

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

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

For the Year Ended September 30, 2018

## CONTENTS

	<u>Page</u>
<u>FINANCIAL INFORMATION SECTION</u>	
Independent Auditors' Report	1-3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	7
Budgetary Comparison (Non-GAAP Basis) - General Fund	8
Budgetary Comparison (Non-GAAP Basis) - Capital Maintenance Fund	9
Notes to the Financial Statements	10-26
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of District's Proportionate Share of the Net Pension Liability (Asset) (unaudited)	27
Schedule of District Contributions (unaudited)	28
<u>GENERAL SUPPLEMENTARY INFORMATION</u>	
Schedule of Compensation, Benefits, and Reimbursements To Agency Head, Political Subdivision Head, or Chief Executive Officer	29
<u>INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS SECTION</u>	
Independent Auditors' Report On Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	30-31
Schedule of Findings	32-33

## CONTENTS

	<u>Page</u>
Summary of Prior Year Findings and Related Corrective Action Prepared by St. Mary Parish Consolidated Gravity Drainage District No. 1	34
Corrective Action Plan Prepared by Management of St. Mary Parish Consolidated Gravity Drainage District No. 1	35



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund of St. Mary Parish Consolidated Gravity Drainage District No. 1, a component unit of St. Mary Parish, as of and for the year ended September 30, 2018, and the related notes to these financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 1, as of September 30, 2018 and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and Capital Maintenance Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of District Contributions on pages 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting

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

Emphasis of Matter

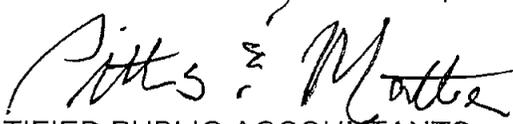
As discussed in Note 1-L to the financial statements, in the year ended September 30, 2018, the District adopted new accounting guidance, GASBS No. 87, related to leased assets and liabilities. Our opinion is not modified in respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Compensation, Benefits, and Reimbursements to Agency Head, Political Subdivision Head, or Chief Executive Officer is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits, and Reimbursements to Agency Head, Political Subdivision Head, or Chief Executive Officer is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2019, on our consideration of the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana  
February 7, 2019

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

**Statement of Net Position  
September 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current assets	
Cash and cash equivalents	\$2,451,460
Total current assets	<u>2,451,460</u>
Capital assets	
Land	8,600
Buildings and improvements, net of accumulated depreciation	52,606
Equipment, net of accumulated depreciation	723,854
Infrastructure - drainage, net of accumulated depreciation	<u>2,586,320</u>
Total net capital assets	<u>3,371,380</u>
Net pension asset	<u>44,276</u>
Total assets	<u>5,867,116</u>
Deferred outflows of resources	
Deferred outflows related to pensions	<u>87,432</u>
Total assets and deferred outflows of resources	<u>\$5,954,548</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$65,781
Current portion of lease obligation	93,308
Total current liabilities	<u>159,089</u>
Long-term liabilities	
Lease obligation payable after one year	<u>351,584</u>
Total noncurrent liabilities	<u>351,584</u>
Total liabilities	<u>510,673</u>
Deferred inflows of resources	
Deferred inflows related to pension	<u>131,266</u>
Total liabilities and deferred inflows of resources	<u>641,939</u>
Net Position	
Net investment in capital assets	3,371,380
Restricted for Yokely Pump Station	34,299
Unrestricted	<u>1,906,930</u>
Total net position	<u>5,312,609</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$5,954,548</u>

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

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

**Statement of Activities  
For the Year Ended September 30, 2018**

<u>Expenses</u>	<u>Total</u>
Drainage	
Salaries, wages, and benefits	\$584,378
Pump operation and maintenance	294,578
Insurance	90,908
Truck expenses	85,728
Utilities	16,456
Interest	7,073
Miscellaneous	44,757
Depreciation expense	467,719
Pension expense	55,124
	1,646,721
Total expenses	
<u>General revenues</u>	
Ad valorem taxes	1,335,750
State revenue sharing	58,353
Investment income	5,255
Intergovernmental revenues	30,914
U.S. Army Corps of Engineers reimbursement	75,179
Nonemployer pension contributions	4,435
	1,509,886
Total general revenues	
Change in net assets	(136,835)
	5,449,444
Net Position - beginning of year	
	5,449,444
Net Position - end of year	\$5,312,609
	\$5,312,609

