

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

Annual Component Unit Financial Statements
with Independent Auditors' Report
and
Report on Internal Control Over Financial Reporting
and Compliance and Other Matters

For the Year Ended September 30, 2019

CONTENTS

	<u>Page</u>
<u>FINANCIAL INFORMATION SECTION</u>	
Independent Auditors' Report	1-3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	7
Budgetary Comparison (Non-GAAP Basis) - General Fund	8
Budgetary Comparison (Non-GAAP Basis) - Capital Maintenance Fund	9
Notes to the Financial Statements	10-26
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of District's Proportionate Share of the Net Pension Liability (Asset) (unaudited)	27
Schedule of District Contributions (unaudited)	28
<u>GENERAL SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits, and Reimbursements To Agency Head, Political Subdivision Head, or Chief Executive Officer	29
<u>INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS SECTION</u>	
Independent Auditors' Report On Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	30-31
Schedule of Findings	32-34

CONTENTS

	<u>Page</u>
Summary of Prior Year Findings and Related Corrective Action Prepared by St. Mary Parish Consolidated Gravity Drainage District No. 1	35
Corrective Action Plan Prepared by Management of St. Mary Parish Consolidated Gravity Drainage District No. 1	36-37



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund of St. Mary Parish Consolidated Gravity Drainage District No. 1, a component unit of St. Mary Parish, as of and for the year ended September 30, 2019, and the related notes to these 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.

Auditors' 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 each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 1, as of September 30, 2019 and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Capital Maintenance Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of District Contributions on pages 27-28 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 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

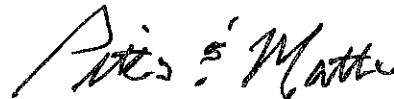
Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Compensation, Benefits, and Reimbursements to Agency Head, Political Subdivision Head, or Chief Executive Officer is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits, and Reimbursements to Agency Head, Political Subdivision Head, or Chief Executive Officer is the responsibility of management and was derived from and related 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 information is 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 April 9, 2020, on our consideration of the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
April 9, 2020

**ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1**

**Statement of Net Position
September 30, 2019**

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$2,541,013
Accounts receivable - other governments	<u>2,764</u>
Total current assets	<u>2,543,777</u>
Capital assets	
Land	8,600
Buildings and improvements, net of accumulated depreciation	47,750
Equipment, net of accumulated depreciation	638,290
Infrastructure - drainage, net of accumulated depreciation	<u>2,356,876</u>
Total net capital assets	<u>3,051,516</u>
Total assets	<u>5,595,293</u>
Deferred outflows of resources	
Deferred outflows related to pensions	<u>240,021</u>
Total assets and deferred outflows of resources	<u>\$5,835,314</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$47,150
Current portion of lease obligation	<u>126,546</u>
Total current liabilities	<u>173,696</u>
Long-term liabilities	
Lease obligation payable after one year	<u>383,985</u>
Total noncurrent liabilities	<u>383,985</u>
Net pension liability	<u>273,609</u>
Total liabilities	<u>831,290</u>
Deferred inflows of resources	
Deferred inflows related to pension	16,737
Total liabilities and deferred inflows of resources	<u>848,027</u>
Net Position	
Net investment in capital assets	3,051,516
Restricted for Yokely Pump Station	44,299
Unrestricted	<u>1,891,472</u>
Total net position	<u>4,987,287</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$5,835,314</u>

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

**ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1**

**Statement of Activities
For the Year Ended September 30, 2019**

<u>Expenses</u>	<u>Total</u>
Drainage	
Salaries, wages, and benefits	\$597,795
Pump operation and maintenance	306,889
Insurance	103,288
Truck expenses	64,506
Utilities	15,449
Interest	14,012
Miscellaneous	60,555
Depreciation expense	497,963
Pension expense	106,335
	1,766,792
Total expenses	1,766,792
<u>General revenues</u>	
Ad valorem taxes	1,339,733
State revenue sharing	57,024
Investment income	8,571
Intergovernmental revenues	28,667
U.S. Army Corps of Engineers reimbursement	2,764
Nonemployer pension contributions	4,711
	1,441,470
Total general revenues	1,441,470
Change in net assets	(325,322)
Net Position - beginning of year	<u>5,312,609</u>
Net Position - end of year	<u><u>\$4,987,287</u></u>

