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ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1
STATE OF LOUISIANA

Annual Component Unit Financial Statements
with Independent Auditors' Report
and
Independent Auditors' Report on Compliance and Internal Control

For the Year Ended September 30, 1999

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 FEB 23 2000

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Independent Auditors' Report

Board of Commissioners
St. Mary Parish Consolidated
Gravity Drainage District No. 1
Franklin, Louisiana

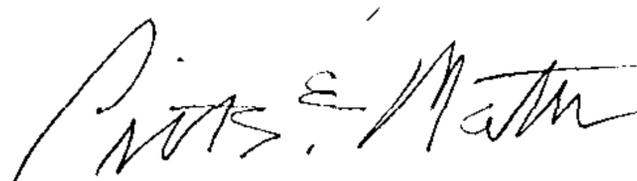
We have audited the accompanying general purpose financial statements of St. Mary Parish Consolidated Gravity Drainage District No. 1, a component unit of St. Mary Parish, as of September 30, 1999, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of St. Mary Parish Consolidated Gravity Drainage District No. 1's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of St. Mary Parish Consolidated Gravity Drainage District No. 1 as of September 30, 1999, 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 a report dated November 10, 1999 on our consideration of St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying supplementary information required by the Governmental Accounting Standards Board (GASB) listed in the table of contents is not a required part of these financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that St. Mary Parish Consolidated Gravity Drainage District No. 1 is or will become year 2000 compliant, that year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will be year 2000 compliant.



CERTIFIED PUBLIC ACCOUNTANTS

November 10, 1999

ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1999

	Governmental			Total (MEMORANDUM ONLY)
	Fund Type	Account Groups		
<u>Assets and Other Debits</u>	General Fund	General Fixed Assets	General Long- Term Debt	
Cash and cash equivalents	\$275,062			\$275,062
Accounts receivable - other	49			49
Building and improvements		\$197,892		197,892
Equipment		907,501		907,501
Amounts to be provided for retire- ment of general long-term debt			\$178,067	178,067
Total assets and other debits	<u>\$275,111</u>	<u>\$1,105,393</u>	<u>\$178,067</u>	<u>\$1,558,571</u>
<u>Liabilities, Equity and Other Credits</u>				
Liabilities:				
Accounts payable and accrued expenses	\$38,483			\$38,483
Obligation under capital lease			\$103,067	103,067
Loan payable to other governments			75,000	75,000
Total liabilities	<u>38,483</u>	<u>--</u>	<u>178,067</u>	<u>216,550</u>
Equity and other credits:				
Investment in general fixed assets		\$1,105,393		1,105,393
Fund balance, unreserved, undesignated	236,628			236,628
Total equity and other assets	<u>236,628</u>	<u>1,105,393</u>	<u>--</u>	<u>1,342,021</u>
Total liabilities, equity, and other assets	<u>\$275,111</u>	<u>\$1,105,393</u>	<u>\$178,067</u>	<u>\$1,558,571</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget and Actual
(GENERAL FUND -THE ENTITY'S ONLY GOVERNMENTAL FUND TYPE)
For the Year Ended September 30, 1999

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Ad valorem taxes	\$670,134	\$688,027	\$17,893
Intergovernmental revenues	50,000	50,000	
State revenue sharing	68,202	68,202	
Other income	6,629	8,801	2,172
Total revenues	<u>794,965</u>	<u>815,030</u>	<u>20,065</u>
Expenditures			
Current operating			
Drainage			
Salaries and per diems	257,154	232,664	24,490
Pump operation and maintenance	161,469	115,528	45,941
Personnel benefits	82,488	80,001	2,487
Insurance	68,182	65,970	2,212
Truck expenditures	25,585	19,201	6,384
Utilities	5,999	5,701	298
Miscellaneous	13,268	13,335	(67)
Debt Service			
Debt principal	52,048	52,048	
Debt interest	4,537	4,537	
Capital outlays	<u>259,427</u>	<u>237,761</u>	<u>21,666</u>
Total expenditures	<u>930,157</u>	<u>826,746</u>	<u>103,411</u>
Excess (deficiency) of revenues over expenditures	<u>(135,192)</u>	<u>(11,716)</u>	<u>123,476</u>
Other financing sources (uses)			
Proceeds from lease	<u>130,115</u>	<u>130,115</u>	
Total other financing sources	<u>130,115</u>	<u>130,115</u>	--
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(5,077)</u>	<u>118,399</u>	<u>123,476</u>
Fund balance at beginning of year	<u>118,229</u>	<u>118,229</u>	
Fund balance at end of year	<u>\$113,152</u>	<u>\$236,628</u>	<u>\$123,476</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Notes to the Financial Statements
September 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Mary Parish Consolidated Gravity Drainage District No. 1 was created by Resolution No. 500 of the St. Mary Parish Police Jury on December 11, 1946. The District encompasses the area in west St. Mary Parish from Calumet, Louisiana to the St. Mary Parish line near Jeanerette, Louisiana. The purpose of the District is to construct and maintain gravity drainage works in the above stated area.

