

**ST. MARY LEVEE DISTRICT**

FINANCIAL REPORT

For the Year Ended December 31, 2019

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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 each major fund of St. Mary Levee District (District), as of and for the year ended December 31, 2019, 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 each major fund of the District as of December 31, 2019, 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.

## *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 31 and 32 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 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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, the annual report for tax year 2019, and the schedule of expenditures of federal awards 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, the annual report for tax year 2019, and the schedule of expenditures of federal awards 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 August 31, 2020, 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  
August 31, 2020

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

ST. MARY LEVEE DISTRICT

Statement of Net Position  
December 31, 2019

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

Current assets	
Cash	\$ 22,009,106
Taxes receivable (net of allowance for uncollectible taxes)	2,459,324
Due from other governmental units	6,855,761
Prepaid expenses	<u>128,084</u>
Total current assets	31,452,275
Noncurrent assets	
Nondepreciable capital assets	10,169,612
Depreciable capital assets, net of accumulated depreciation	<u>6,244,526</u>
Total noncurrent assets	<u>16,414,138</u>
TOTAL ASSETS	47,866,413
Deferred outflows of resources related to OPEB	<u>5,025</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 47,871,438</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

Current liabilities	
Accounts payable	\$ 28,184
Accrued payroll taxes	3,619
Contracts payable	1,575,230
Current portion of long-term liabilities	438,594
Accrued interest	189,648
Due to other governmental units	<u>6,680,690</u>
Total current liabilities	8,915,965
Long-term liabilities	
Noncurrent portion of bond payable	13,013,631
Other postemployment benefit liability	<u>94,044</u>
Total long-term liabilities	<u>13,107,675</u>
TOTAL LIABILITIES	22,023,640
Deferred inflows of resources related to OPEB	8,746
Net position	
Net investment in capital assets	16,414,138
Unrestricted	<u>9,424,914</u>
Total net position	<u>25,839,052</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 47,871,438</u>

The accompanying notes are an integral part of this statement.



ST. MARY LEVEE DISTRICT

Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Flood protection	\$ 6,801,567	\$ 2,300	\$ 9,783,406	\$ 2,984,139
Interest	<u>544,014</u>	<u>-</u>	<u>-</u>	<u>(544,014)</u>
Total governmental activities	<u>7,345,581</u>	<u>2,300</u>	<u>9,783,406</u>	<u>2,440,125</u>
General Revenues:				
				2,924,089
Ad valorem taxes				396,884
Interest and investment earnings				<u>264</u>
Rents and royalties				<u>3,321,237</u>
Total general revenues				<u>5,761,362</u>
Change in net position				<u>20,077,690</u>
Net position - beginning				<u>\$ 25,839,052</u>
Net position - ending				

The accompanying notes are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

ST. MARY LEVEE DISTRICT

Balance Sheet  
Governmental Fund  
December 31, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash	\$ 8,437,605	\$ 13,571,501	\$ 22,009,106
Taxes receivable (net of allowance for uncollectible taxes)	2,459,324	-	2,459,324
Due from other governmental units	<u>6,855,761</u>	<u>-</u>	<u>6,855,761</u>
Total current assets	<u>\$17,752,690</u>	<u>\$13,571,501</u>	<u>\$31,324,191</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Current liabilities			
Accounts payable	\$ 28,184	\$ -	\$ 28,184
Accrued payroll taxes	3,619	-	3,619
Contracts payable	1,575,230	-	1,575,230
Due to other governmental units	<u>6,680,690</u>	<u>-</u>	<u>6,680,690</u>
Total current liabilities	8,287,723	-	8,287,723
Deferred inflows of resources	1,458,484	-	1,458,484
Fund balance			
Committed	-	13,000,000	13,000,000
Unassigned	<u>8,006,483</u>	<u>571,501</u>	<u>8,577,984</u>
Total fund balance	<u>8,006,483</u>	<u>13,571,501</u>	<u>21,577,984</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$17,752,690</u>	<u>\$13,571,501</u>	<u>\$31,324,191</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, 2019