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

**ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO.1**

**Balance Sheet
Governmental Funds
September 30, 2019**

	<u>General Fund</u>	<u>Capital Maintenance Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$2,489,912	\$51,101	\$2,541,013
Accounts receivable - other governments	2,764		2,764
Due from Capital Maintenance	<u>3,469</u>		<u>3,469</u>
Total assets	<u><u>\$2,496,145</u></u>	<u><u>\$51,101</u></u>	<u><u>\$2,547,246</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$47,150		\$47,150
Due to General Fund		<u>3,469</u>	<u>\$3,469</u>
Total liabilities	<u>47,150</u>	<u>3,469</u>	<u>50,619</u>
Fund balances:			
Unassigned	2,448,995		2,448,995
Restricted for Yokely Pump Station		<u>47,632</u>	<u>47,632</u>
Total fund balances	<u>2,448,995</u>	<u>47,632</u>	<u>2,496,627</u>
Total liabilities and fund balances	<u><u>\$2,496,145</u></u>	<u><u>\$51,101</u></u>	<u><u>\$2,547,246</u></u>

Reconciliation of the total fund balance -- total governmental funds
to the net position of governmental activities:

Total fund balance - Governmental Funds			\$2,496,627
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.			3,051,516
Noncurrent liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental fund balance sheet:			
Current portion of lease obligation	\$	126,546	
Lease obligation payable after one year		383,985	
Net pension liability		273,609	(784,140)
			<u> </u>
Deferred outflows and inflows of resources do not affect the current period and, therefore, they are not reported in the governmental fund balance sheet:			
Deferred outflows of resources related to pensions		240,021	
Deferred inflows of resources related to pensions		(16,737)	
			<u>223,284</u>
Net position of governmental activities			<u>\$4,987,287</u>

**ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO.1**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2019**

	<u>General Fund</u>	<u>Capital Maintenance Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$1,339,733		\$1,339,733
State revenue sharing	57,024		57,024
Intergovernmental revenues	22,000	\$6,667	28,667
U.S. Army Corps of Engineers reimbursement	2,764		2,764
Investment income	8,570		8,570
Total revenues	1,430,091	6,667	1,436,758
Expenditures			
Current operating			
Drainage			
Salaries and per diems	446,481		446,481
Personnel benefits	202,171		202,171
Pump operation and maintenance	306,889		306,889
Insurance	103,288		103,288
Truck expenditures	64,506		64,506
Utilities	15,449		15,449
Miscellaneous	60,555		60,555
Capital outlays	178,098		178,098
Long-term debt			
Payment of lease liability	96,064		96,064
Interest	14,012		14,012
Total expenditures	1,487,513	0	1,487,513
Excess (deficiency) of revenues over expenditures	(57,422)	6,667	(50,755)
Other financing sources (uses)			
Proceeds from lease	161,703		161,703
Transfer in from other funds		3,333	3,333
Transfer out to other funds	(3,333)		(3,333)
Total other financing sources (uses)	158,370	3,333	161,703
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	100,948	10,000	110,948
Fund balance at beginning of year	2,348,047	37,632	2,385,679
Fund balance at end of year	\$2,448,995	\$47,632	\$2,496,627

Reconciliation of the changes in fund balances -- total governmental funds to the change in net position of governmental activities

Net change in fund balance - Governmental Funds \$110,948

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays meeting the District's Capitalization Policy in the current period (\$178,098) was exceeded by depreciation (\$497,963) (319,864)

Lease proceeds provide current financial resources to governmental funds, but entering into leases increases noncurrent liabilities in the statement of net assets. Repayment of lease obligation is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.

Payments on lease	96,064	
Proceeds from lease	<u>(161,703)</u>	
Net Adjustment		(65,639)

Government funds report employer contributions to pension costs as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions subsequent to the measurement date	50,857	
Cost of benefits earned net of employee contributions	<u>(106,335)</u>	(55,478)

Some revenues reported in the statement of activities do not provide current financial resources in governmental funds

Non employer pension contributions		<u>4,711</u>
------------------------------------	--	--------------

Change in net position of governmental activities (\$325,322)

**ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO.1**

**Budgetary Comparison (Non-GAAP Basis) -
General Fund
For the Year Ended September 30, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Revenues</u>				
Ad valorem taxes	\$1,472,808	\$1,472,808	\$1,339,733	\$ (133,075)
State revenue sharing	63,672	63,672	57,024	(6,648)
Intergovernmental revenues	24,000	24,000	22,000	(2,000)
LMGA True Up	252	252	192	(60)
U.S. Army Corp of Engineers reimbursement	64,565	64,565	2,764	(61,801)
LWCC Dividend	13,392	13,392	-	(13,392)
Investment income	5,040	5,040	8,378	3,338
	<u>1,643,729</u>	<u>1,643,729</u>	<u>1,430,091</u>	<u>(213,638)</u>
<u>Expenditures</u>				
Current operating				
Drainage				
Salaries and Wages	354,224	381,395	446,481	(65,086)
Personnel Benefits	249,050	268,145	202,171	65,974
Pump operation and maintenance	378,355	393,464	306,889	86,575
Insurance	110,220	110,220	103,288	6,932
Truck expenditures	76,973	73,308	64,506	8,802
Utilities	20,299	19,332	15,449	3,883
Miscellaneous	79,964	79,964	60,555	19,409
Capital outlays	910,000	910,000	178,098	731,902
Transfer to Maintenance Fund	3,334	3,334	3,333	1
	<u>2,182,419</u>	<u>2,239,162</u>	<u>1,380,770</u>	<u>858,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(538,690)</u>	<u>(595,433)</u>	<u>49,321</u>	<u>644,754</u>
Fund balances, beginning of year	<u>2,348,047</u>	<u>2,348,047</u>	<u>2,348,047</u>	<u>-</u>
Fund balances, end of year	<u>\$1,809,357</u>	<u>\$1,752,614</u>	<u>\$2,397,368</u>	<u>\$644,754</u>