The financial statements of the St. Mary Parish Consolidated Gravity Drainage District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

Based upon the above criteria, the District is a component unit and integral part of St. Mary Parish (the primary government).

These financial statements include only the operations of the District.

B. 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 related to certain government functions or activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

The District's current operations require only the use of one governmental fund, the general fund and two account groups, the general fixed assets account group and the general long-term debt account group.

Governmental Fund

General Fund

The General Fund is the primary operating fund of the District. It is used to account for all financial resources of the District, since at the current time no other funds are required.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

The following is a summary of the District's recognition policies for its major revenue sources:

Ad valorem taxes and the related State revenue sharing (which is based on population and homesteads in the Parish) are recorded in the year the taxes are assessed.

Revenues from grants are recognized when management believes all significant applicable grant requirements have been met.

Interest income on investments is recorded when the investments have matured and the income is available.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end. Budgets are amended when needed upon approval by the Board. Encumbrances are not recorded by the District.

E. Cash and Cash Equivalents

The District is permitted by law to invest its funds in certain banks and other financial institutions located within the state. They may also invest in certain government backed securities.

For financial statement purposes, cash and cash equivalents include demand deposits, money market accounts, and/or certificates of deposit.

Cash and cash equivalents are stated at cost, which approximates market.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets are valued at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public domain ("infrastructure") general fixed assets consisting of levees and drainage systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

G. Compensated Absences

Employees earn vacation and sick leave annually at varying rates depending upon length of service. These compensated absences are allowed to accumulate from period to period if not used.

Upon termination an employee is compensated for accumulated vacation time; but, employees are not compensated for sick time unless termination is due to retirement.

An accrual is made for the amount of compensation the employees will receive in the future based upon services performed in the current year for vacation time not used. These accruals at September 30, 1999 totaled approximately \$5,500, all of which will be paid from current resources. There are no termination benefits due to accumulated sick time at September 30, 1999.

H. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$275,062 and the bank balance was \$280,840. All bank balances were covered by federal depository insurance.

NOTE 3 - TAXES

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and taxes are considered delinquent January 1. Notices regarding seizures are sent out in April with the seizure date being May 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District actually receives most of the taxes in December.

NOTE 4 - FIXED ASSETS

A summary of changes in general fixed assets for the year ended September 30, 1999, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Building and Improvements	\$ 197,892			\$197,892
Equipment	<u>981,533</u>	<u>\$237,760</u>	<u>\$(311,792)</u>	<u>907,501</u>
Total	<u>\$1,179,425</u>	<u>\$237,760</u>	<u>\$(311,792)</u>	<u>\$1,105,393</u>

NOTE 5 - LEASE OBLIGATIONS

Consolidated Gravity District No. 1 has acquired one piece of equipment with a basis of \$230,115 under a capital lease. An initial payment of \$100,000 was made at the inception of the lease. The following is a schedule by years of future minimum lease payments under the capital lease with the present value of net minimum lease payments as of September 30, 1999.

