

ST. MARY LEVEE DISTRICT

FINANCIAL REPORT

For the Year Ended December 31, 2018

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Balance Sheet - Governmental Fund	9
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	12
Notes to the Financial Statements	13 - 28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	30
Schedule of District's Proportionate Share of the Collective Total OPEB Liability	31
Notes to the Required Supplementary Information	32
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Compensation, Benefits and Other Payments to Executive Director	34
Schedule of Compensation Paid to Board Members	35
Annual Report for Tax Year 2018	36 - 37
INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39 - 40
Summary Schedule of Prior Year Findings	41
Schedule of Findings and Responses	42 - 43
Management's Corrective Action Plan for Current Year Findings	44



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
St. Mary Levee District
Morgan City, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of St. Mary Levee District (District), as of and for the year ended December 31, 2018, 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 the major fund of the District as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 6 to the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of District's proportionate share of the collective total OPEB liability on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

Management has omitted the 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits and other payments to executive director, the schedule of compensation paid to board members, and the annual report for tax year 2018 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to executive director, the schedule of compensation paid to board members, and the annual report for tax year 2018 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to executive director, the schedule of compensation paid to board members, and the annual report for tax year 2018 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, 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 effectiveness of the District's 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.

Darnall, Sikes & Frederick
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana
June 24, 2019

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. MARY LEVEE DISTRICT

Statement of Net Position
December 31, 2018

ASSETS

Current assets

Cash	\$ 21,811,210
Taxes receivable (net of allowance for uncollectible taxes)	2,824,529
Due from other governmental units	846,106
Prepaid expenses	<u>68,512</u>

Total current assets 25,550,357

Noncurrent assets

Nondepreciable capital assets	6,460,482
Depreciable capital assets, net of accumulated depreciation	<u>5,080,054</u>

Total noncurrent assets 11,540,536

TOTAL ASSETS **\$ 37,090,893**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current liabilities

Accounts payable	\$ 102,187
Accrued payroll taxes	3,101
Contracts payable	495,614
Accrued interest	44,778
Due to other governmental units	<u>2,810,000</u>

Total current liabilities 3,455,680

Long-term liabilities

Bonds payable	13,471,887
Other postemployment benefit obligation	<u>79,151</u>

Total long-term liabilities 13,551,038

TOTAL LIABILITIES 17,006,718

Deferred inflows related to OPEB 6,485

Net position

Net investment in capital assets	11,540,536
Unrestricted	<u>8,537,154</u>

Total net position 20,077,690

TOTAL LIABILITIES AND NET POSITION **\$ 37,090,893**

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Governmental Activities	Revenue and Changes in Net Position
Governmental activities:				
Flood protection	\$ 1,476,695	\$ 1,100		\$ (1,475,595)
Interest	<u>44,778</u>	<u>-</u>		<u>(44,778)</u>
	<u>1,521,473</u>	<u>1,100</u>		<u>(1,520,373)</u>
General Revenues:				
Ad valorem taxes				2,893,494
Interest and investment earnings				61,452
Rents and royalties				<u>330</u>
Total general revenues				<u>2,955,276</u>
Change in net position				1,434,903
Net position - beginning (as restated)				<u>18,642,787</u>
Net position - ending				<u>\$ 20,077,690</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

ST. MARY LEVEE DISTRICT

Balance Sheet
Governmental Fund
December 31, 2018

	<u>General Fund</u>
ASSETS	
Current assets	
Cash	\$ 21,811,210
Taxes receivable (net of allowance for uncollectible taxes)	2,824,529
Due from other governmental units	<u>846,106</u>
Total current assets	<u>\$ 25,481,845</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Current liabilities	
Accounts payable	\$ 102,187
Accrued payroll taxes	3,101
Contracts payable	495,614
Due to other governmental units	<u>2,810,000</u>
Total current liabilities	3,410,902
Deferred inflows of resources	118,604
Fund balance	
Committed	13,000,000
Unassigned	<u>8,952,339</u>
Total fund balance	<u>21,952,339</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 25,481,845</u>

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2018

Fund balance - governmental fund	\$ 21,952,339
Total net position reported for governmental activities in the statement of net position is different because:	
Ad valorem tax revenues that are not considered available are not current financial resources and, therefore, are not reported as revenue in the governmental fund.	118,604
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	11,540,536
Prepaid expenses involve the payment of obligations that are attributable to fiscal periods beyond the end of the current fiscal year with current financial resources and, therefore, are not reported in the governmental fund.	68,512
Long-term liabilities, which include other postemployment benefit obligations and bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(13,551,038)
Deferred inflows of resources associated with other postemployment benefit obligations are not payable from current expendable resources and, therefore, are not reported in the governmental fund.	(6,485)
Accrued interest payable on long-term debt.	<u>(44,778)</u>
Net position of governmental activities	<u>\$ 20,077,690</u>

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Statement of Revenues, Expenditures, and Changes in
Fund Balance – Governmental Fund
For the Year Ended December 31, 2018