Total fund balances - governmental funds	\$ 21,577,984
Total net position reported for governmental activities in the statement of net position is different because:	
Revenues that are not considered available are not current financial resources and, therefore, are not reported as revenue in the governmental fund.	1,458,484
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	16,414,138
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.	128,084
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.	(13,546,269)
Deferred inflows of resources associated with other postemployment benefit liability are not payable from current expendable resources and, therefore, are not reported in the governmental fund.	(8,746)
Deferred outflows of resources associated with other postemployment benefit liability are not available resources and, therefore, are not reported in the governmental fund.	5,025
Accrued interest payable on long-term debt.	<u>(189,648)</u>
Net position of governmental activities	<u>\$ 25,839,052</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, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>			
Taxes - ad valorem	\$ 2,873,646	\$ -	\$ 2,873,646
Interest income	165,268	231,616	396,884
<b>Intergovernmental</b>			
Local sources	2,940	-	2,940
Federal sources	4,433,504	-	4,433,504
State sources	4,057,525	-	4,057,525
Permits	2,300	-	2,300
Rents and royalties	<u>264</u>	<u>-</u>	<u>264</u>
<b>Total revenues</b>	<b>11,535,447</b>	<b>231,616</b>	<b>11,767,063</b>
<b>Expenditures</b>			
<b>Current -</b>			
<b>Flood protection:</b>			
General administrative	219,268	15	219,283
Insurance	176,411	-	176,411
Levee maintenance	562,842	-	562,842
Personal services	157,246	-	157,246
Professional services	4,192,755	-	4,192,755
Rental	61,660	-	61,660
Supplies and materials	1,131,607	-	1,131,607
Travel	1,762	-	1,762
Utilities	7,200	-	7,200
Intergovernmental expense	178,477	-	178,477
Capital outlay	5,033,369	-	5,033,369
<b>Debt service -</b>			
Interest expense	<u>418,806</u>	<u>-</u>	<u>418,806</u>
<b>Total expenditures</b>	<b><u>12,141,403</u></b>	<b><u>15</u></b>	<b><u>12,141,418</u></b>
Deficiency of revenues over expenditures	(605,956)	231,601	(374,355)
<b>Other financing sources (uses)</b>			
Transfers in	-	13,339,900	13,339,900
Transfers out	<u>(13,339,900)</u>	<u>-</u>	<u>(13,339,900)</u>
<b>Total other financing sources (uses)</b>	<b><u>(13,339,900)</u></b>	<b><u>13,339,900</u></b>	<b><u>-</u></b>
Change in fund balance	(13,945,856)	13,571,501	(374,355)
Fund balance, beginning	<u>21,952,339</u>	<u>-</u>	<u>21,952,339</u>
Fund balance, ending	<b><u>\$ 8,006,483</u></b>	<b><u>\$13,571,501</u></b>	<b><u>\$21,577,984</u></b>

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, 2019

Net change in fund balances - governmental funds	\$ (374,355)
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.	1,339,880
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, 2019 are classified as prepaid expenses in the statement of net position. This is the difference between prior year and current year accruals.	59,572
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.	4,873,602
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. Interest expense in the statement of activities also accounts for amortization of bond premiums and discounts. This is the difference between the current year and prior year interest accruals and amortization.	(125,208)
The other postemployment benefit liability does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	<u>(12,129)</u>
Change in net position of governmental activities	<u>\$ 5,761,362</u>

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. 88, *Certain Disclosures Related to Debt, Including Debt Borrowings and Direct Placement* during the year ended December 31, 2019. This Statement defines debt for purposes of disclosure in notes to the financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. The adoption of this standard had no impact on the District's governmental fund or government-wide financial statements.

##### 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 funds.

##### 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 types:

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 funds 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 Projects Fund –

The Capital Projects Fund is used to account for the financial resources used for the construction of the Bayou Teche Flood Protection Structure and other construction projects.

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

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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 resolutions approved by the District's Board of Commissioners. As of December 31, 2019, 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, 2019 totaling \$169,047, reimbursements due from the Coastal Protection and Restoration Authority totaling \$1,069,032 related to 2019 flood fight expenditures, reimbursements due from FEMA totaling \$81,659 related to Hurricane Barry emergency expenditures, and reimbursements due from the Department of the Interior totaling \$138,746 related to the Bayou Chene Flood Control Structure 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 Outflows of Resources and Deferred Inflows of Resources – Government-wide Financial Statements

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District reported deferred outflows of resources related to other postemployment benefits.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 outflows of resources and 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.