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

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

**Balance Sheet  
Governmental Funds  
September 30, 2018**

	<u>General Fund</u>	<u>Capital Maintenance Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$2,410,359	\$41,101	\$2,451,460
Due from Capital Maintenance	<u>3,469</u>	<u>          </u>	<u>3,469</u>
 Total assets	 <u>\$2,413,828</u>	 <u>\$41,101</u>	 <u>\$2,454,929</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued expenses	\$65,781		\$65,781
Due to General Fund	<u>          </u>	<u>3,469</u>	<u>\$3,469</u>
 Total liabilities	 <u>65,781</u>	 <u>3,469</u>	 <u>69,250</u>
Fund balances:			
Unassigned	2,348,047		2,348,047
Restricted for Yokely Pump Station	<u>          </u>	<u>37,632</u>	<u>37,632</u>
 Total fund balances	 <u>2,348,047</u>	 <u>37,632</u>	 <u>2,385,679</u>
 Total liabilities and fund balances	 <u>\$2,413,828</u>	 <u>\$41,101</u>	 <u>\$2,454,929</u>

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

Total fund balance - Governmental Funds	\$2,385,679
---	-------------

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	3,371,380
--	-----------

Noncurrent liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental fund balance sheet:

Current portion of lease obligation	\$ 93,308	
Lease obligation payable after one year	351,584	
Net pension liability (asset)	<u>(44,276)</u>	<u>(400,616)</u>

Deferred outflows and inflows of resources do not affect the current period and, therefore, they are not reported in the governmental fund balance sheet:

Deferred outflows of resources related to pensions	87,432	
Deferred inflows of resources related to pensions	<u>(131,266)</u>	<u>(43,834)</u>

Net position of governmental activities	<u>\$5,312,609</u>
---	--------------------

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

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended September 30, 2018**

	General <u>Fund</u>	Capital Maintenance <u>Fund</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>			
Ad valorem taxes	\$1,335,750		\$1,335,750
State revenue sharing	58,353		58,353
Intergovernmental revenues	24,247	\$6,667	30,914
U.S. Army Corps of Engineers reimbursement	75,179		75,179
Investment income	5,255		5,255
Total revenues	<u>1,498,784</u>	<u>6,667</u>	<u>1,505,451</u>
<b>Expenditures</b>			
Current operating			
Drainage			
Salaries and per diems	386,720		386,720
Personnel benefits	241,304		241,304
Pump operation and maintenance	294,578		294,578
Insurance	87,499	3,409	90,908
Truck expenditures	85,728		85,728
Utilities	16,456		16,456
Miscellaneous	44,757		44,757
Capital outlays	598,987		598,987
Long-term debt			
Payment of lease liability	48,488		48,488
Interest	7,073		7,073
Total expenditures	<u>1,811,590</u>	<u>3,409</u>	<u>1,814,999</u>
Excess (deficiency) of revenues over expenditures	<u>(312,806)</u>	<u>3,258</u>	<u>(309,548)</u>
<b>Other financing sources (uses)</b>			
Proceeds from lease	493,380		493,380
Transfer in from other funds		3,333	3,333
Transfer out to other funds	(3,333)		(3,333)
Total other financing sources (uses)	<u>490,047</u>	<u>3,333</u>	<u>493,380</u>
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	177,241	6,591	183,832
Fund balance at beginning of year	<u>2,170,806</u>	<u>31,041</u>	<u>2,201,847</u>
Fund balance at end of year	<u>\$2,348,047</u>	<u>\$37,632</u>	<u>\$2,385,679</u>

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

Net change in fund balance - Governmental Funds \$183,832

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays meeting the District's Capitalization Policy in the current period (\$598,987) exceeded depreciation (\$467,719) 131,268

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

Payments on lease	48,488	
Proceeds from lease	<u>(493,380)</u>	
Net Adjustment		(444,892)

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

Pension contributions subsequent to the measurement date	43,646	
Cost of benefits earned net of employee contributions	<u>(55,124)</u>	(11,478)

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

Non employer pension contributions		<u>4,435</u>
------------------------------------	--	--------------

Change in net position of governmental activities (\$136,835)

