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**NORTH LAFOURCHE CONSERVATION,  
LEVEE AND DRAINAGE DISTRICT  
PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

**COMPONENT UNIT FINANCIAL REPORT,  
INTERNAL CONTROL AND  
COMPLIANCE REPORTS**

**AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUN 02 1999

**Zahn and Kenney**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
North Lafourche Conservation, Levee  
and Drainage District  
Raceland, Louisiana

We have audited the accompanying component unit financial statements of the North Lafourche Conservation, Levee and Drainage District (District), a component unit of the State of Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the District, as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 1999, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying schedule of per diem paid board members is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the component unit financial statements taken as a whole.

*Zahn and Kenney*

Metairie, Louisiana  
January 26, 1999

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**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT  
PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

**Component Unit Financial Statements  
As of and for the Year Ended December 31, 1998**

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**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES  
AND ACCOUNT GROUPS

DECEMBER 31, 1998

ASSETS

	Governmental			Total (Memorandum only)
	<u>Fund Type</u>	<u>Account Groups</u>		
	General Fund	General Fixed Assets	Long- Term Debt	
Cash and cash equivalents	\$ 312,632	\$	\$	\$ 312,632
Certificates of deposit	823,532			823,532
Deposits	75			75
Taxes receivable - delinquent	44,786			44,786
Due from Sheriff	263,386			263,386
Claim receivable	55,259			55,259
Amount to be provided for repayment of capital lease			233,600	233,600
Fixed assets	<u>                    </u>	<u>300,447</u>	<u>                    </u>	<u>300,447</u>
<b>Total Assets</b>	<b><u>\$1,499,670</u></b>	<b><u>\$300,447</u></b>	<b><u>\$233,600</u></b>	<b><u>\$2,033,717</u></b>

LIABILITIES AND FUND EQUITY

Liabilities:				
Accounts payable	\$ <u>1,284</u>	\$	\$	\$ <u>1,284</u>
<b>Total Liabilities</b>	<b>1,284</b>			<b>1,284</b>
Fund Equity:				
Investment in General Fixed Assets		300,447		300,447
Capital lease payable			233,600	233,600
Fund balance - unreserved	<u>1,498,386</u>	<u>                    </u>	<u>                    </u>	<u>1,498,386</u>
<b>Total Fund Equity</b>	<b><u>1,498,386</u></b>	<b><u>300,447</u></b>	<b><u>233,600</u></b>	<b><u>2,032,433</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$1,499,670</u></b>	<b><u>\$300,447</u></b>	<b><u>\$233,600</u></b>	<b><u>\$2,033,717</u></b>

See notes to financial statements

**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

GOVERNMENTAL FUND TYPE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 1998

<b>REVENUES</b>		
Ad valorem taxes		\$ 306,225
Use of money and property - interest earnings		45,009
Miscellaneous		<u>2,472</u>
<b>Total Revenues</b>		<b>353,706</b>
 <b>EXPENDITURES</b>		
General government		76,032
Capitalized lease		<u>292,000</u>
<b>Total Expenditures</b>		<u><b>368,032</b></u>
 <b>EXCESS OF EXPENDITURES OVER REVENUES</b>		 (14,326)
Other financing source - capital lease		<u>233,600</u>
 <b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>		 219,274
 <b>FUND BALANCE</b>		
Beginning of year		<u>1,279,112</u>
End of year		<u><b>\$1,498,386</b></u>

See notes to financial statements



**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CASH BASIS

GOVERNMENTAL FUND TYPE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Ad valorem taxes	\$ 260,000	\$ 270,184	\$ 10,184
Use of money and property - interest earnings	38,000	45,009	7,009
Miscellaneous	500		(500)
Sale of asset	<u>10,000</u>		<u>(10,000)</u>
Total Revenues	308,500	315,193	6,693
<b>EXPENDITURES</b>			
Audit	1,700	1,700	
Engineering	10,000	7,009	2,991
Insurance General	10,000	7,748	2,252
Interest Expense	100	59	41
Legal	12,000	17,434	(5,434)
License and Taxes	1,000	1,951	(951)
Miscellaneous Expense	500	352	148
Office Expense	1,500	1,193	307
Per Diem	14,000	10,875	3,125
Pension fund	8,500	8,953	(453)
Publications	1,200	594	606
Rent	3,600	3,600	
Salary, Staff	5,000	4,175	825
Telephone	1,500	1,082	418
Travel / Mileage	1,000	42	958
Utilities	450	310	140
Capital projects:			
Equipment under capital lease	292,000	292,000	
Levee maintenance	825	825	
Planning/construction	<u>71,611</u>	<u>72,781</u>	<u>(1,170)</u>
Total Expenditures	436,486	432,683	3,803
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(127,986)	(117,490)	10,496
<b>FUND BALANCE</b>			
Beginning of year	<u>1,000,000</u>	<u>1,250,711</u>	<u>250,711</u>
End of year	<u>\$ 872,014</u>	<u>\$1,133,221</u>	<u>\$261,207</u>

See notes to financial statements

**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1998

The North Lafourche Conservation, Levee and Drainage District (District) was created by Revised Statute 38:291 (T) as a political subdivision of the State of Louisiana (the State) having the authority to incur debt, issue bonds and levy taxes. The District is under the direction of nine commissioners appointed by the Governor.