	<u>General Fund</u>
Revenues	
Taxes - ad valorem	\$ 2,902,829
Interest income	61,452
Intergovernmental	
Federal sources	277,312
Permits	1,100
Rents and royalties	<u>330</u>
Total revenues	3,243,023
Expenditures	
Current -	
Flood protection:	
General administrative	215,398
Insurance	110,972
Levee maintenance	458,098
Personal services	133,954
Professional services	345,178
Rental	59,160
Supplies and materials	25,585
Travel	519
Utilities	9,753
Capital outlay	<u>2,339,575</u>
Total expenditures	<u>3,698,192</u>
Deficiency of revenues over expenditures	(455,169)
Other financing sources (uses)	
Bond proceeds	13,000,000
Bond premium	575,887
Bond discount	<u>(104,000)</u>
Total other financing sources (uses)	<u>13,471,887</u>
Change in fund balance	13,016,718
Fund balance, beginning	<u>8,935,621</u>
Fund balance, ending	<u><u>\$ 21,952,339</u></u>

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balance - governmental fund \$ 13,016,718

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

Revenues that are considered available provide current financial resources to governmental funds; however, in the statement of activities, revenues that are not considered available are reported. This is the difference between prior year and current year revenues that were not considered available. (291,579)

Certain expenditures of the governmental fund involve the payment of current financial resources for obligations attributable to fiscal periods following the close of the current fiscal period. The portion of payments for insurance coverage attributable to periods after December 31, 2018 are classified as prepaid expenses in the statement of net position. This is the difference between prior year and current year accruals. 52,048

Governmental funds report 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. This is the amount by which capital outlays exceeded depreciation in the current period. 2,186,383

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources. This is the amount by which debt proceeds exceed debt service principal payments. (13,471,887)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the difference between the current year and prior year interest accruals. (44,778)

Other postemployment benefit obligations do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund. (12,002)

Change in net position of governmental activities \$ 1,434,903

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

INTRODUCTION

St. Mary Levee District (District) was created on July 1, 2007 by Act No. 259 in the 2007 Regular Session of the Louisiana Legislature, as a political subdivision of the State of Louisiana (State). The District consists of all lands in St. Mary Parish. The management and control of the District is vested in a Board of Commissioners (Board) appointed by the Governor from a list of nominees submitted by the St. Mary Parish Council and local state legislators. In addition to any other powers and duties provided by law, the primary duty of the Board shall be to establish, construct, operate, and maintain flood control works as they relate to hurricane protection, tidewater flooding, saltwater intrusion, and conservation. The Board has the authority to issue bonds and levy taxes on all property within the District.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513, the *Louisiana Governmental Audit Guide*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of certain significant accounting policies:

Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity and other reporting relationships. The basic criterion for including a potential component unit within the reporting entity is financial accountability. GASB has set forth criteria to be considered in determining financial accountability. The criteria include:

1. Appointment of a voting majority of the governing board, and
 - a. The ability of the reporting entity to impose its will on the organization, or
 - b. The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the reporting entity.
2. Organizations which are fiscally dependent.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature of significance of the relationship.

The District is considered a related organization of the State. Although the Governor appoints the governing board, the State does not have a financial benefit or burden relationship with the District. Because the State does not have financial accountability for the District, the District is excluded from the reporting entity of the State. The nature of the State's relationship with the District is disclosed in the State's audited financial statements.

The accompanying financial statements present information only on the fund maintained by the District and do not present information on the State.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended December 31, 2018. The new standard required the District to record its proportionate share of the OPEB liability related to its participation in a multiple-employer defined benefit OPEB plan, restating the earliest year presented.

Government-wide and Fund Financial Statements

The District's basic financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements (individual major funds).

The government-wide financial statements report information on all of the activities of the government. Both the government-wide and the fund financial statements categorize primary activities as governmental.

The statement of activities demonstrates the degree to which the direct expenses having a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include operating and capital grants received from federal and state agencies and charges for services including permits and letters-of-no-objection. Taxes and items not properly included among program revenues are reported as *general revenues*.

A separate financial statement is provided for the governmental fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Ad valorem taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues in the year for which they are earned.

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 as soon enough thereafter to pay liabilities for the current period. For this purpose, the government considers revenues to be *available* if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ad valorem taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Ad valorem taxes are recognized as revenues in the year in which such taxes are levied and billed to the taxpayers. Other major revenues that are considered susceptible to accrual include intergovernmental revenues.

The District has the following fund type:

Governmental Fund –

The focus of the governmental fund’s measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

General Fund –

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

Capital Assets

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for as noncurrent assets. All capital assets purchased or acquired with an original cost of \$1,000 or greater are reported at historical cost or estimated historical cost for assets for which historical cost is not available. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized while other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Computers	3 years
Machinery and Equipment	5 years
Vehicles, Office Equipment, and Furniture	7 years
Improvements other than buildings	20 years
Bridges	20 years
Buildings	40 years
Barge Structures and Sheet Pile Systems	40 years

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

Equity Classifications

Government-wide Financial Statements:

Net position represents the difference between assets and liabilities. Net position is reported in three categories, as follows:

- a. Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position items 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 – consists of the net amount of assets and liabilities that do not meet the definition of the above two components and is available for general use by the District.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the District applies restricted net position first.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balances are classified as follows:

Non-spendable – Includes amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Includes amounts that can be used only under constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or under constraints that are imposed by law through constitutional provisions or enabling legislation.

Committed – Includes amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the District's Board of Commissioners. Commitments may be established, modified, or rescinded only through ordinances or

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resolutions approved by the District's Board of Commissioners. As of December 31, 2018, bond proceeds of \$13,000,000 were committed to capital outlay expense for the Bayou Teche construction project.

Assigned – Includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed.

Unassigned – Includes all other spendable amounts.