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

**Budgetary Comparison (Non-GAAP Basis) -  
General Fund  
For the Year Ended September 30, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>Revenues</u>				
Ad valorem taxes	\$1,453,505	\$1,338,924	\$1,335,750	\$ (3,174)
State revenue sharing	60,662	58,433	58,353	(80)
Intergovernmental revenues	24,000	24,000	24,000	-
LMGA True Up	5,455	247	247	-
U.S. Army Corp of Engineers reimbursement	86,688	64,565	75,179	10,614
LWCC Dividend	-	12,362	-	-
Investment income	3,262	4,846	5,255	409
	<u>1,633,572</u>	<u>1,503,377</u>	<u>1,498,784</u>	<u>7,769</u>
<u>Expenditures</u>				
Current operating				
Drainage				
Salaries and Wages	354,224	353,906	386,720	(32,814)
Personnel Benefits	209,999	209,999	241,304	(31,305)
Pump operation and maintenance	378,355	393,464	294,578	98,886
Insurance	105,756	100,201	87,499	12,702
Truck expenditures	56,976	66,620	85,728	(19,108)
Utilities	14,366	17,581	16,456	1,125
Miscellaneous	79,964	79,964	44,757	35,207
Capital outlays	910,000	1,503,525	598,987	904,538
Transfer to Maintenance Fund	3,334	3,334	3,333	1
	<u>2,112,974</u>	<u>2,728,594</u>	<u>1,759,362</u>	<u>969,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(479,402)</u>	<u>(1,225,217)</u>	<u>(260,578)</u>	<u>977,001</u>
Fund balances, beginning of year	<u>2,170,806</u>	<u>2,170,806</u>	<u>2,170,806</u>	<u>-</u>
Fund balances, end of year	<u>\$1,691,404</u>	<u>\$945,589</u>	<u>\$1,910,228</u>	<u>\$977,001</u>

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

Budgetary Comparison (Non-GAAP Basis)  
Capital Maintenance Fund  
For the year ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Revenues</u>				
City of Franklin	\$ 3,333	\$ 3,333	\$ 3,333	\$ -
St. Mary Parish Government	3,333	3,333	3,334	1
Transfer in from General Fund	3,334	3,334	3,333	(1)
Interest Income	-	-	-	-
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
 <u>Expenditures</u>				
Material & Repairs	6,900	6,900	-	6,900
Insurance-General	3,686	3,686	3,409	277
	<u>10,586</u>	<u>10,586</u>	<u>3,409</u>	<u>7,177</u>
 Excess (deficiency) of revenues over expenditures	<u>(586)</u>	<u>(586)</u>	<u>6,591</u>	<u>7,177</u>
 Fund balances, beginning of year	<u>31,041</u>	<u>31,041</u>	<u>31,041</u>	<u>-</u>
 Fund balances, end of year	<u>\$ 30,455</u>	<u>\$ 30,455</u>	<u>\$ 37,632</u>	<u>\$ 7,177</u>

ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Notes to the Financial Statements  
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

These financial statements include only the operations of the District.

B. Basic Financial Statements - Government-wide Financial Statements

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### C. Basic Financial Statements - Fund Financial Statements

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

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

#### Governmental Fund

##### General Fund

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

##### Special Revenue Fund

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

### D. Basis of Accounting

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

#### Government-wide Statements

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

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

E. Revenues

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

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

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

Investment earnings are generally recorded when earned.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

See Note 7 for further details about this pension plan.

G. Budgets

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

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

	<u>General Fund</u>
Ending fund balance – Non-GAAP budgetary basis	\$1,910,228
Item is not included in other financing sources:	
Proceeds from lease	493,380
Items are not included in expenditures:	
Payment of lease liability	(48,488)
Interest	<u>(7,073)</u>
Ending fund balance – GAAP basis	<u>\$2,348,047</u>

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

H. Cash and Cash Equivalents

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Fixed Assets

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

J. Equity Classifications

Government-wide Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

K. Interfund Transfers

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

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

L. Leases

In 2018, the District implemented the provisions of GASBS 87, "Leases". GASBS 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an right-to-use lease asset. Accordingly, \$445,000 of lease liabilities (\$493,000 original amount less \$48,000 current year payments) were recorded to recognize the difference between the present value of future lease payments less lease principle payments. In addition, \$494,000 of capitalized lease assets were recognized during the current year. The leased assets are being amortized over the life of their respective leases. This amortization and its accumulation is included with depreciation and accumulated depreciation in these financial statements. Amortization of the lease assets adds \$99,000 of depreciation expense and accumulated depreciation for the current year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prior period have not been restated, as there were no material leasing arrangements in prior years.

