that they have been collected but not received by the Vermilion Parish Tax Collector's Office. Such amounts are measurable and available to finance current operations.

Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures

The Drainage District's primary expenditures include salaries and insurance, which are recorded when the liability is incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest bearing deposits include all demand accounts and certificates of deposits of the Drainage District.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem taxes.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. The Drainage District maintains a threshold level of \$500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------|--------------|
| Machinery and Equipment | 5 - 10 years |
|-------------------------|--------------|

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

Compensated absences

Full time employees of the Drainage District with more than one year of service are allowed two weeks of vacation leave each year; full-time employees with one year of service or less are allowed one week of vacation leave each year. Vacation leave does not accumulate from year to year. Sick leave accumulates from year to year up to 144 days but is not paid to the employee upon termination of employment. Full-time employees are allowed one and one half days sick leave for each month worked beginning with the day they are employed. At December 31, 2013 employees of the Drainage District have no accumulated or vested leave benefits relating to vacation or sick leave that require accrual or disclosure to conform with generally accepted accounting principles.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no deferred outflows of resources.

In addition to liabilities, the statement of net position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred inflows of resources.

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

Equity classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

The Drainage District has no restricted net position at December 31, 2013.

In the fund statements, governmental fund equity is classified as fund balance as follows.

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Drainage District board members. The Board is the highest level of decision-making authority for the Drainage District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Board members.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Drainage District's adopted policy, only Board members may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

As of December 31, 2013, fund balances are composed of the following:

| | General Fund |
|---------------------|-----------------|
| Nonspendable: | |
| Prepaid items | \$ 2,062 |
| Unassigned | 1,089,615 |
| Total fund balances | \$1,091,677 |

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

E. Revenue Restrictions

The Drainage District has restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue source includes:

| Revenue Source | Legal Restrictions of Use |
|------------------|---------------------------|
| Ad Valorem Taxes | See Note 2 |

F. Expenditures, and Expenses

In the government-wide financial statements, expenses are classified by character and function. In the fund financial statements, expenditures are classified by character.

G. 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 disclosure of contingent assets and liabilities at the date of the financial

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are assessed on a calendar year basis, become due on November 15 of each year and become delinquent on January 1 of the following year. The taxes are based on assessed values determined by the Tax Assessor of Vermilion Parish and are collected by the Sheriff. The taxes are remitted to the Drainage District net of deductions for Pension Fund contributions.

For the year ended December 31, 2013, taxes were levied on property with assessed values totaling \$32,012,350. The millage was 16.00 for the year ended December 31, 2013, all of which is dedicated to the maintaining and improving canals.

Total taxes levied were \$512,198. Taxes receivable at December 31, 2013 were \$309,772 all of which is due from the Vermilion Parish Sheriff Department (see Note 4).

(3) Cash and Interest-Bearing Deposits

Under state law, the Drainage District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Drainage District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2013, the Drainage District has cash and interest-bearing deposits (book balances) totaling \$784,166, as follows:

| | |
|-----------------|-------------------|
| Demand deposits | \$ 700,610 |
| Time deposits | <u>83,556</u> |
| Total | <u>\$ 784,166</u> |

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the pledging financial institution. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 2013, are as follows:

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

| | |
|--|-------------------|
| Bank balances | <u>\$ 787,715</u> |
| At December 31, 2013 the deposits are secured as follows: | |
| Federal deposit insurance | \$ 250,000 |
| Uninsured and collateral held by the pledging bank, not in the District's name | <u>537,715</u> |
| Total | <u>\$ 787,715</u> |

As of December 31, 2013, the District's total bank balances were fully insured and collateralized with pledged securities held by the custodial bank in the name of the pledging financial institution for the District and, therefore, they were not exposed to custodial credit risk.