For the classification of governmental fund balances, the District considers an expenditure to be made from the most restrictive classification first when there is more than one classification available.

Deferred Inflows of Resources – Fund Financial Statements

Ad valorem taxes levied at December 31, 2018 totaling \$118,604 are not considered to be available to finance operations of the current period and are reported as deferred inflows of resources. These revenues are recognized as operating revenues when they become available.

Deferred Inflows of Resources – Government-wide Financial Statements

In addition to liabilities, the statement of net position 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows of resources related to other postemployment benefits. See Note 6 for additional information related to deferred inflows of resources related to other postemployment benefits (OPEB).

Compensated Absences

Employees of the District earn from ten to fifteen days of vacation leave each year based on length of service. Vacation leave must be used in the year earned with the exception of one week of unused vacation which may be taken ninety days into the following calendar year. Employees of the District earn ten days of sick leave per year, with the ability to accrue a maximum of twenty days of sick leave after two years of service. Unused sick time is not accrued and is not a compensable item upon an employee's termination from employment.

Use of Estimates

The District uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures or expenses, as appropriate.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs are reported as an expenditure.

Net Other Postemployment Benefit Obligations

The District applies the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement requires the District to calculate and recognize a net *other postemployment benefit* (OPEB) obligation or asset at year end. See Note 6 for further details.

Subsequent Events

The District has evaluated subsequent events through June 24, 2019, the date the financial statements were available to be issued.

NOTE 2 CASH

Under state law, the 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 District may invest in the United States bonds, notes or bills as well as certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The carrying value of the District's cash and interest-bearing deposits with financial institutions at December 31, 2018 totaled \$21,811,210 and the bank balance was \$21,889,658. Federal deposit insurance covered \$250,000 of the deposits, while \$13,500,000 was covered by a letter of credit issued by the Federal Home Loan Bank, and the remaining deposits were covered by collateral held by the pledging bank's agent in the District's name in the amount of \$10,866,444. Cash and interest-bearing 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. Per state law, banks may also use letters of credit issued by the Federal Home Loan Bank to collateralize the deposit of public funds. The fair market value of the pledged securities and other collateral plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 2 CASH (CONTINUED)

Louisiana R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 AD VALOREM TAXES

Ad valorem taxes are levied in September or October and are actually billed to taxpayers in November or December. These taxes attach as an enforceable lien on property as of January 1st of each year. Billed taxes become delinquent on January 1st of the following year. The St. Mary Parish Tax Collector bills and collects property taxes for the District using the assessed values determined by the St. Mary Parish Assessor. District property tax revenues are budgeted in the year billed.

For the year ended December 31, 2018, 5.00 mills were authorized and dedicated for the purpose of acquiring, constructing, maintaining, and operating hurricane protection facilities within the District.

Total taxes levied during 2018 were \$2,964,163. Taxes receivable at December 31, 2018 consisted of \$2,857,100 for the 2018 assessment, of which approximately 1.14 percent or \$32,571 was considered uncollectible.

NOTE 4 DUE FROM AND TO OTHER GOVERNMENTAL UNITS

The amount due from other governmental units at December 31, 2018, consisted of unpaid reimbursements of \$216,106 from FEMA for expenses incurred relating to the flood event of 2016 and unpaid reimbursements of \$630,000 from the State of Louisiana's Office of Facility Planning and Control relating to funding for the Franklin Canal Pump Station.

The amount due to other governmental units at December 31, 2018, consisted of \$2,170,000 from an obligation to refund the Coastal Protection and Restoration Authority (CPRA) for funding that CPRA provided to the District for flood fighting in connection with the threat of flooding from the Mississippi River, the Atchafalaya River, and related bodies of water in May 2011. The remaining balance due to other governmental units of \$640,000 is also due to the CPRA for funding that CPRA provided in connection with the Franklin Canal Pump Station construction project completed during the year ended December 31, 2015.

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ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 4,102,802	\$ 2,333,922	\$ -	\$ 6,436,724
Land	<u>23,758</u>	<u>-</u>	<u>-</u>	<u>23,758</u>
Total capital assets not being depreciated	4,126,560	2,333,922	-	6,460,482
Capital assets being depreciated:				
Computers	-	1,169	-	1,169
Machinery and equipment	68,599	-	-	68,599
Vehicles	28,993	-	-	28,993
Office equipment	16,749	-	-	16,749
Improvements other than buildings	11,151	4,484	-	15,635
Flood protection infrastructure	<u>5,633,349</u>	<u>-</u>	<u>-</u>	<u>5,633,349</u>
Total capital assets being depreciated	5,758,841	5,653	-	5,764,494
Less accumulated depreciation for:				
Computers	-	(97)	-	(97)
Machinery and equipment	(54,167)	(5,824)	-	(59,991)
Vehicles	(6,557)	(4,142)	-	(10,699)
Office equipment	(9,360)	(1,551)	-	(10,911)
Improvements other than buildings	(1,720)	(744)	-	(2,464)
Flood protection infrastructure	<u>(459,444)</u>	<u>(140,834)</u>	<u>-</u>	<u>(600,278)</u>
Total accumulated depreciation	<u>(531,248)</u>	<u>(153,192)</u>	<u>-</u>	<u>(684,440)</u>
Total capital assets being depreciated, net	<u>5,227,593</u>	<u>(147,539)</u>	<u>-</u>	<u>5,080,054</u>
Total capital assets, net	<u>\$ 9,354,153</u>	<u>\$ 2,186,383</u>	<u>\$ -</u>	<u>\$ 11,540,536</u>

Depreciation charged to expense was \$153,192 for the year ended December 31, 2018.