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

**Budgetary Comparison (Non-GAAP Basis)
Capital Maintenance Fund
For the year ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
City of Franklin	\$ 3,333	\$ 3,333	\$ 3,333	\$ -
St. Mary Parish Government	3,333	3,333	3,334	1
Transfer in from General Fund	3,334	3,334	3,333	(1)
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<u>Expenditures</u>				
Material & Repairs	-	1,000	-	1,000
Insurance-General	<u>3,409</u>	<u>3,750</u>	<u>-</u>	<u>3,750</u>
Total Expenditures	<u>3,409</u>	<u>4,750</u>	<u>-</u>	<u>4,750</u>
Excess (deficiency) of revenues over expenditures	<u>6,591</u>	<u>5,250</u>	<u>10,000</u>	<u>4,750</u>
Fund balances, beginning of year	<u>33,510</u>	<u>33,510</u>	<u>37,632</u>	<u>4,122</u>
Fund balances, end of year	<u>\$ 40,101</u>	<u>\$ 38,760</u>	<u>\$ 47,632</u>	<u>\$ 8,872</u>

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

ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

These financial statements include only the operations of the District.

B. Basic Financial Statements - Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities which report all activities of the District as a whole. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The following is a description of the two funds utilized by the District. The District reports both these funds as major funds.

Governmental Fund

General Fund

The General Fund is the primary operating fund of the District. The General Fund uses the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

Special Revenue Fund

The Capital Maintenance Fund, a special revenue fund, is used to account for the amounts contributed by the City of Franklin, the St. Mary Parish Council, and the District that are earmarked for expenditures for operations and maintenance of the Yokely Pump Station.

D. Basis of Accounting

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

Government-wide Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources (whether current or non-current) are included on the statement of net position and the statement of activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

Governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities, and current deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. when they both become “measurable and available”). Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities (the District uses a thirty day period after year end). Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principle and interest which are reported as expenditures in the year due.

E. Revenues

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

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

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

Investment earnings are generally recorded when earned.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Net Pension Liability (Asset) and Deferred Outflows and Inflows of Resources

In a prior year, the District implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions", which establishes accounting and financial reporting by state and local governments for pensions. This pronouncement requires the District to calculate and recognize a net pension liability (asset) and certain deferred outflows and inflows of resources and pension expense. The District is a member of the Parochial Employees' Retirement System of Louisiana – Plan A (PERS-A), a cost sharing multiple employer public employee retirement system. For purposes of measuring its net pension liability (asset), deferred outflows and inflows of resources, and pension expense, the District uses the same basis as PERS-A.

See Note 7 for further details about this pension plan.

G. Budgets

Annual appropriated budgets are adopted for the General Fund and the Capital Maintenance Fund. All annual appropriations lapse at fiscal year end. Budgets are amended when needed upon approval by the Board. In the financial statement budgetary comparison of the budget to actual amounts, both the original and final amended budget amounts are shown.

The General Fund budget is adopted on a non-GAAP basis which is the same as GAAP basis, except for:

Ending fund balance – Non-GAAP budgetary basis	<u>General Fund</u> \$2,397,368
Item is not included in other financing sources:	
Proceeds from lease	161,703
Items are not included in expenditures:	
Payment of lease liability	(96,064)
Interest	<u>(14,012)</u>
Ending fund balance – GAAP basis	<u>\$2,448,995</u>

The Capital Maintenance Fund budget is adopted under Non-GAAP basis which is the same as the GAAP basis except the \$3,333 received from the General Fund is reported as Revenue rather than a Transfer In.

H. Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include demand deposits, money market accounts, and/or certificates of deposit with original short-term maturities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fixed Assets

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

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All purchased fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets are reported at their historical cost or estimated fair market value less their accumulated depreciation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method based on the estimated useful life of the various assets. The following is a summary of estimated useful lives by classification of the fixed assets:

<u>Category</u>	<u>Years</u>
Building and improvement	40
Equipment	5-10
Other infrastructure	10-50

GASB No. 34 required the District to begin reporting and depreciating new infrastructure assets acquired effective with the beginning of the year ended June 30, 2003. Infrastructure assets include the District's drainage systems. The District is allowed but not required to report infrastructure assets (along with applicable depreciation) acquired prior to 2003. In accordance with directives from the Districts' oversight entity the St. Mary Parish Council, the District is not recording any infrastructure acquired prior to 2003.

Fund Financial Statements

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

J. Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation and amortization less any debt that remains outstanding that was used to finance those assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b) Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Governmental fund equity may be classified by five categories; nonspendable, restricted, committed, assigned or unassigned. At present, the District only requires reporting of restricted and unassigned. Restricted represents those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Unassigned represents those portions of fund equity that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

K. Interfund Transfers

Permanent reallocations of resources between funds of the District are classified as interfund transfers. For the purpose of the Statement of Activities, the interfund transfer between the general fund and the special revenue fund has been eliminated.

During the year, the District transferred \$3,333 from the General fund to the Capital Maintenance fund for their share of the maintenance of the Yokely Pumping Station (See Note 8).

NOTE 2 - CASH AND CASH EQUIVALENTS

The District does not have a formal investment policy related to interest rate risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition, the District does not have a formal investment policy related to credit risk (including concentrations of credit). However the District does follow state law as to limitations on types of deposits and investments as described below.

The District does not invest in any investments subject to foreign currency risk.

Cash and cash equivalents

Under state law the District may deposit its funds with certain state and federally chartered financial institutions. These deposits are required to be insured or collateralized by the financial institutions.

At year end 2019 the carrying amount of the District's cash was \$2,541,013 and the bank balance was \$2,570,610, \$500,000 was covered by federal depository insurance and the remaining \$2,070,610 was collateralized with securities held by the financial institution, in the District's name.

NOTE 3 - TAXES

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

NOTE 4 - FIXED ASSETS

Capital asset activity for the year ended September 30, 2019 is as follows:

	<u>Balance</u> <u>9/30/18</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance</u> <u>9/30/19</u>
Capital assets not being depreciated				
Land	\$ <u>8,600</u>			\$ <u>8,600</u>
Total capital assets not being depreciated	<u>8,600</u>			<u>8,600</u>
Other capital assets:				
Building and Improvements	194,216			194,216
Equipment	2,546,075	\$178,098		2,724,173
Infrastructure-drainage	<u>5,835,197</u>	<u> </u>	<u> </u>	<u>5,835,197</u>
Total other capital assets at historical cost	<u>8,575,488</u>	<u>178,098</u>		<u>8,753,586</u>
Less accumulated depreciation for:				
Buildings and improvements	(141,610)	\$ (4,855)		(146,465)
Equipment	(1,822,220)	(263,664)		(2,085,884)
Infrastructure-drainage	<u>(3,248,877)</u>	<u>(229,444)</u>	<u> </u>	<u>(3,478,321)</u>
Total accumulated depreciation	<u>(5,212,707)</u>	<u>(497,963)</u>	<u> </u>	<u>(5,710,670)</u>
Other capital assets, net	<u>3,362,781</u>	<u>(319,865)</u>	<u> </u>	<u>3,042,916</u>
Total capital assets, net	<u>\$3,371,381</u>	<u>\$(319,865)</u>	<u>\$ </u>	<u>\$3,051,516</u>

Depreciation expense for the year is approximately \$498,000 (including amortization of \$135,000).

Equipment includes capitalized right-to-use lease assets of \$655,000. Accumulated depreciation for equipment includes accumulated amortization on these lease assets of \$234,000.

NOTE 5 – LEASES

In 2018, the District entered into two long term leasing arrangements for construction equipment totaling \$475,000.

During the current year, the District entered into one long-term leasing arrangement for construction equipment totaling \$180,000.

Future lease payments under these two leasing arrangements are as follows:

Year Ended	Principal	Interest	Total
2020	\$126,546	\$15,851	\$142,398
2021	131,046	11,351	142,397
2022	135,707	6,690	142,397
2023	85,483	2,338	87,820
2024	<u>31,749</u>	<u>506</u>	<u>32,255</u>
Total	<u>\$510,531</u>	<u>\$36,736</u>	<u>\$547,267</u>

These leases include provisions for additional incremental payments in the event that the equipment is used more than certain amounts. These additional payments have not been included in the lease liability.