See Note 5 for additional information required by GASBS 87.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

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

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

Cash and cash equivalents

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

At year end 2018 the carrying amount of the District's cash was \$2,451,460 and the bank balance was \$2,445,608, \$500,000 was covered by federal depository insurance and the remaining \$1,945,608 was collateralized with securities held by the financial institution, in the District's name.

NOTE 3 - TAXES

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

NOTE 4 - FIXED ASSETS

Capital asset activity for the year ended September 30, 2018 is as follows:

	<u>Balance</u> <u>9/30/17</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance</u> <u>9/30/18</u>
Capital assets not being depreciated				
Land	\$ <u>8,600</u>			\$ <u>8,600</u>
Total capital assets not being depreciated	<u>8,600</u>			<u>8,600</u>
Other capital assets:				
Building and Improvements	194,216			194,216
Equipment	1,947,088	\$598,987		2,546,075
Infrastructure-drainage	<u>5,835,197</u>	_____	_____	<u>5,835,197</u>
Total other capital assets at historical cost	<u>7,976,501</u>	<u>598,987</u>		<u>8,575,488</u>
Less accumulated depreciation for:				
Buildings and improvements	(136,755)	\$ (4,855)		(141,610)
Equipment	(1,588,801)	(233,420)		(1,822,221)
Infrastructure-drainage	<u>(3,019,433)</u>	<u>(229,444)</u>		<u>(3,248,877)</u>
Total accumulated depreciation	<u>(4,744,989)</u>	<u>(467,719)</u>	_____	<u>(5,212,708)</u>
Other capital assets, net	<u>3,231,512</u>	<u>131,268</u>	_____	<u>3,362,780</u>
Total capital assets, net	<u>\$3,240,112</u>	<u>\$131,268</u>	<u>\$_____</u>	<u>\$3,371,380</u>

Depreciation expense for the year is approximately \$468,000 (including amortization of \$99,000).

Equipment includes capitalized right-to-use lease assets of \$494,000. Accumulated depreciation for equipment includes accumulated amortization on these lease assets of \$99,000.

NOTE 5 – LEASES

During the year, the District entered into two long-term leasing arrangements for construction equipment totaling \$494,000.

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

Year Ended	Principal	Interest	Total
2019	\$ 93,308	\$ 14,084	\$ 107,392
2020	96,627	10,765	107,392
2021	100,064	7,328	107,392
2022	103,623	3,769	107,392
2023	<u>51,271</u>	<u>560</u>	<u>51,831</u>
Total	<u>\$ 444,893</u>	<u>\$ 36,506</u>	<u>\$ 481,399</u>

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

NOTE 6 - COMPENSATION OF BOARD MEMBERS

Board members received the following per diems for the year ended September 30, 2018:

<u>Name</u>	<u>Amount</u>
Earlon Arnaud	\$1,200
Alton Broussard	1,200
Donnie Coots	1,000
Lamonika Dwyer	1,200
Chad Gianfala	1,200
J.P. Hebert, Jr.	1,200
Cleveland Jackson	<u>1,200</u>
	<u>\$8,200</u>

NOTE 7 – PENSION PLAN

***Plan Description***

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

NOTE 7 – PENSION PLAN (continued)

***Benefits Provided***

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

Retirement Benefits

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

For employees hired prior to January 1, 2007:

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

For employees hired after January 1, 2007:

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

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

Survivor Benefits

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

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

NOTE 7 – PENSION PLAN (continued)

Deferred Retirement Option Plan.

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

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

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

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

Disability Benefits.

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

NOTE 7 – PENSION PLAN (continued)

Cost of Living Increases.

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

**Contributions**

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 9.35% of member's compensation. However, the actual rate for the fiscal year ending December 31, 2017 was 12.5%. Contributions to the Pension Plan from the District were \$43,593 for the year ended September 30, 2018.