Construction in Progress

The costs associated with the engineering and design phase of the Bayou Chene Flood Control Structure construction project of \$4,022,816 are included in construction in progress at December 31, 2018. The U.S. Department of Commerce's Economic Development Administration (EDA) has approved and disbursed \$1,800,000 of financial assistance for the design and engineering phase of the project. Terrebonne Levee and Conservation District (TLCD) also pledged to contribute, and has provided, \$500,000 to the St. Mary Levee District to partially fund the design and engineering fees of the project.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 5 CAPITAL ASSETS (CONTINUED)

The costs associated with the engineering and design phase of the Bayou Teche Flood Control Structure construction project of \$1,225,303 are included in construction in progress at December 31, 2018. The District expects the construction costs for this project to be eligible for reimbursement by a Louisiana Department of Transportation and Development grant. The District issued \$13,000,000 in Limited Tax Revenue Bonds during the fiscal year ended December 31, 2018 to finance this project. See Note 11 for further details.

The costs associated with engineering, design, and construction of the Morgan City Levee Improvements Justa Street Reach Levee construction project of \$1,166,967 are included in construction in progress at December 31, 2018.

The costs associated with the preliminary engineering phase of the Yokely Levee Extension construction project of \$21,638 are included in construction in progress at December 31, 2018.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

The District provides post-employment health care and life insurance benefits for substantially all employees if they reach normal retirement age while working for the District. These benefits for retirees and similar benefits for active employees are provided through a self-insured/ self-funded plan. At December 31, 2018, the District had two employees receiving health benefits through the Office of Group Benefits.

Plan Description

Employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), a multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The State administers the plan through the Office of Group Benefits (OGB). Louisiana Revised Statute 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained on the Office of Statewide Reporting and Accounting Policy's website at www.doa.louisiana.gov/osrap. No assets are accumulated in a trust that meets the criteria in paragraph four of Governmental Accounting Standards Board (GASB) Statement No. 75 to pay related benefits.

Benefits Provided

The OPEB plan provides benefits such as: death benefits, life insurance, disability, and long-term care that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment. The OPEB plan does not provide termination benefits or termination payments for sick leave.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions

The contribution requirements of plan members and the District are established and may be amended by Louisiana Revised Statute 42:801-883. The OPEB Plan is currently funded on a pay-as-you-go basis through a combination of retiree and District contributions. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving post-employment benefits. The retirees contribute to the cost of their post-employment benefits based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. There were no contributions to the OPEB Plan from the District for the year ended December 31, 2018.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees with continuous OGB medical coverage starting before January 1, 2002 pay approximately 25% of the cost of coverage in retirement. Employees with an OGB medical participation start (or re-start) date after December 31, 2001 pay a percentage of the total retiree contribution rate based on the following schedule:

Service	Retiree Share	State Share
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the District reported a liability of \$79,151 for its proportionate share of the total OPEB liability. The OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the total OPEB liability was based on a projection

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

of the District's total OPEB liability relative to the projected total OPEB liability of all participating employers, actuarially determined. As of July 1, 2017, the District's proportion was 0.0015%.

For the year ended December 31, 2018, the District recognized OPEB expense of \$12,002. As of December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 6,485
Total	<u>\$ -</u>	<u>\$ 6,485</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year ending December 31:	
2019	\$ (1,460)
2020	(1,460)
2021	(1,460)
2022	(1,460)
2023	<u>(645)</u>
Total	<u>\$ (6,485)</u>

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ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.80%
Salary Increases	Consistent with the pension valuation assumptions
Investment Rate of Return	3.13 % based on the S&P Municipal Bond 20-Year High Grade Rate Index
Healthcare Cost Trend	7% - 4.5%
Mortality Rates	For healthy lives, the RP-2014 Combined Healthy Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017. For existing disabled lives, the RP-2014 Disabled Retiree Mortality Table, projected on a fully generational basis by Mortality Improvement Scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2017. As a result of the 2017 actuarial experience study, the expectation of life after disability was adjusted in the July 1, 2017 actuarial valuation to more closely reflect actual experience.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at contractually required rates. Based on this assumption and as the OPEB Plan is unfunded, the OPEB Plan's fiduciary net position was not projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was determined using a discount rate that reflects the 20-year tax exempt municipal bond yield or index rate.

The discount rate used to measure the total OPEB liability increased to 3.13% in the July 1, 2017 valuation. The discount rate in the current valuation reflects that the Bond Buyers' 20-Year General Obligation Municipal Bond Index rate was unchanged from the prior year.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective total OPEB liability, as well as what the District's proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	2.13%	3.13%	4.13%
Proportionate Share of the Collective Total OPEB Liability	<u>\$ 99,700</u>	<u>\$ 79,151</u>	<u>\$ 63,475</u>

Sensitivity of the District's Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the collective total OPEB liability, as well as what the District's proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Proportionate Share of the Collective Total OPEB Liability	<u>\$ 59,956</u>	<u>\$ 79,151</u>	<u>\$ 105,634</u>

NOTE 7 OPERATING LEASES

The District entered into a 5-year cancelable building lease for \$2,685 per month beginning on August 1, 2016. The District has the option to renew the lease for an additional 5-year period beginning on August 1, 2021. Payments on this lease totaling \$32,220 were made during the year ended December 31, 2018.