NOTE 6 - COMPENSATION OF BOARD MEMBERS

Board members received the following per diems for the year ended September 30, 2019:

<u>Name</u>	<u>Amount</u>
Earlon Arnaud	\$1,200
Alton Broussard	1,200
Donnie Coots	1,200
Lamonika Dwyer	1,200
Chad Gianfala	1,200
J.P. Hebert, Jr.	1,200
Cleveland Jackson	<u>1,200</u>
	<u>\$8,400</u>

NOTE 7 – PENSION PLAN

Plan Description

The District contributes to the Parochial Employees' Retirement System of Louisiana Plan A (PERS-A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees. The System was established and provided for by the Louisiana Revised Statutes (LRS).

NOTE 7 – PENSION PLAN (continued)

Benefits Provided

PERS-A provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. All permanent employees who work at least 28 hours a week may become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

Retirement Benefits

Members can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

- 1.Any age with thirty (30) or more years of creditable service.
- 2.Age 55 with twenty-five (25) years of creditable service.
- 3.Age 60 with a minimum of ten (10) years of creditable service.
- 4.Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

- 1.Age 55 with 30 years of service.
- 2.Age 62 with 10 years of service.
- 3.Age 67 with 7 years of service.

The monthly retirement allowance consists of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits

Upon the death of any member with five or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member who is eligible for normal retirement at time of death, the surviving spouse shall receive benefits, as outlined in the statutes.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve months immediately preceding death of the member, shall be paid benefits beginning at age 50.

NOTE 7 – PENSION PLAN (continued)

Deferred Retirement Option Plan.

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for members who are eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, members who are eligible to retire may elect to participate in DROP in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the DROP account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS-A, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits.

Members shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen years, or three percent multiplied by years of service assuming continued service to age sixty.

NOTE 7 – PENSION PLAN (continued)

Cost of Living Increases.

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2018, the actuarially determined contribution rate was 9.99% of member's compensation. However, the actual rate for the fiscal year ending December 31, 2018 was 11.50%. Contributions to the Pension Plan from the District were \$51,705 for the year ended September 30, 2019.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

NOTE 7 – PENSION PLAN (continued)

Pension Liabilities (Assets), Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Relate to Pensions

At September 30, 2019, the District reported a liability (asset) of \$273,607 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2018, the District's proportion was 0.061646%, which was an increase of 0.001995% from its proportion measured as of December 31, 2017. For the year ended September 30, 2019, the District recognized pension expense of \$106,355. The District recognized revenue of \$4,711 as its proportionate share of non-employer contributions for the year ended September 30, 2019. At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$16,669
Change of assumptions	\$68,411	
Net difference between projected and actual investment earnings on pension plan investments	130,977	
Change in proportion and differences between the District's contributions and proportionate share of contributions	772	68
District's contributions subsequent to the measurement date	39,861	
	<u>\$240,021</u>	<u>\$16,737</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:

2019	\$ 63,007
2020	34,422
2021	28,136
2022	57,858

NOTE 7 – PENSION PLAN (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018, are as follows:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.50% (Net of investment expense)
Expected Remaining Service lives	4 years
Projected Salary Increases	4.75% (2.35% Merit/2.40% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality	Pub-2010 Public Retirement Plans Mortality Table for Health Retirees multiplied by 130% for males and 125% for females using MP2018 scale for annuitant and beneficiary mortality. For employees multiplied by 130% for males and 125% for females using MP2018 scale. Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females using MP2018 scale for disabled annuitants.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to the Pub-2010 Public Retirement Plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females each with full generational projection using the MP 2018 scale. For Disabled annuitants mortality was set equal to the Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.

NOTE 7 – PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the Capital Asset Pricing Model, (CAPM) (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.43% for the year ended December 31, 2018.

Best estimates of arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed Income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real Assets	2%	0.11%
Totals	<u>100%</u>	<u>5.43%</u>
Inflation		<u>2.0%</u>
Expected Arithmetic Nominal Return		<u>7.43%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems’ Actuarial Committee. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – PENSION PLAN (continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the participating employers calculated using the discount rate of 6.50%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower 5.50% or one percentage point higher 7.50% than the current rate:

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
District's Proportionate Share of Net Pension Liability (Asset)	\$581,068	\$273,609	\$16,596

The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on its financial statements for the year ended December 31, 2018. Access to the audit report can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

NOTE 8 - COMMITMENTS

The City of Franklin (City), the St. Mary Parish Council (Council), and the District have agreed to set up a fund for maintenance of the Yokely Pumping Station. Each of the three is to place in the Capital Maintenance Fund money in the amount of \$3,333 per year until the amount reaches the sum of \$50,000. At any time the fund falls below \$50,000 each entity is to replenish the fund on the same equal basis up to \$50,000. The District is in charge of overseeing the Capital Maintenance Fund. The Fund is reported in these financial statements as a special revenue fund.