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

NOTE 7 – PENSION PLAN (continued)

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

At September 30, 2018, the District reported a liability (asset) of \$(44,276) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2017, the District's proportion was 0.059651%, which was an decrease of 0.000219% from its proportion measured as of December 31, 2016. For the year ended September 30, 2018, the District recognized pension expense of \$55,125. The District recognized revenue of \$4,435 as its proportionate share of non-employer contributions for the year ended September 30, 2018. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$28,661
Change of assumptions	\$55,883	
Net difference between projected and actual investment earnings on pension plan investments		102,290
Change in proportion and differences between the District's contributions and proportionate share of contributions		315
District's contributions subsequent to the measurement date	<u>31,549</u>	
	<u>\$87,432</u>	<u>\$131,266</u>

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

Year Ending December 31:

2018	\$ 6,419
2019	(6,798)
2020	(34,459)
2021	(40,544)

## NOTE 7 – PENSION PLAN (continued)

### **Actuarial Assumptions**

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017, are as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.75% (Net of investment expense)
Expected Remaining Service lives	4 years
Projected Salary Increases	5.25% (2.75% Merit/2.50% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality	RP-2000 Employee Sex District Table was selected for employees. RP-2000 Healthy Annuitant Sex District Table was selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Sex Distinct Table (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, RP-2000 Disabled Lives Mortality Table set back 4 years for males and 3 years for females was used.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the Capital Asset Pricing Model, (CAPM) (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

NOTE 7 – PENSION PLAN (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real Assets	2%	0.12%
Totals	<u>100%</u>	<u>5.62%</u>
Inflation		<u>2.0%</u>
Expected Arithmetic Nominal Return		<u>7.62%</u>

**Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 – PENSION PLAN (continued)

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

The following presents the net pension liability (asset) of the participating employers calculated using the discount rate of 6.75%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
District's Proportionate Share of Net Pension Liability (Asset)	\$218,296	\$(44,276)	\$(278,078)

The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on its financial statements for the year ended December 31, 2017. Access to the audit report can be found on the System's website: [www.persla.org](http://www.persla.org) or on the Office of Louisiana Legislative Auditor's official website: [www.lla.state.la.us](http://www.lla.state.la.us).

NOTE 8 - COMMITMENTS

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

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

NOTE 9 - RISK MANAGEMENT AND CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

St. Mary Parish Consolidated Gravity Drainage District No. 1

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
 Parochial Employees Retirement System of Louisiana (Plan A)  
 as of December 31, 2017 (The Plan Measurement Date)

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

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

**St. Mary Parish Consolidated Gravity Drainage District No. 1**

SCHEDULE OF DISTRICT CONTRIBUTIONS  
 Parochial Employees Retirement System of Louisiana (Plan A)  
 For the Year Ended September 30, 2018

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

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

GENERAL SUPPLEMENTARY INFORMATION

**St. Mary Parish Consolidated Gravity Drainage District No. 1**

Schedule of Compensation, Benefits, and Reimbursements to  
Agency Head, Political Subdivision Head, or Chief Executive Officer  
For the Year Ended September 30, 2018

Supervisor: Harry Pontiff

<b><u>Purpose</u></b>	<b><u>Amount</u></b>
Salary	\$ 58,701
Benefits-Insurance	12,209
Benefits-Retirement	6,898
Reimbursements	<u>761</u>
Total	<u><u>\$ 78,569</u></u>

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

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND  
OTHER MATTERS SECTION



a corporation of  
certified public accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund of the St. Mary Parish Consolidated Gravity Drainage District No. 1, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the St. Mary Parish Consolidated Gravity Drainage District No. 1's basic financial statements, and have issued our report thereon dated February 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item 2018-001 that we consider to be a material weakness.

#### Compliance and Other Matters

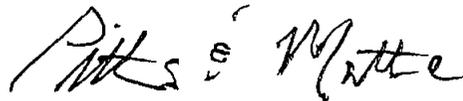
As part of obtaining reasonable assurance about whether the St. Mary Parish Consolidated Gravity Drainage District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

St. Mary Parish Consolidated Gravity Drainage District No. 1's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. St. Mary Parish Consolidated Gravity Drainage District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Louisiana Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana  
February 7, 2019

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

Schedule of Findings  
For the Year Ended September 30, 2018

**A. SUMMARY OF AUDIT RESULTS**

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

Internal Control over Financial Reporting

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

Compliance and Other Matters

There was no material instance of noncompliance or other matter required to be reported.