The District renewed a 12-month cancelable land lease for \$500 per month beginning on June 1, 2013. This lease will be extended on a month to month basis for a period not to exceed five years beyond the primary term. Payments on this lease totaling \$6,000 were made during the year ended December 31, 2018.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 7 OPERATING LEASES (CONTINUED)

The District entered into a 12-month cancelable land lease for \$1,495 per month beginning on July 1, 2016. This lease will be extended on a month to month basis for a period not to exceed three years beyond the primary term. Payments on this lease totaling \$17,940 were made during the year ended December 31, 2018.

NOTE 8 DEFERRED COMPENSATION PLAN

Beginning in the year ended December 31, 2014, the District elected to adopt a deferred compensation plan option for all full-time employees. Employees of the District are allowed to participate in the State of Louisiana Public Employee Deferred Compensation Plan, adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately-issued financial report for the Plan, available directly from the Louisiana Public Employees Deferred Compensation Plan office, 9100 Bluebonnet Centre Boulevard, Suite 203, Baton Rouge, Louisiana 70809.

Contributions are made voluntarily by the employee through payroll deductions, with the District making matching contributions up to 10% of the participating employees' regular gross wages. There were no participants in the plan during the year ended December 31, 2018; therefore, the total employer contribution expense for the year was \$0.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended December 31, 2018. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

NOTE 10 CONTINGENCIES

The District recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the District. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 11 CHANGES IN LONG-TERM DEBT

The following is a summary of the long-term liability transactions for governmental activities during the year:

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Bonds payable:					
General obligation					
bonds	\$ -	\$ 13,000,000	\$ -	\$ 13,000,000	\$ -
Premium on bonds					
payable	-	575,887	-	575,887	-
Discount on bonds					
payable	-	(104,000)	-	(104,000)	-
Total bonds payable	-	13,471,887	-	13,471,887	-
Other liabilities:					
Other postemployment					
benefits (restated)	73,634	5,517	-	79,151	-
Total other liabilities	73,634	5,517	-	79,151	-
Total long-term obligations	<u>\$ 73,634</u>	<u>\$ 13,477,404</u>	<u>\$ -</u>	<u>\$ 13,551,038</u>	<u>\$ -</u>

General obligation bonds payable consist of \$13,000,000 Limited Tax Revenue Bonds, Series 2018, dated December 6, 2018, and secured by ad valorem tax revenue proceeds. The bonds are due in annual installments of \$415,000 to \$945,000, beginning March 1, 2020 and maturing March 1, 2039, bearing interest at 4.0% to 5.0%. The annual requirements to amortize bonds payable are as follows:

Year ending December 31,	Principal	Interest	Total
2019	\$ -	\$ 418,806	\$ 418,806
2020	415,000	560,644	975,644
2021	430,000	543,744	973,744
2022	450,000	526,144	976,144
2023	465,000	507,844	972,844
2024-2028	2,680,000	2,170,720	4,850,720
2029-2033	3,415,000	1,417,720	4,832,720
2034-2038	4,200,000	627,135	4,827,135
2039	945,000	19,490	964,490
	<u>\$ 13,000,000</u>	<u>\$ 6,792,247</u>	<u>\$ 19,792,247</u>

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 12 PRIOR PERIOD ADJUSTMENT

The District adopted the provisions of GASB Statement No. 75 during the fiscal year ended December 31, 2018. The adoption of this statement required the District to increase the beginning OPEB liability and the effects on net position of the contributions made by the District during the measurement period (fiscal year ended December 31, 2018). As a result, beginning net position decreased by \$45,956 for the earliest year presented. The restatement consisted of an increase to the OPEB liability as of January 1, 2018 of \$45,956.

NOTE 13 SUBSEQUENT EVENT

The District has incurred expenses for flood fighting in connection with the threat of flooding from the Mississippi River, the Atchafalaya River, and related bodies of water in 2019. The District expects to be reimbursed for the entire estimated cost of \$7 million related to this event, per an intergovernmental agreement with the CPRA.

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY LEVEE DISTRICT

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes - ad valorem	\$ 2,500,000	\$ 2,750,000	\$ 2,902,829	\$ 152,829
Interest income	8,500	58,135	61,452	3,317
Intergovernmental				
Local sources	-	70,092	-	(70,092)
Federal sources	-	240,267	277,312	37,045
Permits	4,000	700	1,100	400
Rents and royalties	2,500	430	330	(100)
Other income	<u>2,000</u>	<u>230</u>	<u>-</u>	<u>(230)</u>
Total revenues	2,517,000	3,119,854	3,243,023	123,169
Expenditures				
Current -				
Flood protection:				
General administrative	218,200	219,544	215,398	4,146
Insurance	64,100	114,362	110,972	3,390
Levee maintenance	509,000	535,629	458,098	77,531
Personal services	159,520	139,210	133,954	5,256
Professional services	1,102,000	362,329	345,178	17,151
Rental	59,140	58,660	59,160	(500)
Supplies and materials	214,500	22,549	25,585	(3,036)
Travel	9,000	1,069	519	550
Utilities	9,800	8,843	9,753	(910)
Capital outlay	<u>4,741,000</u>	<u>2,584,204</u>	<u>2,339,575</u>	<u>244,629</u>
Total expenditures	<u>7,086,260</u>	<u>4,046,399</u>	<u>3,698,192</u>	<u>348,207</u>
Deficiency of revenues over expenditures	(4,569,260)	(926,545)	(455,169)	471,376
Other financing sources (uses)				
Bond proceeds	-	13,000,000	13,000,000	-
Bond premium	-	575,887	575,887	-
Bond discount	<u>-</u>	<u>(104,000)</u>	<u>(104,000)</u>	<u>-</u>
Total other financial sources (uses)	<u>-</u>	<u>13,471,887</u>	<u>13,471,887</u>	<u>-</u>
Change in fund balance	(4,569,260)	12,545,342	13,016,718	471,376
Fund balance, beginning	<u>8,921,488</u>	<u>8,935,621</u>	<u>8,935,621</u>	<u>-</u>
Fund balance, ending	<u>\$ 4,352,228</u>	<u>\$ 21,480,963</u>	<u>\$ 21,952,339</u>	<u>\$ 471,376</u>