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 by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement requires the District to calculate and recognize a net *other postemployment benefit* (OPEB) liability or asset at year end. See Note 6 for further details.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The District has evaluated subsequent events through August 31, 2020, 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, 2019 totaled \$22,009,106 and the bank balance was \$22,020,938. Federal deposit insurance covered \$250,000 of the deposits while the remaining deposits were covered by collateral held by the pledging bank's agent in the District's name in the amount of \$23,513,218. 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. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

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 1<sup>st</sup> of each year. Billed taxes become delinquent on January 1<sup>st</sup> 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, 2019, 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 2019 were \$2,992,905. Taxes receivable at December 31, 2019 consisted of \$2,487,180 for the 2019 assessment, of which approximately 1.12 percent or \$27,856 was considered uncollectible.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 4 DUE FROM AND TO OTHER GOVERNMENTAL UNITS

The amount due from other governmental units at December 31, 2019, consisted of 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, unpaid reimbursements of \$1,069,032 from the Coastal Protection and Restoration Authority (CPRA) for expenses incurred relating to the flood event of 2019, unpaid reimbursements of \$3,522,990 from FEMA for expenses incurred relating to the Hurricane Barry and the flood event of 2019, and unpaid reimbursements of \$1,633,739 from the Department of the Interior for expenses incurred relating to the Bayou Chene Flood Control Structure.

The amount due to other governmental units at December 31, 2019, consisted of the following: \$2,170,000 from an obligation to refund the 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; \$640,000 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; \$3,441,331 due to the CPRA for amounts expected to be received by the District from FEMA for expenses incurred relating to the flood event of 2019, as per an intergovernmental agreement with the CPRA; \$71,405 due to the Terrebonne Levee and Conservation District (TLCD) for emergency work done by TLCD on the Tabor Canal; and \$357,954 due to the St. Mary Parish Council for grass cutting services and various reimbursements.

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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, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 6,436,724	\$ 5,028,969	\$ 1,319,839	\$ 10,145,854
Land	<u>23,758</u>	<u>-</u>	<u>-</u>	<u>23,758</u>
Total capital assets not being depreciated	6,460,482	5,028,969	1,319,839	10,169,612
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	4,400	-	21,149
Improvements other than buildings	15,635	-	-	15,635
Flood protection infrastructure	<u>5,633,349</u>	<u>1,319,839</u>	<u>-</u>	<u>6,953,188</u>
Total capital assets being depreciated	5,764,494	1,324,239	-	7,088,733
Less accumulated depreciation for:				
Computers	(97)	(390)	-	(487)
Machinery and equipment	(59,991)	(3,663)	-	(63,654)
Vehicles	(10,699)	(4,142)	-	(14,841)
Office equipment	(10,911)	(1,708)	-	(12,619)
Improvements other than buildings	(2,464)	(782)	-	(3,246)
Flood protection infrastructure	<u>(600,278)</u>	<u>(149,082)</u>	<u>-</u>	<u>(749,360)</u>
Total accumulated depreciation	<u>(684,440)</u>	<u>(159,767)</u>	<u>-</u>	<u>(844,207)</u>
Total capital assets being depreciated, net	<u>5,080,054</u>	<u>1,164,472</u>	<u>-</u>	<u>6,244,526</u>
Total capital assets, net	<u>\$ 11,540,536</u>	<u>\$ 6,193,441</u>	<u>\$ 1,319,839</u>	<u>\$ 16,414,138</u>

Depreciation charged to expense was \$159,767 for the year ended December 31, 2019.

Construction in Progress

The costs associated with the engineering, design, and construction of the Bayou Chene Flood Control Structure construction project of \$8,646,753 are included in construction in progress at December 31, 2019. 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. In

## ST. MARY LEVEE DISTRICT

### Notes to the Financial Statements

#### NOTE 5 CAPITAL ASSETS (CONTINUED)

addition, the Department of the Interior, through GOMESA grant funding, has pledged up to \$5,000,000 for the engineering and design phase of the project and up to \$75,000,000 for the construction phase of the project. As of December 31, 2019, \$2,938,511 of those funds were received by the District, via the CPRA as a pass-through entity.