The St. Mary Levee District and the District have entered into an agreement whereas the District is to assist the Levee District with maintenance and oversight of its levees within the District and the Levee District's boundaries. The Levee District is to pay the District \$2,000 a month to offset the additional burdens on the District's maintenance supervisor. This is reported as intergovernmental revenue on the financial statements.

NOTE 9 - RISK MANAGEMENT AND CONTINGENCIES

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

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

NOTE 10 – SUBSEQUENT EVENT

Subsequent to year end, the District purchased equipment in the amount of approximately \$120,000.

REQUIRED SUPPLEMENTARY INFORMATION

St. Mary Parish Consolidated Gravity Drainage District No. 1

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Parochial Employees Retirement System of Louisiana (Plan A)
as of December 31, 2018 (The Plan Measurement Date)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.061646%	0.059651%	0.059870%	0.061322%	0.056614%
Amount of District's proportionate share of the net pension liability (asset)	\$ 273,607	\$ (44,276)	\$ 123,303	\$ 161,417	\$ 15,479
District's covered-employee payroll	\$ 377,329	\$ 367,160	\$ 353,605	\$ 351,590	\$ 337,035
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72.51%	(12.06%)	34.87%	45.91%	4.59%
Plan fiduciary net position as a percentage of the total pension liability	88.88%	101.98%	94.15%	92.23%	99.15%

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

St. Mary Parish Consolidated Gravity Drainage District No. 1

SCHEDULE OF DISTRICT CONTRIBUTIONS
 Parochial Employees Retirement System of Louisiana (Plan A)
 For the Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 51,705	\$ 43,593	\$ 45,503	\$ 49,637	\$ 48,811
Contributions in relation to the contractually require contribution	<u>(51,705)</u>	<u>(43,593)</u>	<u>(45,503)</u>	<u>(49,637)</u>	<u>(48,811)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 418,381	\$ 370,690	\$ 360,439	\$ 369,715	\$ 327,814
Contributions as a percentage of covered-employee payroll	12.36%	11.76%	12.62%	13.43%	14.89%

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

GENERAL SUPPLEMENTARY INFORMATION

St. Mary Parish Consolidated Gravity Drainage District No. 1

Schedule of Compensation, Benefits, and Reimbursements to
Agency Head, Political Subdivision Head, or Chief Executive Officer
For the Year Ended September 30, 2019

Supervisor: Harry Pontiff

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 60,970
Benefits-Insurance	11,561
Benefits-Retirement	7,493
Reimbursements	115
Total	<u>\$ 80,139</u>

These amounts represent all compensation, benefits, and reimbursements for the year.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND
OTHER MATTERS SECTION



a corporation of
certified public accountants

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

Board of Commissioners
St. Mary Parish Consolidated
Gravity Drainage District No. 1
Franklin, 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, each major fund and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund of the St. Mary Parish Consolidated Gravity Drainage District No. 1, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the St. Mary Parish Consolidated Gravity Drainage District No. 1's basic financial statements, and have issued our report thereon dated April 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the St. Mary Parish Consolidated Gravity Drainage District No. 1'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 St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

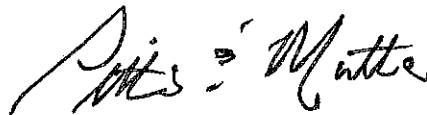
As part of obtaining reasonable assurance about whether the St. Mary Parish Consolidated Gravity Drainage District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is detailed in the accompanying schedule of findings as 2019-002.

St. Mary Parish Consolidated Gravity Drainage District No. 1's Response to Finding

St. Mary Parish Consolidated Gravity Drainage District No. 1's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Mary Parish Consolidated Gravity Drainage District No. 1'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Louisiana Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
April 9, 2020

**ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1**

Schedule of Findings
For the Year Ended September 30, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of the St. Mary Parish Consolidated Gravity Drainage District No. 1.
2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control over Financial Reporting

There was one deficiency in internal control over financial reporting noted during the audit of the financial statements. This condition is reported as a material weakness.

Compliance and Other Matters

There was one material instance of noncompliance or other matter required to be reported.

3. Federal Awards

This section is not applicable for the year ended September 30, 2019.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

Material Weakness

ITEM 2019-001

Segregation of Duties

Auditors' Comments

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

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

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

Cause: The District has limited personnel.

Management's Comments

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

COMPLIANCE AND OTHER MATTERS

ITEM NO. 2019-002 NONCOMPLIANCE WITH BUDGET MONITORING

Auditors' Comments

Condition: During the course of the audit for the year ended September 30, 2019, it was noted that the District's operating budget needed amendments which were not made.

Criteria: State Statute require that budgets be amended when actual revenues are less than budgeted revenues by five percent or more or actual expenditures exceed budgeted expenditures by five percent or more.