3. Federal Awards

This section is not applicable for the year ended September 30, 2018.

## B. FINDINGS - FINANCIAL STATEMENT AUDIT

### INTERNAL CONTROL

#### Material Weakness

#### ITEM 2018-001

#### Segregation of Duties

#### Auditors' Comments

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

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

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

Cause: The District has limited personnel.

#### Management's Comments

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

## C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2018.

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

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL  
STATEMENTS

Item 2017-001 - Internal Control

Material Weakness

Segregation of Duties

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

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

Item 2017-002 – Compliance and Other Matters

Item of Noncompliance

Noncompliance with Budget Monitoring

Condition: During the course of the audit for the year ended September 30, 2017, it was noted that the District's operating budget needed amendments which were not made.

Corrective Action: This condition was corrected in the current year.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable to prior year.

ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

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

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

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

February 7, 2019

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

Dear Mr. Pupera:

St Mary Parish Consolidated Gravity Drainage District No. 1, respectfully submits the following correction action plan for the year ending September 30, 2018.

**CORRECTION ACTION:**

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

Material Weakness: RE: Item No. 2018-001

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

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

St. Mary Parish Consolidated Gravity Drainage District No. 1

Chad Gianfala  
President



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

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

FOR THE YEAR ENDED  
September 30, 2018  
WITH  
AGREED UPON PROCEDURES REPORT  
BY  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

	<b>Page No.</b>
Independent Certified Public Accountants' Report on Applying Agreed Upon Procedures	1
Schedule of Procedures Performed and Associated Findings Based upon the Statewide Agreed-Upon Procedures	
Guide to Presentation Format	2
Written Policies and Procedures	3-5
Board or Finance Committee	6
Collections	7-9
Non-Payroll Disbursements (Excluding Card Purchases/Payments Travel Reimbursements and Petty Cash Purchases)	10-11
Credit Card/Debit Card/Fuel Cards/P-Cards	12-13
Contracts	14-15
Payroll and Personnel	16-17
Debt Service	18



a corporation of  
certified public accountants

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

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

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), which were agreed to by St. Mary Parish Consolidated Gravity Drainage District No. 1 (District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2017 through September 30, 2018. The District's management is responsible for those C/C areas identified in the SAUPs presented in the attached Schedule. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Handwritten signatures of the two certified public accountants, Pitts and Matte, in black ink.

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana  
February 7, 2019

**ST. MARY PARISH**  
**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1**  
**STATE OF LOUISIANA**  
**Schedule of Procedures Performed and Associated Findings Based upon the**  
**Statewide Agreed-Upon Procedures**  
**For the Year Ended September 30, 2018**

Guide to Presentation Format

This report contains these items presented in this order:

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

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

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

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

## WRITTEN POLICIES AND PROCEDURES

---

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

### **Budgeting**

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

**Procedure Performed:** Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for budgeting, however the entity follows state budget law which includes all required functions.

**Findings:** Found that the District does not have written policies and procedures regarding budgeting. The District follows state law related to budgeting.

### **Purchasing**

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

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

**Findings:** Found that the District does not have written policies and procedure regarding purchasing.

### **Disbursements**

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

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

**Findings:** Found the District does not have written policies and procedures regarding disbursements.

### **Receipts/Collections**

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

## WRITTEN POLICIES AND PROCEDURES (CONTINUED)

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

**Findings:** Found the District does not have written policies and procedures regarding receipts and collections.

### Payroll/Personnel

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

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

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

### Contracting

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

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

**Findings:** Found the District does not have written policies and procedures regarding contracts.

### Credit Cards

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

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

**Findings:** Found the District does not have written policies and procedures regarding credit cards.

## WRITTEN POLICIES AND PROCEDURES (CONTINUED)

### Travel and expense reimbursement

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

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

**Findings:** Found the District has written policies and procedures regarding travel and expense reimbursement related to the allowable expenses, documentation requirements, and required approvers.

Found the District does not have written policies and procedures regarding travel and expense reimbursement related to the dollar thresholds by category of expenses with the exception of mileage.