(4) Due from Other Governmental Agencies

Amounts due from other governmental units at December 31, 2013 consisted of the following:

| | |
|---|-------------------|
| Vermilion Parish Sheriff's Department - | |
| Ad valorem taxes | \$ 309,772 |
| State revenue sharing | <u>7,313</u> |
| Total | <u>\$ 317,085</u> |

(5) Capital Assets

Capital asset balances and activity for the year ended December 31, 2013 is as follows:

| | Balance 01/01/13 | Additions | Deletions | Balance 12/31/13 |
|---------------------------------------|---------------------|--------------------|-------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 305 | \$ - | \$ - | \$ 305 |
| Capital assets being depreciated: | | | | |
| Equipment | <u>733,729</u> | <u>4,000</u> | <u>-</u> | <u>737,729</u> |
| Total capital assets | 734,034 | 4,000 | - | 738,034 |
| Less accumulated depreciation: | | | | |
| Equipment | <u>422,421</u> | <u>46,846</u> | <u>-</u> | <u>469,267</u> |
| Net capital assets | <u>\$ 311,613</u> | <u>\$ (42,846)</u> | <u>\$ -</u> | <u>\$ 268,767</u> |

Depreciation expense in the amount of \$46,846 was charged to the public works function.

WARD ONE CONSOLIDATED GRAVITY DRAINAGE
DISTRICT NO. 1
Vermilion Parish, Louisiana

Notes to Financial Statements (continued)

(6) Risk Management

The Drainage District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Drainage District carries commercial insurance. There have been no significant reductions in the insurance coverage during the year.

(7) Compensation Paid Board of Commissioners

The schedule of compensation paid board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. The per diem paid to board members is included in the expenditures of the General Fund. Each member of the board receives \$150 for each day of attendance at meetings of the board. The schedule of compensation at December 31, 2013 is as follows:

| | |
|----------------------|------------------|
| Todd Reed | \$ 1,500 |
| John Clifford Renard | 1,800 |
| Billy Morvant | 1,500 |
| Roger Simon | 1,650 |
| William Vallot | 1,950 |
| J. Willy Romero | <u>1,800</u> |
| Total | <u>\$ 10,200</u> |

(8) Litigation

There was no litigation pending against the Drainage District at December 31, 2013.

(9) Subsequent Events

The District has evaluated subsequent events through June 25, 2014, the date which the financial statements were available to be issued.

(10) New Accounting Pronouncements

During the fiscal year ended December 31, 2013, the Drainage District adopted GASB 65, *Items previously reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

**REQUIRED
SUPPLEMENTARY INFORMATION**

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana
General Fund

Budgetary Comparison Schedule
For the Year Ended December 31, 2013

| | Budget | | Actual | Variance - |
|---|-------------|-------------|-------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues: | | | | |
| Taxes - ad valorem | \$ 427,254 | \$ 506,423 | \$ 501,989 | \$ (4,434) |
| Intergovernmental | | | | |
| State revenue sharing | - | - | 20,281 | 20,281 |
| Other | - | - | 822 | 822 |
| Interest income | - | - | 2,744 | 2,744 |
| Total revenues | 427,254 | 506,423 | 525,836 | 19,413 |
| Expenditures: | | | | |
| Current - | | | | |
| Public works | 285,800 | 332,154 | 350,697 | (18,543) |
| Capital outlay | - | - | 4,000 | (4,000) |
| Total expenditures | 285,800 | 332,154 | 354,697 | (22,543) |
| Excess of revenues over expenditures | 141,454 | 174,269 | 171,139 | (3,130) |
| Fund balance, beginning | 920,538 | 920,538 | 920,538 | - |
| Fund balance, ending | \$1,061,992 | \$1,094,807 | \$1,091,677 | \$ (3,130) |

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana
General Fund

Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2013

(1) Budgetary Practices

The Drainage District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Drainage District's Secretary/Treasurer prepares a proposed budget and presents it to the Board of Commissioners prior to fifteen days before the beginning of each fiscal year.
2. Any changes in the proposed annual operating budget requires a majority vote of the Board of Commissioners.
3. No later than the last regular meeting of the fiscal year, the Board of Commissioners adopts the annual operating budget for the ensuing fiscal year.
4. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. Budget appropriations lapse at year-end.