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

**B. Reporting Entity**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State. The District is considered a component unit of the State because the State exercises oversight responsibility in that the governor appoints the commissioners and public service is rendered within the state's boundaries. The accompanying financial statements present information only as to the transactions of the programs of the District, a component unit of the State.

**C. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The General Fund is classified as a governmental fund and is the general operating fund of the District and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which the spending activities are controlled. General operating expenditures are paid from this fund.

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****D. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement of this fund presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the General Fund. The General Fund uses the following practices in recording revenues and expenditures:

**Revenues**

Ad valorem taxes, which are levied and due before the end of the year, are considered measurable and available and are therefor included in revenue for the year for which levied. All other revenues are recorded when received.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**E. Budget Practices**

The District adopted and submitted its annual budget on September 18, 1997 in accordance with LSA-R.S. 39:1302-1314. The adopted budget was prepared and reported on a cash basis of accounting. Formal budget integration is employed as a management control device during the year. Budgeted amounts included in the accompanying financial statements represent the final budget which was amended on December 17, 1998.

**F. Cash and Investments**

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits with initial maturity of ninety days or less. Under state law, the district may deposit funds within a fiscal agent bank organized under the laws of the State, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in time certificates of deposit of state banks organized under the laws of the State, in national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state-chartered credit unions.

Under state law, the District may invest in United States bonds or treasury notes. The District had no investments at December 31, 1998.



**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded, is not utilized by the District.

**H. Fixed Assets**

Fixed assets of governmental funds are recorded as expenditures at the time purchased and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at historical cost. No depreciation has been provided on general fixed assets.

Long-term debt of governmental funds is carried in the general long-term debt account group. The District entered into a capital lease for the purchase of a piece of equipment during 1998.

Account groups are not funds. They are concerned only with the measurement of financial position, not with measurement of the results of operations.

**I. Total Columns on Balance Sheet**

The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**NOTE 2--AD VALOREM TAXES**

Ad Valorem taxes are levied each December 1 on the assessed value listed as of the prior January 1 for all real property, merchandise, and moveable property located in the Parish. Assessed values are established by the Lafourche Parish Assessor's Office and the State Tax Commission at the percentages of actual value as specified by Louisiana law.

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 1996. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 1998 was \$5.00 per \$1,000 of assessed valuation of property for the purpose of maintaining and operating the facilities and programs.

**NOTE 3--DUE FROM LAFOURCHE PARISH SHERIFF**

The amounts due from Lafourche Parish Sheriff at December 31, 1998 consisted of December 1998 ad valorem tax collections to be remitted to the District in January 1999.

## NOTE 4--CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance <u>1/01/98</u>	<u>Additions</u>	Balance <u>12/31/98</u>
Furniture, fixtures and office equipment	\$ 8,447	\$	\$ 8,447
Heavy equipment		<u>292,000</u>	<u>292,000</u>
Total	<u>\$ 8,447</u>	<u>\$292,000</u>	<u>\$300,447</u>
Investments in General Fixed Assets	<u>\$ 8,447</u>	<u>\$292,000</u>	<u>\$300,447</u>

There were no asset deletions during 1998.

## NOTE 5--CASH BASIS BUDGET

The District prepares its budget on the cash basis and presents its financial statements on the modified accrual basis. This requires the following adjustments to convert its actual results to the cash basis for the presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Cash Basis (Page 5):