### Ethics

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

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

**Findings:** The District does not have any written policies and procedures for ethics.

### Debt Service

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

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

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

### Management's response:

*The District has policies and procedures in all the areas above however, at year end they were not in writing except for payroll/personnel which includes travel and expense reimbursement.*

*We are in the process of putting our policies and procedures in some areas in writing. Due to the small size of our district, the simple scope of our business operations and our limited number of personnel. We do not believe it is cost effective to have written procedures in all areas.*

## BOARD OR FINANCE COMMITTEE

---

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

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

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

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

**Procedure Performed:** Obtained and read the District's board minutes for the fiscal period.

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

- c) For governmental entities, obtain the prior year audit report and observe the 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.

**Procedure Performed:** Obtained and read the District's prior year audit report and observed the unrestricted fund balance in the general fund.

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

***Management's response:***

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

## 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).

**Procedure Performed:** Obtained from management a listing of deposits sites for the fiscal period where deposits for cash/ checks/ money orders are prepared and management's representation that the listing is complete.

**Findings:** Found the District has only one deposit site.

The District does not receive any cash nor money orders, only checks all of which are from other governmental entities.

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.
  - 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.
  - 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.
  - 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.

**Procedure Performed:** Obtained from management a listing of collection locations relating to the one deposit site and management's representation that the listing is complete. The District has only one collection location. For that collection location we inquired of employees about their job duties.

**Findings:**

- a) Found that, the office manager who is responsible for cash collections at the collection location does not share cash drawers/ registers.
- b) Found that the office manager who is responsible for collections is also responsible for preparing and making bank deposits. However, the supervisor is responsible for verifying the reconciliation.

## COLLECTIONS (CONTINUED)

- c) Found that the office manager responsible for collecting cash is responsible for posting collection entries to the general ledger. However, the supervisor is responsible for verifying the reconciliation.
- d) Found that the office manager responsible for reconciling cash collections to the general ledger is responsible for collection of cash. However, the supervisor is responsible for verifying the reconciliation.

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

**Procedure Performed:** Inquire of management and obtain management's written confirmation that all employees who have access to cash has insurance policy for theft. - -

**Findings:** Found that the office manager is the only person that has access to cash and she is covered by an insurance policy for theft.

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.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- 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).
- e) Trace the actual deposit per the bank statement to the general ledger.

**Procedure Performed:** Randomly selected two deposit dates for the District's two bank accounts (main operating account and money market account) and obtained supporting documentation (general ledger, deposit slips, copies of checks received [which denotes the date received], and bank statements) for each and performed the following procedures;

- a) Observed the District does not have sequentially pre-numbered receipts.
- b) Traced collection documentation (copies of checks received) to the deposit slip.
- c) Traced the deposit slip total to the actual deposit per the bank statement.

## COLLECTIONS (CONTINUED)

---

- d) Compared the date of the cash receipt (as denoted on the copy of the checks received) to the date of deposit per the bank statement.
- e) Trace the actual deposit per the bank statement to the general ledger

**Findings:** Found that the District's money market account had no deposits during the year.

- a) Found the District does not have sequentially pre-numbered receipts. However, due to the nature of the District's business this is not considered necessary because only a few checks are received and all checks are received from other governmental entities.
- b) Collections documentation (copies of checks received) agrees to the deposit slips.
- c) Deposit slip total agrees to the deposit amount on the bank statement.
- d) Found deposits were made within one business day of receipt.
- e) The actual deposit per bank statements agrees with the collection recorded in the general ledger

***Management's response:***

*No comments*

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

---

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

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

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

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

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

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

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

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

**Procedure Performed:** We obtained a listing of employees involved with non-payroll purchasing and payment functions and, inquired of these employees' about their job duties.

**Findings:**

- a) At least two employees are involved in initiating a purchase request, approving a purchase,  
and placing an order/making purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee involved in processing payments is not prohibited from adding or modifying vendors files. No employee is responsible for periodically reviewing changes to vendor files.

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

d) The employee/official responsible for signing checks does not mail the checks. The checks are mailed by the same employee who processes payments.

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

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

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

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

**Findings:**

a) Found that disbursements matched the related original invoice.

b) Found that disbursement documentation included evidence that the District is following its policies as it relates to the segregation of duties tested under #9 a and b above. However, duties are not segregated as it relates to procedures listed under #9 c and d above.