For the year ended December 31, 2013, expenditures exceeded appropriations in the General Fund.

OTHER SUPPLEMENTARY INFORMATION

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana
General Fund

Detailed Budgetary Comparison Schedule
For the Year Ended December 31, 2013

| | Budget | | Actual | Variance - |
|---|--------------------|--------------------|--------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues: | | | | |
| Taxes - ad valorem | \$ 427,254 | \$ 506,423 | \$ 501,989 | \$ (4,434) |
| Intergovernmental | | | | |
| State revenue sharing | - | - | 20,281 | 20,281 |
| Other | - | - | 822 | 822 |
| Interest income | - | - | 2,744 | 2,744 |
| Total revenues | <u>427,254</u> | <u>506,423</u> | <u>525,836</u> | <u>19,413</u> |
| Expenditures: | | | | |
| Current - | | | | |
| Public works - | | | | |
| Advertising | - | - | 164 | (164) |
| Commissioner fees | 11,000 | 11,000 | 10,350 | 650 |
| Fuel and oil | 30,000 | 39,000 | 39,793 | (793) |
| Group insurance | - | - | 25,314 | (25,314) |
| Insurance | 49,000 | 45,431 | 18,692 | 26,739 |
| Miscellaneous | - | 4,000 | - | 4,000 |
| Office supplies | 1,200 | 1,200 | 773 | 427 |
| Pension expense | - | 16,923 | 16,923 | - |
| Professional fees | 8,000 | 9,000 | 8,920 | 80 |
| Property lease | 1,500 | 1,500 | 1,375 | 125 |
| Repairs | 21,000 | 40,000 | 37,639 | 2,361 |
| Salaries and wages | 145,000 | 145,000 | 172,658 | (27,658) |
| Supplies | 3,100 | 3,100 | 3,836 | (736) |
| Taxes and licenses | 16,000 | 16,000 | 14,136 | 1,864 |
| Utilities | - | - | 124 | (124) |
| Capital outlay | - | - | 4,000 | (4,000) |
| Total expenditures | <u>285,800</u> | <u>332,154</u> | <u>354,697</u> | <u>(22,543)</u> |
| Excess of revenues over expenditures | 141,454 | 174,269 | 171,139 | (3,130) |
| Fund balance, beginning | <u>920,538</u> | <u>920,538</u> | <u>920,538</u> | <u>-</u> |
| Fund balance, ending | <u>\$1,061,992</u> | <u>\$1,094,807</u> | <u>\$1,091,677</u> | <u>\$ (3,130)</u> |

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITORS' 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*

To the Board of Commissioners
Ward One Consolidated Gravity Drainage District No. 1
Vermilion Parish, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of Ward One Consolidated Gravity Drainage District No. 1, (the District), a component unit of the Vermilion Parish Police Jury, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 current and prior year audit findings and management's corrective action plan, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2013-001 to be a material weakness.

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 deficiency described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2013-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 is required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as items 2013-003 and 2013-004.

Ward One Consolidated Gravity Drainage District No. 1

The District's response to the findings identified in our audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. The District'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Abbeville, Louisiana
June 25, 2014

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended December 31, 2013

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2013-001 Inadequate Segregation of Accounting Functions

CONDITION: Ward One Consolidated Gravity Drainage District No. 1 did not have adequate segregation of functions within the accounting system.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU§314.43 defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT§501.03 states:

“An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

CAUSE: The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board of Commissioners determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No plan is considered necessary.

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended December 31, 2013

2013-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: Ward One Consolidated Gravity Drainage District No. 1 does not have adequate internal controls over recording the entity's financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

CRITERIA: AU-C§265.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.”

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board of Commissioners has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

B. Compliance

2013-003 Budget noncompliance

CONDITION: Actual expenditures in the General Fund exceeded budgeted expenditures by more than 5%.