See independent auditor's report and accompanying note to the required supplementary information.

ST. MARY LEVEE DISTRICT

Schedule of District's Proportionate Share of the Collective Total OPEB Liability
For the Year Ended December 31, 2018

<u>Fiscal Year*</u>	<u>Percentage of the Collective Total OPEB Liability</u>	<u>Proportionate Share of the Collective Total OPEB Liability</u>	<u>Employer's Covered Employee Payroll</u>	<u>Proportionate Share of the Collective Total OPEB Liability as a % of Covered Employee Payroll</u>
2018	0.0015%	\$ 79,151	\$ 111,000	71%

*The amounts presented for each fiscal year were determined as of June 30, 2017.

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

See independent auditor's report and accompanying note to the required supplementary information.

ST. MARY LEVEE DISTRICT

Notes to the Required Supplementary Information

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

While the District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Budgetary Comparison Schedule presented as RSI is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no major differences between the budgetary basis and GAAP basis for the General Fund for the year ended December 31, 2018.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS

OPEB Plan

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph four, to pay related benefits.

Changes of Benefit Terms

There were no changes of benefit terms for the OPEB Plan during any of the years presented.

Changes of Assumptions

The discount rate changed from 2.71% to 3.13% during the July 1, 2017 valuation.

OTHER SUPPLEMENTARY INFORMATION

ST. MARY LEVEE DISTRICT

Schedule of Compensation, Benefits and Other Payments to Executive Director
For the Year Ended December 31, 2018

Executive Director Name: Timothy Matte

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 72,600
Car allowance	7,200
Reimbursements	75
Travel	<u>441</u>
Total	<u>\$ 80,316</u>

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Schedule of Compensation Paid to Board Members
For the Year Ended December 31, 2018

William Hidalgo, Sr., President	\$ 1,350
Kenneth P. Arceneaux, Jr.	825
Alton Broussard, Jr.	750
Barry Broussard	750
Norris Crappell	900
Junius Hebert, Jr.	900
Luther Smith	525
Wilson Terry	900
James Vidos	<u>750</u>
Total	<u>\$ 7,650</u>

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Annual Report for Tax Year 2018

AUDITED FINANCIAL STATEMENTS

The St. Mary Levee District (District) operates on a fiscal year ending December 31. The Financial Statements of the District and notes thereto for the fiscal year ended December 31, 2018, audited by Darnall, Sikes & Frederick, a Corporation of Certified Public Accountants, Morgan City, Louisiana, and their report dated as of June 24, 2019, is a supplement to this Annual Report. Included in the notes is a description of the basis of accounting used by the District in reporting their financial statements.

DEBT OF THE ISSUERS

The District has no short-term indebtedness, other than normal accounts payable or as otherwise stated in this Annual Report or its supplement. The District has never defaulted in the payment of its outstanding bonds or obligations. Besides the general obligation bonds for which the Official Statement was prepared, no debt has been authorized or issued by the District since the date of the Official Statement. Of the \$13,000,000 of bonds issued, \$13,000,000 was outstanding as of December 31, 2018.

ASSESSMENT PROCEDURES

The assessment procedures and homestead exemption as authorized by law are the same as those in effect for the tax years reported in the Official Statement.

ASSESSED VALUATION OF PROPERTY IN THE DISTRICT

The 2018 assessed valuations of property in the District follows:

Taxable Assessed Valuation	\$ 592,836,446
Homestead Exemption	<u>74,558,593</u>
Total Assessed Valuation	<u>\$ 667,395,039</u>

Source: St. Mary Parish Assessor's Office

ASSESSED VALUATION OF PROPERTY IN THE DISTRICT – BY CLASSIFICATION

A breakdown of the 2018 assessed valuations of property in the District by classification follows:

<u>Classification</u>	<u>Assessed Valuation</u>
Real Estate	\$ 249,180,483
Personal Property	356,800,446
Public Service Property	<u>61,414,110</u>
Total	<u>\$ 667,395,039</u>

Source: St. Mary Parish Assessor's Office

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Annual Report for Tax Year 2018 (Continued)

TAX COLLECTION RECORDS OF THE DISTRICT

The 2017 ad valorem tax levies and collections for the District follows:

Amount of Taxes Levied (a)	\$ 2,756,604	
Deduction for Pensions (b)	<u>89,401</u>	
Net Taxes Levied	\$ 2,667,203	
Net Taxes Collected (b)	2,612,719	98%
Millage Rate	5.00	