The costs associated with the engineering and design phase of the Bayou Teche Flood Control Structure construction project of \$1,477,463 are included in construction in progress at December 31, 2019. 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 the preliminary engineering phase of the Yokely Levee Extension construction project of \$21,638 are included in construction in progress at December 31, 2019.

#### 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, 2019, 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](http://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, 2019.

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, 2019, the District reported a liability of \$94,044 for its proportionate share of the total OPEB liability. The OPEB liability was measured as of July 1, 2018, 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, 2018, the District's proportion was .0017%.

For the year ended December 31, 2019, the District recognized OPEB expense of \$12,129. As of December 31, 2019, 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
Differences between expected and actual experience	\$ 5,025	\$ -
Changes of assumptions	<u>-</u>	<u>8,746</u>
Total	<u>\$ 5,025</u>	<u>\$ 8,746</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:	
2020	\$ (1,118)
2021	(1,118)
2022	(1,118)
2023	<u>(367)</u>
Total	<u>\$ (3,721)</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, 2018 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	2.98 % 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, rolled back to 2006 using RP-2014 projection and then projected on a fully generational basis by Mortality Improvement Scale MP-2018. For disabled retiree lives, the RP-2014 Disabled Retiree Mortality Table, rolled back to 2006 using RP-2014 projection and then projected on a fully generational basis by Mortality Improvement Scale MP-2018.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability decreased from 3.13% to 2.98% in the July 1, 2018 valuation. 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.

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:

	1% Decrease <u>1.98%</u>	Current Discount Rate <u>2.98%</u>	1% Increase <u>3.98%</u>
Proportionate Share of the Collective Total OPEB Liability	<u>\$ 118,182</u>	<u>\$ 94,044</u>	<u>\$ 75,612</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:

	1% Decrease <u>1%</u>	Current Trend Rate <u>2.98%</u>	1% Increase <u>3.98%</u>
Proportionate Share of the Collective Total OPEB Liability	<u>\$ 71,661</u>	<u>\$ 94,044</u>	<u>\$ 124,794</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, 2019.

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, 2019.

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, 2019.

The District entered into a 12-month cancelable land lease for \$700 per month beginning on October 1, 2019. 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 \$2,100 were made during the year ended December 31, 2019.

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, 2019; 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, 2019. 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 12/31/2018	Additions	Reductions	Balance 12/31/2019	Due Within One Year
Bonds payable:					
General obligation					
bonds	\$ 13,000,000	\$ -	\$ -	\$ 13,000,000	\$ 415,000
Premium on bonds					
payable	575,887	-	23,995	551,892	28,794
Discount on bonds					
payable	(104,000)	-	(4,333)	(99,667)	(5,200)
Total bonds payable	13,471,887	-	19,662	13,452,225	438,594
Other liabilities:					
Other postemployment					
benefits	79,151	14,893	-	94,044	-
Total other liabilities	79,151	14,893	-	94,044	-
Total long-term obligations	<u>\$ 13,551,038</u>	<u>\$ 14,893</u>	<u>\$ 19,662</u>	<u>\$ 13,546,269</u>	<u>\$ 438,594</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
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	485,000	486,419	971,419
2025-2029	2,815,000	2,033,345	4,848,345
2030-2034	3,570,000	1,259,188	4,829,188
2035-2039	4,370,000	456,113	4,826,113
	<u>\$ 13,000,000</u>	<u>\$ 6,373,441</u>	<u>\$ 19,373,441</u>

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

NOTE 12 SINKING FUND REQUIREMENT

For the payment of the principal of and the interest on the \$13,000,000 Limited Tax Revenue Bonds (Bonds), there shall be established and maintained a special fund known as "Limited Tax Revenue Bonds Sinking Fund" (the "Sinking Fund"). The District shall deposit in the Sinking Fund from the first revenues of the ad valorem tax received in any calendar year a sum equal to the principal and interest falling due on the Bonds in that calendar year.