Effect: Failure to amend budgets to recognize anticipated shortfalls in funds prevents the District from effectively curtailing projects and/or services in accordance with actual available resources.

Cause: The operating budget was not amended although actual revenue was less than budgeted revenue by five percent or more:

<u>Actual Amount</u>	<u>Budgeted Amount</u>	<u>Variance</u>	<u>Percent</u>
\$1,430,091	\$1,643,729	\$(213,638)	12.9%

Recommendation: The District should fine tune its budget monitoring program to periodically make budget adjustment when variances exceed percentages as specified in the state statute.

Management's Response: We will monitor budget variances on a monthly basis and budget adjustments will be made when variances exceed the percentages as specified in the state statute.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2019.

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

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL
STATEMENTS

Item 2018-001 - Internal Control

Material Weakness

Segregation of Duties

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

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

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable to prior year.

ST. MARY PARISH

CONSOLIDATED GRAVITY DRAINAGE DISTRICT No. 1

305 HIGHWAY AVENUE
FRANKLIN, LA 70538
PHONE 337-828-0675
FAX 337-828-1480

C. Gianfala, President
D. Coats, Vice President
C. Jackson, Secretary/Treasurer
H. Pontiff, Supervisor

Commissioners:
Earlon Arnaud
Alton Broussard, Jr.
Lamonika Dwyer
J.P. Hebert, Jr.

April 9, 2020

Mr. Daryl Pupera, CPA
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Pupera:

St Mary Parish Consolidated Gravity Drainage District No. 1, respectfully submits the following correction action plan for the year ending September 30, 2019.

CORRECTION ACTION:

Person Responsible: Chad Gianfala
St. Mary Parish Consolidated Gravity Drainage District No. 1
305 Hwy Avenue, Franklin, LA 70538

Material Weakness: RE: Item No. 2019-001

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

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

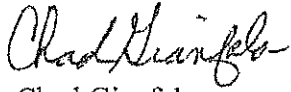
Noncompliance: RE: Item No. 2019-002

Noncompliance with Budget Monitoring: Our auditors notified us that we did not amend our budget as required by State Statute.

Corrective Action: We will monitor budget variances on a monthly basis and budget adjustments will be made when variances exceed the percentages as specified in the state statute.

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

St. Mary Parish Consolidated Gravity Drainage District No. 1

A handwritten signature in cursive script that reads "Chad Gianfala".

Chad Gianfala
President

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

SCHEDULE OF PROCEDURES PERFORMED AND
ASSOCIATED FINDINGS BASED UPON THE
STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED
September 30, 2019
WITH
AGREED UPON PROCEDURES REPORT
BY
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page <u>No.</u>
Independent Certified Public Accountants' Report on Applying Agreed Upon Procedures	1
Schedule of Procedures Performed and Associated Findings Based upon the Statewide Agreed-Upon Procedures	
Guide to Presentation Format	2
Written Policies and Procedures	3-6
Board or Finance Committee	7
Non-Payroll Disbursements (Excluding Card Purchases/Payments Travel Reimbursements and Petty Cash Purchases)	8-9
Debt Service	10



a corporation of
certified public accountants

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
St. Mary Parish Consolidated Gravity
Drainage District No.1
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), which were agreed to by St. Mary Parish Consolidated Gravity Drainage District No. 1 (District) 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 October 1, 2018 through September 30, 2019. The District's management is responsible for those C/C areas identified in the SAUPs presented in the attached Schedule. 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 in the attached Schedule either for the purpose for which this report has been requested or for any other purpose.

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*. 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 may be distributed by the LLA as a public document.

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
April 9, 2020

**ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1
STATE OF LOUISIANA
Schedule of Procedures Performed and Associated Findings Based upon the
Statewide Agreed-Upon Procedures
For the Year Ended September 30, 2019**

Guide to Presentation Format

This report contains these items presented in this order:

- Statewide Agreed-Upon Procedures (AUPS) prescribed by the Louisiana Legislative Auditor (LLA),
- Procedures performed by the Independent Certified Public Accountant,
- Findings based upon the procedures performed, and
- Management’s Comments relative to the findings, if applicable.