***Management's response:***

*The Board will approve vendor listing at the beginning of the period and update and approve as necessary.*

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

## CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS

---

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

**Procedure Performed:** We obtained and read a listing of all active credit cards, bank debit cards, fuel cards, and p- cards which included vehicle descriptions and names of the persons whom are authorized to use the card and obtained management's representation that the list was complete.

**Findings:** The list contained the names of persons authorized to use the cards and a description of the vehicle or equipment. There are only 10 fuel cards; the District has no other types of cards.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

**Procedure Performed:** We randomly selected 5 fuel cards from the list obtained in #11 above that were used during the fiscal period and randomly selected one monthly combined statement for each of the 5 fuel cards. We observed evidence that the monthly statements and supporting documents (original itemized receipts) were reviewed and approved in writing by someone other than the authorized card holder.

We observed the selected monthly combined fuel card statements to determine whether finance charges and/ or late fees were assessed on the selected statements.

**Findings:** All 5 fuel cards and supporting documentation (original itemized receipts) selected were reviewed and approved by a supervisor. One of the 5 fuel cards selected was for a supervisor and he approved his own card charges. However, prior to payment the Board approves all statements for payment.

Found that no finance charges or late fees were assessed.

**CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS (CONTINUED)**

---

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**Not applicable because the District only has fuel cards, which are excluded from this procedure.**

***Management's response:***

*No comments*

## CONTRACTS

---

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law<sup>12</sup> (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

**Procedure Performed:** Obtained a listing of agreements/contracts for professional services, material and supplies, leases and construction activities that were initiated or renewed during the fiscal period and managements representation that the list is complete. Randomly selected 5 contracts from the listing and performed the following procedures:

- a) Observed that the contract was bid in accordance with the Louisiana Public Bid Law, if required.
- b) Observed that the contract was approved by the governing body/board, if required by policy or law.
- c) If the contract was amended, observed that the original contract terms provided for such amendment.
- d) Randomly selected one payment from the fiscal period for each of the 5 contracts, obtained and compared the contract and supporting invoice and payment check copies, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

## CONTRACTS (CONTINUED)

---

**Findings:** Found the list contained 6 contracts (excluding our firm)

Found the following:

- a) Two of the five contracts are subject to Louisiana Public Bid Law and were bid in compliance with requirements.
- b) All five contracts were approved by the board.
- c) None of the contracts were amended during the fiscal year.
- d) Invoices for all five contracts agree to contract terms and the invoices and related payments agree to the terms and conditions of the contracts.

***Management's response:***

*No comments*

## PAYROLL AND PERSONNEL

---

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

**Procedure Performed:** Obtained and read a listing of employees employed during the fiscal period and management's representation that the listing is complete. Randomly selected 5 employees and obtained and inspected their personnel files and check stubs.

**Findings:** The listing contained 12 employees. There are no elected officials.

For the five randomly selected employees, we found paid salaries on employees check stubs agreed to authorized salary pay rate in personnel files.

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.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

**Procedure Performed:** Randomly selected one pay period during the fiscal year for the 5 employees selected and obtained attendance records and leave documentation (Employee Time Book) for the pay period. Performed the following procedures:

- a) Observed that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- b) Observed that supervisors approved the attendance and leave of the selected employees.
- c) Observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

## PAYROLL AND PERSONNEL (CONTINUED)

---

### Findings:

- a) Found that employees' daily attendance and leave is documented in the "Time Book" and initialed by a supervisor and the employee.
- b) Found that the attendance and leave was approved by the supervisor.
- c) Found that all five employees selected had leave accrued or taken during the pay period. All leave accrued or taken is reflected in the District's "Time Book" (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.

**Procedure Performed:** Inquired of management and obtained management's representation that no termination payments were made during the fiscal period.

**Findings:** There was one termination during the fiscal period. However, no termination payments were made and none were due.

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.

**Procedure Performed:** Obtained management's representation that employer and employee portions of the abovementioned items have all been paid and associated forms have been filed, by required deadlines

**Findings:** All payroll taxes, retirement contributions, and insurance premiums have been paid and all associated forms have been filed by required deadlines.

### *Management's response:*

*No comments*

## DEBT SERVICE

---

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
  
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

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

**Findings:** The district does not have bonds/notes.

*Management's response:*

*No comments*