Sources: (a) St. Mary Parish Assessor's Office, (b) St. Mary Parish Sheriff's Office

LEADING TAXPAYERS

The ten largest property taxpayers for 2017 of the District and their assessed valuations follow:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>
1. PHI Inc.	Oil & Gas	\$ 23,384,912
2. Cameron International Corporation	Oil & Gas	20,637,987
3. Cleco Power Company	Power Generation	14,517,516
4. Oceaneering International Inc.	Oil & Gas	13,916,328
5. Onesubsea, LLC	Oil & Gas	11,954,485
6. Gulfport Energy Corp.	Oil & Gas	10,277,870
7. Texas Petroleum Investment Company	Oil & Gas	10,084,689
8. Cabot Corporation	Carbon Black Mfg.	9,767,599
9. Enterprise Gas Processing LLC	Oil & Gas	9,061,200
10. Castex Energy Inc.	Oil & Gas	<u>8,825,937</u>
		<u>\$ 132,428,523</u> *

* Approximately 21.1% of the 2017 taxable assessed valuation of the District.

See independent auditor's report.

**INTERNAL CONTROL
AND
COMPLIANCE**



INDEPENDENT AUDITOR'S 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
St. Mary Levee District
Morgan City, Louisiana

We have audited, in accordance with the 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 the major fund of the St. Mary Levee District (District), as of and for the year ended December 31, 2018, 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 24, 2019.

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 have not been identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

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 entity'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 findings and responses as item 2018-001 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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

St. Mary Levee District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 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 results 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

June 24, 2019

ST. MARY LEVEE DISTRICT

Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2018

Section I Internal Control and Compliance Material to the Financial Statements

2017-001 Inadequate segregation of accounting functions

Condition: Due to the small number of accounting personnel, the District did not have adequate segregation of functions within its accounting system.

Recommendation: An analysis of the benefits that would be obtained by adequately segregating functions within the accounting system and the costs to employ additional individuals to achieve adequate segregation should be performed.

Status: This finding is unresolved. See current year finding 2018-001.

2017-002 Noncompliance with the Louisiana R.S. 49:125

Condition: The District was not able to provide evidence of advertisement of the surplus sale and that a minimum bid price was set.

Recommendation: We recommend that the District implement policies and procedures to ensure that future advertisements are posted and minimum bid prices are set for surplus property sales.

Status: This finding is resolved.

Section II Internal Control and Compliance Material to Federal Awards

See detailed finding 2017-001 in Section I.

Section III Management Letter

A management letter was not issued for the year ended December 31, 2017.

ST. MARY LEVEE DISTRICT

Schedule of Findings and Responses
For the Year Ended December 31, 2018

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on St. Mary Levee District's financial statements as of and for the year ended December 31, 2018.

Deficiencies in Internal Control – Financial Reporting

Our consideration of internal control over financial reporting disclosed one instance of a deficiency in internal control which is required to be reported under *Government Auditing Standards* and is listed as item 2018-001 in Part 2. We consider the deficiency to be a material weakness.

Material Noncompliance and Other Matters – Financial Reporting

The results of our tests disclosed no instances of noncompliance which are required to be reported under *Government Auditing Standards*.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended December 31, 2018.

MANAGEMENT LETTER

This section is not applicable for the fiscal year ended December 31, 2018.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2018-001 Inadequate segregation of accounting functions

Criteria: A strong internal control system requires the segregation of responsibilities between different individuals responsible for separate major areas of the accounting system.

Condition: Due to the small number of accounting personnel, the District did not have adequate segregation of functions within its accounting system.

Cause: The failure to design and implement policies and procedures necessary to achieve adequate internal control led to this condition.

Effect: The likelihood that a material misstatement will not be prevented or detected and corrected on a timely basis is increased. The perpetration of fraudulent activity is easier to achieve under this condition.

ST. MARY LEVEE DISTRICT

Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2018

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards* (Continued)

Recommendation: An analysis of the benefits that would be obtained by adequately segregating functions within the accounting system and the costs to employ additional individuals to achieve adequate segregation should be performed.

Views of Responsible Officials and Planned Corrective Actions: This information is in the District's separate Management's Corrective Action Plan for Current Year Findings and Management Comments.

Part 3: Findings and Questioned Costs Relating to Federal Awards

At December 31, 2018, St. Mary Levee District did not meet the requirements to have a single audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable.

ST. MARY LEVEE DISTRICT

Management's Corrective Action Plan for Current Year Findings
For the Year Ended December 31, 2018

2018-001 Inadequate segregation of accounting functions

Management's Response and Planned Corrective Action: Management is aware of the condition and has determined that based upon the size of the District and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Name and Title of Contact Person: Timothy Matte, Executive Director



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the St. Mary Levee District and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the St. Mary Levee District (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

Written policies and procedures were obtained and address all functions noted above with the exception of monitoring the budget.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Written policies and procedures were obtained and address all functions noted above with the exception of (2) how vendors are added to the vendor list.

- c) **Disbursements**, including processing, reviewing, and approving.