In order to facilitate understanding this report - the procedures and findings are presented in the following format:

<u>Order of Presentation</u>	<u>Presentation Format</u>
Area or function	Centered all CAPITALS IN BOLD TYPE
Statewide Agreed-Upon Procedures Prescribed (AUPS) by Louisiana Legislative Auditor (LLA)	Regular type highlighted with numbers or letters (if there are multiple parts)
Actual procedures performed by Independent Certified Public Accountant	Denoted as Procedure Performed: (in bold type) followed by procedure in regular type
Finding based upon procedure performed	Denoted as Findings: (in bold type) followed by findings in regular type
Management’s response to findings	Denoted as Management’s Response: (in bold type) followed by <i>managements response in italics</i>

The District is not subject to all possible Louisiana Legislative Auditor - State Wide Agreed-Upon Procedures. The numbers of the procedures in this report coincide with the numbers assigned to the specified procedures on the Louisiana Legislative Auditor’s website. Therefore, because of certain excluded procedures, the procedure numbers used in this report are not in consecutive order.

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):

Budgeting

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

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read the written policies and procedures for budgeting.

Findings: Found the District has written policies that include the specified functions listed above.

Purchasing

- 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.

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read the written policies and procedures for purchasing.

Findings: Found the District has written policies that include the specified functions listed above.

Disbursements

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

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read the written policies and procedures for disbursements.

Findings: Found the District has written policies that include the specified functions listed above.

Receipts/Collections

- 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 (CONTINUED)

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read the written policies and procedures for receipts and collections.

Findings: Found the District has written policies that include the specified functions listed above.

Payroll/Personnel

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

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read the written policies and procedures for payroll and personnel.

Findings: Found the District has written policies that include the specified functions listed above.

Contracting

- 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

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read the written policies and procedures for contracts.

Findings: Found the District has written policies that include the specified functions listed above.

Credit Cards

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read the written policies and procedures for credit cards.

Findings: Found the District has written policies that include the specified functions listed above.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Travel and expense reimbursement

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

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read written policies and procedures for travel and expense reimbursement.

Findings: Found the District has written policies that include the specified functions listed above.

Ethics

- 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.

Procedure Performed: Obtained from management and inspected the District's "Personnel Policy and Procedure Manual" and read the written policies and procedures for ethics.

Findings: Found the District has written policies and procedures for ethics regarding the prohibitions as defined in Louisiana Revised Statute 42:1111-1121 and actions to be taken if an ethics violation takes place.

Found the District does not have written policies and procedures for ethics regarding the system to monitor possible ethics violations and requirement that all employees annually attest through signature verification that they have read the entity's ethics policy.

Debt Service

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

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for debt service.

Findings: Found the District does not have written policies and procedures regarding debt service.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Disaster Recovery/Business Continuity

- k) Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for disaster recovery/business continuity.

Findings: Found the District does not have written policies and procedures regarding disaster recovery/business continuity.

Management's response:

The District has policies and procedures in all areas above with the exception of Disaster recovery/Business continuity, at year end policies and procedures for Debt service were not in writing.

Due to the small size of our district, the simple scope of our business operations, and our limited number of personnel. We do not believe it is cost effective to have written procedures in all areas; however, we will establish policies and procedures for Disaster recovery/Business continuity and put them in writing.

BOARD OR FINANCE COMMITTEE

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.

Procedure Performed: We obtained and read the District's board minutes for the fiscal period as well as Louisiana State Law as it relates to Drainage Districts and the Ordinance that created the District.

Findings: Found that the District met with quorum at all twelve of the monthly meetings.

- 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. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

Procedure Performed: We obtained and read the District's board minutes for the fiscal period.

Findings: Found that the minutes referenced monthly financial statements but there is not a comparison to budget.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned 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 unassigned fund balance in the general fund.

Procedure Performed: We obtained and read the District's prior year audit report and observed the unassigned fund balance in the general fund.

Findings: Found that general fund did not have a negative ending unassigned fund balance in the prior year audit report.

Management's response:

We will modify our monthly financial statements to include a comparison to budget.

**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).

Procedure Performed: We obtained a listing of locations that process payments from management and management's representation that the listing is complete.

Findings: Found the District has one location that process payments which is their main office.

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

Procedure Performed: We obtained a listing of employees involved with non-payroll purchasing and payment functions, and we obtained written policies and procedures relating to employee job duties and observed that job duties are segregated such that:

Findings:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files.

**NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS,
TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED):**

- d) The employee responsible for signing checks mails the payment.
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.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedure Performed: We obtained the District's non-payroll disbursements transaction population (excluding cards and travel reimbursements) and management's representation that the population was complete. We randomly selected 5 disbursements from the listing and obtained and observed supporting documentation for each transaction.

Findings:

- a) Found that disbursements matched the related original invoice.
- b) Found that disbursement documentation included evidence that the District is following its policies as it relates to the segregation of duties tested under #9, as applicable.

Management's response:

Checks will no longer be mailed by the same employee who processes payments.

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.

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.

Procedure Performed: Inquired of management and obtained management's representation that the district does not have bonds/notes therefore the section is not applicable in the current year

Findings: The district does not have bonds/notes.

Management's response:
No comments