NOTE 13 COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has characterized COVID-19 as a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our taxpayers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

**REQUIRED SUPPLEMENTARY INFORMATION**



ST. MARY LEVEE DISTRICT

Budgetary Comparison Schedule – General Fund  
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes - ad valorem	\$ 2,650,000	\$ 2,850,000	\$ 2,873,646	\$ 23,646
Interest income	140,000	160,688	165,268	4,580
Intergovernmental				
Local sources	-	70,092	2,940	(67,152)
Federal sources	-	413,465	4,433,504	4,020,039
State sources	4,850,000	9,879,286	4,057,525	(5,821,761)
Permits	2,400	2,300	2,300	-
Rents and royalties	500	364	264	(100)
Other income	600	-	-	-
Total revenues	<u>7,643,500</u>	<u>13,376,195</u>	<u>11,535,447</u>	<u>(1,840,748)</u>
Expenditures				
Current -				
Flood protection:				
General administrative	216,470	220,452	219,268	1,184
Insurance	63,700	177,430	176,411	1,019
Levee maintenance	534,000	472,276	562,842	(90,566)
Personal services	151,860	152,437	157,246	(4,809)
Professional services	602,750	4,968,265	4,192,755	775,510
Rental	67,560	61,260	61,660	(400)
Supplies and materials	212,000	172,653	1,131,607	(958,954)
Travel	8,000	3,962	1,762	2,200
Utilities	6,000	6,000	7,200	(1,200)
Intergovernmental expense	-	-	178,477	(178,477)
Capital outlay	4,705,000	6,008,202	5,033,369	974,833
Debt service -				
Interest expense	975,000	428,981	418,806	10,175
Total expenditures	<u>7,542,340</u>	<u>12,671,918</u>	<u>12,141,403</u>	<u>530,515</u>
Deficiency of revenues over expenditures	101,160	704,277	(605,956)	(1,310,233)
Other financing sources (uses)				
Transfer in	975,000	427,481	-	(427,481)
Transfer out	(13,016,718)	(13,016,718)	(13,339,900)	(323,182)
Total other financial sources (uses)	<u>(12,041,718)</u>	<u>(12,589,237)</u>	<u>(13,339,900)</u>	<u>(750,663)</u>
Change in fund balance	(11,940,558)	(11,884,960)	(13,945,856)	(2,060,896)
Fund balance, beginning	<u>21,202,049</u>	<u>21,952,339</u>	<u>21,952,339</u>	<u>-</u>
Fund balance, ending	<u>\$ 9,261,491</u>	<u>\$10,067,379</u>	<u>\$ 8,006,483</u>	<u>\$ (2,060,896)</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, 2019

<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%
2019	0.0017%	\$ 94,044	\$ 111,000	85%

\*The amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year.

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, 2019.

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 3.13% to 2.98% during the July 1, 2018 valuation.

**OTHER SUPPLEMENTARY INFORMATION**

ST. MARY LEVEE DISTRICT

Schedule of Compensation, Benefits and Other Payments to Executive Director  
For the Year Ended December 31, 2019

Executive Director Name: Timothy Matte

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 72,600
Car allowance	7,200
Travel	984
Conference travel	<u>753</u>
Total	<u>\$ 81,537</u>

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Schedule of Compensation Paid to Board Members  
For the Year Ended December 31, 2019

William Hidalgo, Sr., President	\$ 3,525
Kenneth P. Arceneaux, Jr.	1,050
Alton Broussard, Jr.	750
Barry Broussard	750
Norris Crappell	900
Junius Hebert, Jr.	1,425
Luther Smith	750
Wilson Terry	975
James Vidos	<u>900</u>
Total	<u>\$ 11,025</u>

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Annual Report for Tax Year 2019

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, 2019, audited by Darnall, Sikes & Frederick, a Corporation of Certified Public Accountants, Morgan City, Louisiana, and their report dated as of August 31, 2020, 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, 2019.

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 2019 assessed valuations of property in the District follows:

Taxable Assessed Valuation	\$598,584,864
Homestead Exemption	<u>74,391,236</u>
Total Assessed Valuation	<u>\$672,976,100</u>

Source: St. Mary Parish Assessor's Office

ASSESSED VALUATION OF PROPERTY IN THE DISTRICT – BY CLASSIFICATION

A breakdown of the 2019 assessed valuations of property in the District by classification follows:

<i>Classification</i>	<i>Assessed Valuation</i>
Real Estate	\$251,574,605
Personal Property	352,333,345
Public Service Property	<u>69,068,150</u>
Total	<u>\$672,976,100</u>

Source: St. Mary Parish Assessor's Office

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Annual Report for Tax Year 2019 (Continued)