Written policies and procedures were obtained and address all functions noted above with the exception of processing disbursements.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Written policies and procedures do not address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and address the functions noted above with the exception of (1) payroll processing.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Written policies and procedures do not address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

Written policies and procedures do not address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Written policies and procedures were obtained and address the functions noted above with the exception of (2) dollar thresholds by category of expense.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Written policies and procedures were obtained and address (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-121; however, the policies and procedures do not address the remaining functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures do not address the functions noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the minutes for six meetings held did not include monthly budget-to-actual comparisons for the general fund.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Obtained and reviewed the prior year audit report noting that the entity did not have a fund balance deficit in the general fund.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each account selected, and observe that:

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Obtained bank statements and reconciliations for all months in the fiscal period noting that all reconciliations have been prepared within 2 months of the related statement closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Obtained bank statements and reconciliations for all months in the fiscal period noting evidence of independent review.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Obtained bank statements and reconciliations for all months in the fiscal period noting no documentation reflecting that management has researched reconciling items that have been outstanding for more than 12 months.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Obtained listing of deposit sites and management's representation that the listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

No exceptions noted.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

The individual responsible for cash collections is also the individual responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

The individual responsible for cash collections is also the individual responsible for posting collection entries to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Collection documentation was obtained; however, the number of days from receipt to deposit could not be determined since check receipt dates are not known.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Listing of locations that process payments and management's representation that the listing is complete was obtained.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The person responsible for processing payments is not prohibited from adding/modifying vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The person responsible for processing payments is also responsible for mailing the signed checks.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

See exceptions for 9.c. and 9.d. above. No other exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

No exceptions were noted during the fiscal year ended December 31, 2017 SAUP engagement; therefore, this section was excluded from testing this fiscal year.

Travel and Travel-Related Expense Reimbursement

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Listing of all travel and travel-related expense reimbursements and management's representation that the listing is complete was obtained.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

There was one instance where documentation of the reimbursement did not contain evidence of review and approval.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Listing of all contracts in effect and management's representation that the listing is complete was obtained.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Not applicable.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Listing of employees and management's representation that the listing is complete was obtained.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No written documentation existed to evidence supervisor approval of attendance or sick leave for one employee tested.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No written documentation existed to document cumulative leave records.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Not applicable.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

No documentation was maintained to demonstrate that the required ethics training was completed by one employee tested.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

No documentation was maintained to demonstrate that each employee attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Listing of bonds issued during the fiscal period and management's representation that the listing is complete was obtained. No exceptions were noted.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Listing of bonds outstanding at the end of the fiscal period and management's representation that the listing is complete was obtained. No exceptions were noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No misappropriations of public funds and assets noted.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

June 24, 2019



ST. MARY LEVEE DISTRICT

7327 Hwy 182 East

P.O. Box 2079

Morgan City, LA 70381

(985) 380-5500

Independent Accountant's Report on Applying Agreed-Upon Procedures Management Response

Written Policies and Procedures

1. a) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Budgeting, including monitoring the budget, will be reviewed for inclusion in the revised policies and procedures.
1. b) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Purchasing, including (2) how vendors are added to the vendor list, will be reviewed for inclusion in the revised policies and procedures.
1. c) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Disbursements, including processing of disbursements, will be reviewed for inclusion in the revised policies and procedures.
1. d) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Receipts, including receiving, recording, and preparing deposits, will be reviewed for inclusion in the revised policies and procedures.
1. e) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Payroll/Personnel, including (1) payroll processing, will be reviewed for inclusion in the revised policies and procedures.
1. f) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Contracting, including (1) types of services requiring written contracts; (2) standard terms and conditions; (3) legal review; (4) approval process; and (5) monitoring process, will be reviewed for inclusion in the revised policies and procedures.
1. g) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Credit cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled; (2) allowable business uses; (3) documentation requirements; (4) required approvers; and (5) monitoring card usage, will be reviewed for inclusion in the revised policies and procedures.



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1. h) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Travel and expense reimbursement, including (2) dollar thresholds by category of expense, will be reviewed for inclusion in the revised policies and procedures.
1. i) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Ethics, including (2) actions to be taken if an ethics violation takes place; (3) system to monitor possible ethics violations; and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy, will be reviewed for inclusion in the revised policies and procedures.
1. j) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Debt service, including (1) debt issuance approval; (2) EMMA reporting requirements; (3) debt reserve requirements; and (4) debt service requirements, will be reviewed for inclusion in the revised policies and procedures.

Board

2. b) As of August 2018, management has prepared and formally presented monthly budget-to-actual comparison statements on the General Fund to the board for review and monitoring.

Bank Reconciliations

3. c) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2019 fiscal year. Bank reconciliation policies and procedures including documenting management's research of reconciling items that have been outstanding for more than 12 months will be reviewed and enforced for compliance.

Collections

5. b) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
5. c) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.



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Disbursements – General

9. c) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
9. d) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.
10. b) Management is aware of the inadequate segregation of accounting functions and has determined that based upon the size of the operation and the cost-benefit consideration of additional personnel, it is not feasible to achieve complete segregation of duties.

Travel and Expense Reimbursement

14. d) Travel and expense reimbursement policies and procedures including review and approval, in writing, of reimbursements by someone other than the receiving employee will be reviewed and enforced for compliance.

Payroll and Personnel

17. b) Payroll and personnel policies and procedures including documentation and approval of daily attendance and leave will be reviewed and enforced for compliance.
17. c) Payroll and personnel policies and procedures including maintaining written leave records (e.g., hours earned, hours used, and balance available) will be reviewed and enforced for compliance.

Ethics

20. a) Management plans to obtain and file all documentation to demonstrate that required ethics training was completed.
20. b) Ethics policies and procedures including the requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy will be reviewed and enforced for compliance.

Stacy Matthe, Exec Dir