	Modified Accrual Basis	Net Difference Between <u>12/31/97 and 12/31/98 in</u>		Cash Basis
		<u>Receivables</u>	<u>Payables</u>	
<b>REVENUES</b>				
Ad valorem tax	\$ 306,225	\$ (36,041)	\$ -	\$ 270,184
Interest income	45,009	-	-	45,009
Miscellaneous	<u>2,472</u>	<u>(2,472)</u>	<u>-</u>	<u>-</u>
Total Revenues	353,706	(38,513)	-	315,193
<b>EXPENDITURES</b>				
Audit	1,700	-	-	1,700
Engineering	7,009	-	-	7,009
Insurance	7,673	-	75	7,748
Interest	59	-	-	59
Legal	18,015	-	(581)	17,434
License and taxes	2,080	-	(129)	1,951
Miscellaneous	352	-	-	352
Office expense	1,193	-	-	1,193
Per diem	10,875	-	-	10,875
Pension fund	8,953	-	-	8,953
Legal publication	611	-	(17)	594
Rent	3,600	-	-	3,600
Salary, staff	4,175	-	-	4,175
Telephone	1,092	-	(10)	1,082
Travel	42	-	-	42
Utilities	310	-	-	310
Capital projects	<u>300,293</u>	<u>-</u>	<u>65,313</u>	<u>365,606</u>
Total expenditures	<u>\$ 368,032</u>	<u>\$ -</u>	<u>\$ 64,651</u>	<u>\$ 432,683</u>

**NOTE 6--CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

At December 31, 1998, the district has cash and cash equivalents totaling \$581,165 as follows:

Interest bearing demand deposits	\$312,632
Time deposits	<u>268,533</u>
Total	<u>\$581,165</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

In addition to the above listed cash and cash equivalents, at December 31, 1998, the District has \$554,999 in certificates of deposit which are not considered cash equivalents. These deposits are secured from risk by \$200,000 of federal deposit insurance and \$1,021,277 of pledged securities held by the custodial banks in the name of the fiscal agent banks (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

**NOTE 7--LITIGATION**

On January 16, 1996 the Louisiana Supreme Court affirmed the ruling of the 18th Judicial District Court in holding that the statute which established the geographic boundaries of the District was unconstitutional due to overlapping other districts. In 1995 there was new legislation passed by the Louisiana State Legislature to restructure the District's geographic boundaries to correct this matter.

A reconventional demand, which was certified as a class action, was filed seeking refund of tax money received by the District pursuant to its levy of ad valorem taxes and damages for alleged civil rights violations for collection of this tax money. The 17th Judicial District Court granted its exception of no cause of action by judgement dated April 6, 1997. The defendant appealed this decision to the First Circuit Court of Appeals, which on June 17, 1998 dismissed the appeal. No requests for rehearing or appeal to the Louisiana Supreme Court have been filed. Time has expired to do so and therefore the trial court judgment is final.

## NOTE 8--LEASES

The District rents office space under an annual lease arrangement which is renewed each December for the next year. The monthly rent is \$300 and the minimum payments due for the term of the lease is \$3,600. This amount is included as part of general government expenditures for 1998.

The District is obligated under a lease accounted for as a capital lease. The leased asset and related obligation are accounted for in the general fixed assets account group and the general long-term debt account group, respectively. The asset under the capital lease cost \$292,000 and is recorded at that amount at December 31, 1998. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of December 31, 1998.

Year Ending <u>December 31,</u>	<u>General Long-Term Debt Account Group</u>
1999	\$ 66,798
2000	66,798
2001	66,799
2002	<u>66,799</u>
Minimum lease payments for capital leases	<u>\$267,194</u>
Less: Amount representing interest at the borrowing rate included in the lease	<u>33,594</u>
Present value of minimum lease payments	<u>\$233,600</u>

**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS

FOR THE YEAR ENDED DECEMBER 31, 1998

CARROLL CLEMENT	\$ 1,050
NELSON CONSTANT	1,425
DAN DUPLANTIS	975
PHILLIP PLAISANCE	525
RIDLEY CHAUVIN	1,125
AL ROBICHAUX	1,575
MICHAEL DELATTE	1,200
DENNIS MARTINEZ	1,425
STEVE ST. ROMAIN	<u>1,575</u>
TOTAL	<u>\$ 10,875</u>

The Board members are paid \$75 for each Committee and Board meeting attended.



**Zahn and Kenney**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
North Lafourche Conservation, Levee and Drainage District  
Raceland, Louisiana

We have audited the component unit financial statements of the North Lafourche Conservation, Levee and Drainage District (District), as of and for the year ended December 31, 1998, and have issued our report thereon dated January 26, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's component unit financial statements are free of material misstatement, we performed tests of the its compliance with certain provisions of laws, regulations, contracts, and grants, 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 no instances of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements. We consider the following to be a reportable condition:

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The District lacks adequate segregation of duties. This condition exists because the size of the District's operations limits its staff to one part-time person. This is a repeat finding from the prior year.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

This report is intended for the information of the Board, management, and the Legislative Audit Advisory Committee. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board, is a matter of public record.

*Zahn and Kerney*

Metairie, Louisiana  
January 26, 1999

Summary of Prior Year Audit Findings

In our report dated January 27, 1998 we noted that the District lacked adequate segregation of duties due to the limited size of its staff. We considered this to be a material weakness in the District's internal controls. This condition continues to exist.