TAX COLLECTION RECORDS OF THE DISTRICT

The 2018 ad valorem tax levies and collections for the District follows:

Amount of Taxes Levied (a)	\$ 2,964,163
Deduction for Pensions (b)	<u>96,241</u>
Net Taxes Levied	\$ 2,867,922
Net Taxes Collected (b)	2,850,487
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 2018 of the District and their assessed valuations follow:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>
1. Cleco Power LLC	Power Generation	\$ 31,363,665
2. Chevron NA Exploration & Production	Oil & Gas	31,169,847
3. Cameron International Corporation	Oil & Gas	18,750,303
4. Cabot Corporation	Carbon Black Mfg.	18,389,341
5. Transocean Offshore Ventures Inc.	Oil & Gas	16,333,944
6. Oceaneering International Inc.	Oil & Gas	12,344,280
7. One Subsea LLC	Oil & Gas	11,476,533
8. Columbian Chemicals Company	Spec. Chemicals	11,079,654
9. Gulfport Energy Corp.	Oil & Gas	10,225,279
10. Texas Petroleum Investment Company	Oil & Gas	<u>9,978,346</u>
		<u>\$171,111,192</u> *

\* Approximately 25.6% of the 2018 taxable assessed valuation of the District.

See independent auditor's report.



ST. MARY LEVEE DISTRICT

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of the Interior:			
Pass-through program from:			
Coastal Protection and Restoration Authority - Gulf of Mexico Energy Security Act	15.435	2000413413 (AT-0017)	\$ 4,572,250

NOTE 1 BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of St. Mary Levee District and is presented on the same basis of accounting as described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

See independent auditor's report.

**INTERNAL CONTROL,  
COMPLIANCE,  
AND OTHER INFORMATION**



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 each major fund of the St. Mary Levee District (District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 31, 2020.

**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 questioned costs, 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 questioned costs as item 2019-001 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-002.

### **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 questioned costs. 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  
August 31, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

We have audited the St. Mary Levee District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001, that we consider to be a material weakness.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.

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

Morgan City, Louisiana  
August 31, 2020

ST. MARY LEVEE DISTRICT

Summary Schedule of Prior Year Findings  
For the Year Ended December 31, 2019

Section I Internal Control and Compliance Material to the Financial Statements

2018-001 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 2019-001.

Section II Internal Control and Compliance Material to Federal Awards

See detailed finding 2018-001 in Section I.

Section III Management Letter

A management letter was not issued for the year ended December 31, 2018.



ST. MARY LEVEE DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2019

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, 2019.

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 2019-001 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 one instance of noncompliance which is required to be reported under *Government Auditing Standards* and is listed as item 2019-002 in Part 2.

FEDERAL AWARDS

Auditor's Report – Major Program

An unmodified opinion has been issued on St. Mary Levee District's compliance for its major program as of and for the year ended December 31, 2019.

Major Program - Identification

St. Mary Levee District had the following major program at December 31, 2019:

Gulf of Mexico Energy Security Act      CFDA #15.435

Program Type Determination

The dollar threshold to distinguish Type A and Type B programs is \$750,000 for the fiscal year ended December 31, 2019.

Risk Consideration

For the year ended December 31, 2019, St. Mary Levee District was not considered a low-risk auditee.

ST. MARY LEVEE DISTRICT

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2019

Part 1: Summary of Auditor's Results (Continued)

Deficiencies in Internal Control – Major Program

The results of our tests of internal control over compliance disclosed one instance of a deficiency in internal control over compliance that is reported as item 2019-001 in Part 3. We consider the deficiency to be a material weakness.

Noncompliance – Major Program

The results of our tests disclosed one instance of noncompliance during the audit of major programs and is listed as item 2019-003 in Part 3.

MANAGEMENT LETTER

This section is not applicable for the fiscal year ended December 31, 2019.

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

2019-001 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.

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.

ST. MARY LEVEE DISTRICT

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2019

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

2019-002 Noncompliance with the Louisiana Local Government Budget Act

Criteria: Louisiana R.S. 39:1311 requires that budgets be amended when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by five percent or more.

Condition: Revenues of the General Fund failed to meet the budgeted amount by five percent or more.