Year Ended September 30:

2000	\$ 47,376
2001	47,376
2002	<u>15,792</u>
Total minimum lease payments	\$ 110,544
Less: Amount representing interest	(6,800)
Present value of minimum lease payments	\$ <u>103,067</u>

NOTE 6 - DEBT

The following is a summary of changes in the General Long-Term Debt Account Group for the year ended September 30, 1999:

Balance at October 1, 1998	\$100,000
Reductions	(52,048)
Additions	<u>130,115</u>
Balance at September 30, 1999	<u>\$178,067</u>

NOTE 6 - DEBT (continued)

Obligations payable at September 30, 1999 are as follows:

GENERAL LONG-TERM DEBT:

Loan payable to other governments

Loan payable to St. Mary Parish Council
dated July 30, 1997 bearing no interest
payable in annual installments of \$25,000
with final payment July 20, 2002 \$ 75,000

Capital Lease Obligation

Lease agreement- See Note 5.

Present value of net minimum lease payments \$103,067
Total General Long Term Debt \$178,067

Aggregate future maturities for the debt (excluding leases) are approximately:

For the year ending September 30:

2000	\$25,000
2001	25,000
2002	<u>25,000</u>
	<u>\$75,000</u>

NOTE 7 - COMPENSATION OF BOARD MEMBERS

Board members received the following per diems for the year ended September 30, 1999:

<u>Name</u>	<u>Amount</u>
Earlon Arnaud	\$ 550
Clarence Charatain	600
Lenis Clements, Jr.	600
Donnie Coots	500
Chad Gianfala	550
Cleveland Jackson	600
Raphael Rodriguez, Jr.	<u>600</u>
	<u>\$4,000</u>

NOTE 8 - PENSION PLAN

St. Mary Parish Consolidated Gravity Drainage District No. 1 contributes to the Parochial Employees' Retirement System of Louisiana (Plan A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees consisting of seven members. The System provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The System was established by the Louisiana legislature by Act 205 of 1952 and revised by Act 765 of 1979. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by calling the Parochial Employees' Retirement System of Louisiana at (225) 928-1361.

Plan members are required to contribute 9.50% of their annual covered salary and St. Mary Parish Consolidated Gravity Drainage District No. 1 is required to contribute at a rate established by the State Legislature. The current rate is 7.75% of annual covered payroll. The Drainage District's actual contributions to the System for the years ending September 30, 1999, 1998, and 1997 were approximately \$16,400, \$18,600, and \$16,600, respectively; and equal the required contributions for each year.

NOTE 9 - COMMITMENT

The District entered into an intergovernmental agreement with the St. Mary Parish Council (Parish) and the City of Franklin (City) for a flood control improvement project at the Bayou Yokely Pump Station. The total cost of Phase I of the project is estimated to be approximately \$5.5 million. The administrative and engineering costs of approximately \$500,000 are to be paid by the three local entities in equal shares. Construction costs of \$5 million are to be paid jointly by the Louisiana Department of Transportation and Development (DOTD) and the U.S. Army Corp. of Engineers. The City is overseeing the three local government's participation in the project. The City maintains separate financial information for this project, which is included in its financial report for the year ended April 30, 1999, which is available from the City Clerk. The District's cash portion of the project costs is to be funded in three equal increments of \$90,000 over a three year period. The final payment had been made as of September 30, 1997. The City and DOTD are presently considering a second phase of the project with an estimated costs of \$2.5 million. The District expects to again partner with the Parish and the City to provide local funding if it is required.

NOTE 10 - CONCENTRATIONS

The majority of the District's revenues come from property tax revenue. The property taxes collected during the year accounted for approximately 84% of the District's total revenue.

NOTE 11 - RELATED PARTIES

As noted in Note 8, the District has an intergovernmental agreement with the St. Mary Parish Council. The District has received a loan from the Parish Council which is described in Note 5.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, or damage to assets, errors and omissions, injuries to employees and natural disasters. The District has purchased commercial insurance to protect against loss from substantially all of these perils.

There were no significant reductions in insurance coverages from prior years.

**SUPPLEMENTARY INFORMATION REQUIRED BY
THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

St. Mary Parish
Consolidated Gravity Drainage District No. 1

Year 2000 Information

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations.

The District does not utilize any computer equipment.

The District has not inventoried other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations. It is unknown as of September 30, 1999, what effects, if any, failing to remediate any such systems will have upon District operations.