CRITERIA: LSA-R.S. 39:1311 et seq, Budgetary Authority and Control, provides for the following:

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended December 31, 2013

"A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer for a political subdivision subject to public participation shall advise the governing authority or independently elected official in writing when:

- (1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.
- (2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures."

CAUSE: The condition is a result of failure to properly monitor the budget of the General Fund.

EFFECT: The Drainage District may not prevent and/or detect compliance violations due to over expenditure of the appropriated budget, and/or errors or irregularities on a timely basis.

RECOMMENDATION: The Drainage District should periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statute.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Mr. Larry Lee, Secretary/Treasurer will monitor the Board's intentions and applicable state statutes more closely in order to make sure that the District complies with all budget compliance requirements.

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended December 31, 2013

2013-004 Commissioner compensation

CONDITION: Members of the board of commissioners are participants in the supplemental insurance plan of the District. In accordance with the supplemental insurance plan requirements, the District makes an employer contribution to the plan on behalf of the commissioners. According to Attorney General opinion 11-0186, the employer's payment to the supplemental insurance plan on behalf of the commissioners are considered compensation. The commissioners are currently being paid \$150 per meeting, which is the maximum salary according to R.S. 33:1794(2)(a). Therefore, since the employer's contribution to the supplemental insurance plan on behalf of the commissioners is to be considered compensation, then the commissioners are being paid a rate that is higher than that authorized by law.

CRITERIA: R.S. 33:1794 (2)(a) states "Members of the board of commissioners are authorized to receive compensation of not more than \$150 per day as determined by the board for each day such member shall be in actual attendance upon regular or special meeting of the board, not to exceed 36 meetings in one year". In addition, Attorney General opinion 11-0186 notes that payment of supplemental insurance premiums and contributions to retirement plans on behalf of an official or employee, whose salary and/or per diem are fixed by law, is considered additional compensation. Consequently, the payment of these "benefits" constitutes compensation which must be included when determining whether the official or employee is being paid a rate which is higher than that authorized by law.

CAUSE: The District is paying a portion of supplemental insurance premiums for members of the board of commissioners. In 2013, commissioners received benefits of \$1,035 per month. Consequently, the commissioners are currently being paid the maximum approved salary of \$150 per meeting and additional compensation for the employer contribution to the supplemental insurance plan on behalf of the commissioners.

EFFECT: The commissioners may have been overpaid \$12,420 in total.

RECOMMENDATION: Management needs to ensure that health insurance premiums, retirement contributions, and any other benefits are included in the calculation of a member's compensation in order to determine whether the member is being paid at a rate higher than that authorized by statute.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Board of Commissioners has opted to terminate all benefits of board members effective at the end of June 2014. The Board will ratify this information in an open meeting held in the month of July.

WARD ONE CONSOLIDATED GRAVITY
DRAINAGE DISTRICT NO. 1
Vermilion Parish, Louisiana

Schedule of Current and Prior Year Audit Findings
And Management's Corrective Action Plan (Continued)
Year Ended December 31, 2013

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2012-001 Inadequate Segregation of Accounting Functions

CONDITION: Ward One Consolidated Gravity Drainage District No. 1 did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

CURRENT STATUS: Unresolved. See item 2013-001.

B. Compliance

2012-002 Bid Law Noncompliance

CONDITION: The drainage district purchased a Backhoe for \$60,039 and could not provide proof of advertisements or bids for the purchase. Management asserted that the purchase was on state contract but did not provide any supporting documentation.

RECOMMENDATION: Management should comply with the requirements of LSA RS 38:2212.1 by advertising and letting by contract to the lowest responsible bidder and maintaining the documentation for support to ensure compliance with the bid law. If Management chooses to make purchases under state contract they need to keep proper supporting documentation.

CURRENT STATUS: Resolved.

2012-003 Budget noncompliance

CONDITION: Actual expenditures in the General Fund exceeded budgeted expenditures by more than 5%.

RECOMMENDATION: The Drainage District should periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statute.

CURRENT STATUS: Unresolved. See item 2013-003.