Cause: Federal and state award reimbursements were not received in the time frame anticipated by management at the time the amended budget was prepared and adopted.

Effect: Budgetary compliance violations and/or errors or irregularities may not be prevented and/or detected in a timely manner.

Recommendation: Management should periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to maintain compliance with state statutes.

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.

Part 3: Findings and Questioned Costs Relating to Federal Awards

2019-001 See the detailed finding in Part 2.

2019-003 Cash Management

U.S. Department of the Interior (passed through the State of Louisiana's Coastal Protection and Restoration Authority)

CFDA 15.435, Gulf of Mexico Energy Security Act (GOMESA)

Criteria: Per 2 CFR section 200.305(b)(3), under the reimbursement method, program costs must be paid by non-Federal entity funds before submitting a payment request.

Condition: The District submitted reimbursement requests that were in violation of 2 CFR 200.305(b)(3) as described in the criteria above.

ST. MARY LEVEE DISTRICT

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2019

Part 3: Findings and Questioned Costs Relating to Federal Awards (Continued)

Context/Questioned Costs: The District requested \$735,136 of reimbursement on reimbursement requests that were submitted prior to payment of the costs by the District. We consider the total of \$735,136 to be questioned costs.

Cause: Inconsistent application of cash management compliance requirement.

Effect: Possible noncompliance with cash management compliance requirements could result in costs being disallowed by the granting agency.

Recommendation: Policies and procedures should be implemented to ensure that reimbursement requests are submitted based on the requirement outlined in 2 CFR 200.305(b)(3).

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.

ST. MARY LEVEE DISTRICT

Management's Corrective Action Plan for Current Year Findings  
For the Year Ended December 31, 2019

2019-001 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

2019-002 Noncompliance with the Louisiana Local Government Budget Act

Management's Response and Planned Corrective Action: Management budgeted the amount of reimbursements that were expected to be received during year from federal and state sources; however, the timing and rate of the reimbursements as compared to the spending on the construction projects and emergency projects did not match the expectation. Management will more closely monitor those expectations and budget accordingly.

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

2019-003 Cash Management

Management's Response and Planned Corrective Action: Management will monitor reimbursement requests to insure that payments have been made to vendors prior to submitting the reimbursement request.

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



**DARNALL SIKES  
& FREDERICK**

A CORPORATION OF CERTIFIED  
PUBLIC ACCOUNTANTS

1201 Brashear Avenue, Suite 301  
Morgan City, LA 70380

P 985-384-6264  
F 985-384-8140

DSFCPAS.COM

OTHER LOCATIONS:

Lafayette Eunice Abbeville

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, 2019 through December 31, 2019. 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***

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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.*

- 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.

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

**Board (or Finance Committee, if applicable)**

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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 one meeting 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***

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- 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)***

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- 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***

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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***

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- 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](http://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 were two instances where documentation of the reimbursement did not contain evidence of review and approval.*

### ***Contracts***

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No exceptions were noted during the fiscal year ended December 31, 2018 SAUP engagement; therefore, this section was excluded from testing this fiscal year.

## ***Payroll and Personnel***

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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***

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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 exceptions noted.*

- 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***

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No exceptions were noted during the fiscal year ended December 31, 2018 SAUP engagement; therefore, this section was excluded from testing this fiscal year.

### ***Other***

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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.

*Dannall, Sikes & Frederick*

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana

August 31, 2020



# ST. MARY LEVEE DISTRICT

7327 Hwy 182 East

P.O. Box 2079

Morgan City, LA 70381

(985) 380-5500

**August 31, 2020**

## **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 2020 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 2020 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 2020 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 2020 fiscal year. Receipts, including receiving, recording, and preparing deposits, and management's actions to determine the completeness of all collections 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 2020 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 2020 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 2020 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.

1. h) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2020 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 2020 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 2020 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.
1. k) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2020 fiscal year. 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, will be reviewed for inclusion in the revised policies and procedures.

#### **Board**

2. b) This was an isolated occurrence. Management has prepared and formally presented monthly budget-to-actual comparison statements on the General Fund to the board for review and monitoring for all months subsequent to the occurrence.

#### **Bank Reconciliations**

3. c) Management plans a review and update to the St. Mary Levee District's financial policies and procedures in the 2020 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.

#### **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. 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.