Ad valorem tax assessments for the District are handled by the St. Mary Parish Assessor's office and collections are handled by the St. Mary Parish Sheriff's office. The Assessor's office and Sheriff's office are responsible for remediating their respective systems. The District is not responsible for any costs associated with these projects.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL



**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
St. Mary Parish Consolidated
Gravity Drainage District No. 1
Franklin, Louisiana

We have audited the general purpose financial statements of St. Mary Parish Consolidated Gravity Drainage District No. 1 as of and for the year ended September 30, 1999, and have issued our report thereon dated November 10, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to the 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 St. Mary Parish Consolidated Gravity Drainage District No. 1's general purpose financial statements are free of material misstatement, we performed tests of 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 are required to be reported under Government Auditing Standards.

A similar report issued by us dated December 15, 1998 for the year ended September 30, 1998, reported no instances of noncompliance.

Internal Control over Financial Reporting

In planning and performing our audit, we considered St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Mary Parish Consolidated Gravity Drainage District No. 1's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. A description of this condition is included in the material weakness section of this report as item no. 99-1.

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 general purpose 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, the reportable condition described above is considered to be a material weakness.

A similar report issued by us dated December 15, 1998 for the year ended September 30, 1998 contained one material weakness in internal accounting control. A similar comment is repeated this year.

The report is intended solely for the use of the management of the District, the Legislative Auditor of the State of Louisiana and the Finance Committee of the St. Mary Parish Council. However, this report is a matter of public record, and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANTS

November 10, 1999

MATERIAL WEAKNESS

ITEM 99 - 1

Segregation of Duties

Auditors' Comments

Condition: While performing audit tests and inquiring about internal control, we discovered that there is very little segregation of duties within the District's accounting function.

Criteria: Ordinarily, the accounting duties performed in an organization are segregated to reduce possible errors or irregularities that could occur in the accounting records and not be detected.

Effect: Lack of segregation of duties results in a material weakness in internal accounting controls.

Cause: The District has limited personnel.

Management's Comments

We have reviewed this situation with our CPA and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION
PREPARED BY ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 1

Material Weakness

Item 98-1 - Internal Control

Segregation of Duties

Condition: While performing audit tests and inquiring about internal control, our auditors discovered that there is very little segregation of duties within the District's accounting function.

Corrective Action: We have reviewed this situation with our CPA and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

St. Mary Parish
Consolidated Gravity Drainage District No. 1

POST OFFICE BOX 668
BALDWIN, LOUISIANA 70514
PHONE/FAX 318 - 828-0675

R. RODRIGUEZ, JR., Pres.
D. COOTS, Vice-Pres.
C. JACKSON, Secy. Treas.
R. ROBISON, JR., Supervisor

COMMISSIONERS
EARLON ARNAUD
CLARENCE CHARATAIN
LENIS CLEMENTS, JR.
CHAD GIANFALA

November 10, 1999

Dr. Daniel G. Kyle
Office of Legislative Auditors
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

St. Mary Parish Consolidated Gravity Drainage District No. 1 respectfully submits the following corrective action plan for their year ended September 30, 1999.

CORRECTIVE ACTION:

Person Responsible: Raphael E. Rodriguez, Jr., President
St. Mary Parish Consolidated Gravity Drainage District No. 1
P.O. Box 668
Baldwin, LA 70514
337-828-0675

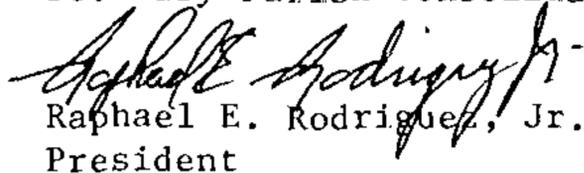
MATERIAL WEAKNESS: RE: Item No. 99-1

Segregation of Duties: While performing audit tests and inquiring about internal control, our auditors discovered that there is very little segregation of duties within the District's accounting function.

Corrective Action: We have reviewed this situation with our CPA and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

This plan of action is being submitted in accordance with Legislative requirements. If you have any questions concerning this action plan, contact the undersigned.

St. Mary Parish Consolidated Gravity Drainage District No. 1


Raphael E. Rodriguez, Jr.
President