ST. MARY LEVEE DISTRICT

FINANCIAL REPORT

For the Year Ended December 31, 2016

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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of St. Mary Levee District (District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and the schedule of funding progress related to other postemployment benefits on pages 26 and 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits and other payments to executive director and the schedule of compensation paid to board members are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to executive director, the schedule of compensation paid to board members, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to executive director, the schedule of compensation paid to board members, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Morgan City, Louisiana
June 30, 2017

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST. MARY LEVEE DISTRICT

Statement of Net Position
December 31, 2016

ASSETS	
Current assets	
Cash	$ 3,162,507
Taxes receivable (net of allowance for uncollectible taxes)	2,197,415
Due from other governmental units	5,077,542
Prepaid expenses	14,896
Total current assets	10,452,360
Noncurrent assets	
Nondepreciable capital assets	3,732,940
Depreciable capital assets, net of accumulated depreciation	5,386,804
Total noncurrent assets	9,119,744
TOTAL ASSETS	$ 19,572,104
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	$ 261,021
Accrued payroll taxes	2,592
Contracts payable	303,280
Due to other governmental units	2,920,000
Total current liabilities	3,486,893
Long-term liabilities	
Other postemployment benefit obligation	20,900
TOTAL LIABILITIES	3,507,793
Net position	
Net investment in capital assets	9,119,744
Unrestricted	6,944,567
Total net position	16,064,311
TOTAL LIABILITIES AND NET POSITION	$ 19,572,104

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
Flood protection	$ 8,065,324	$ 1,700	$ 5,367,066	$ (2,696,558)
General Revenues:				
Ad valorem taxes				2,882,050
Interest and investment earnings				8,766
Miscellaneous				17,134
Rents and royalties				213
Total general revenues				2,908,163
Change in net position				211,605
Net position - beginning				15,852,706
Net position - ending				$ 16,064,311

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

ST. MARY LEVEE DISTRICT

Balance Sheet
Governmental Fund
December 31, 2016

	General Fund
ASSETS	
Current assets	
Cash	$ 3,162,507
Taxes receivable (net of allowance for uncollectible taxes)	2,197,415
Due from other governmental units	5,077,542
Total current assets	$ 10,437,464
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Current liabilities	
Accounts payable	$ 261,021
Accrued payroll taxes	2,592
Contracts payable	303,280
Due to other governmental units	2,920,000
Total current liabilities	3,486,893
Deferred inflows of resources	5,078,716
Fund balance	
Unassigned	1,871,855
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 10,437,464

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2016

Fund balance - governmental fund	$ 1,871,855
Total net position reported for governmental activities in the statement of net position is different because:	
Revenues that are not considered available are not financial resources and, therefore, are not reported in the governmental fund.	5,078,716
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	9,119,744
Prepaid expenses involve the payment of obligations that are attributable to fiscal periods beyond the end of the current fiscal year with current financial resources and, therefore, are not reported in the governmental fund.	14,896
Long-term liabilities, which include other postemployment benefit obligations, are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(20,900)
Net position of governmental activities	$ 16,064,311

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Statement of Revenues, Expenditures, and Changes in
Fund Balance – Governmental Fund
For the Year Ended December 31, 2016

	General Fund
Revenues	
Taxes - ad valorem	$ 2,948,446
Interest income	8,766
Intergovernmental	
Local sources	290,290
Federal sources	299,179
Permits	1,700
Rents and royalties	213
Other income	17,134
Total revenues	3,565,728
Expenditures	
Current -	
Flood protection:	
General administrative	221,356
Insurance	59,660
Levee maintenance	310,603
Miscellaneous	2,590
Personal services	141,245
Professional services	4,706,061
Rental	38,118
Supplies and materials	2,411,142
Travel	7,023
Utilities	5,818
Capital outlay	381,798
Total expenditures	8,285,414
Change in fund balance	(4,719,686)
Fund balance, beginning	6,591,541
Fund balance, ending	$ 1,871,855

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2016

Net change in fund balance - governmental fund	$ (4,719,686)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues that are considered available provide current financial resources to governmental funds; however, in the statement of activities, revenues that are not considered available are reported. This is the difference between prior year and current year revenues that were not considered available.	4,711,201
Certain expenditures of the governmental fund involve the payment of current financial resources for obligations attributable to fiscal periods following the close of the current fiscal period. The portion of payments for insurance coverage attributable to periods after December 31, 2016 are classified as prepaid expenses in the statement of net position. This is the difference between prior year and current year accruals.	222
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	225,644
Other postemployment benefit obligations do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	(5,776)
Change in net position of governmental activities	$ 211,605

The accompanying notes are an integral part of this statement.

ST. MARY LEVEE DISTRICT

Notes to the Financial Statements

INTRODUCTION

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

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

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

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

A separate financial statement is provided for the governmental fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities for the current period. For this purpose, the government considers revenues to be *available* if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District has the following fund type:

Governmental Fund –

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

General Fund –

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

Capital Assets

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

Government-wide Financial Statements:

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

a. Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – consists of net position items with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – consists of the net amount of assets and liabilities that do not meet the definition of the above two components and is available for general use by the District.

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

Fund Financial Statements:

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – Includes all other spendable amounts.

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

Deferred Inflows of Resources

Ad valorem taxes levied at December 31, 2016 totaling $116,108 and reimbursements due from the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) totaling $4,962,608 are not considered to be available to finance operations of the current period and are reported as deferred inflows of resources. These revenues are recognized as operating revenues when they become available.

Compensated Absences

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

Use of Estimates

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

Subsequent Events

The District has evaluated subsequent events through June 30, 2017, the date the financial statements were available to be issued.

Net Other Postemployment Benefit Obligations

The District applies the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement requires the District to calculate and recognize a net *other postemployment benefit* (OPEB) obligation or asset at year end. The net OPEB obligation or asset is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2016. See Note 6 for further details.

NOTE 2 CASH

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in the United States bonds, notes or bills as well as certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The carrying value of the District's cash and interest-bearing deposits with financial institutions at December 31, 2016 totaled $3,162,507 and the bank balance was $3,167,672. Federal deposit insurance covered $250,000 of the deposits while the remaining deposits were covered by collateral held by the pledging bank's agent in the District's name in the amount of $4,207,597. Cash and interest-bearing deposits are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

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

NOTE 3 AD VALOREM TAXES

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

For the year ended December 31, 2016, 5.00 mills were authorized and dedicated for the purpose of acquiring, constructing, maintaining, and operating hurricane protection facilities within the District.

Total taxes levied during 2016 were $3,043,797. Taxes receivable at December 31, 2016 consisted of $2,220,506 for the 2016 assessment, of which approximately 1.04 percent or $23,091 was considered uncollectible.

NOTE 4 DUE FROM AND TO OTHER GOVERNMENTAL UNITS

The amount due from other governmental units at December 31, 2016, consisted of funding from unpaid reimbursements totaling $114,934 issued by the EDA for expenses incurred relating to the design and engineering costs of the Bayou Chene Flood Control Infrastructure Improvement Plan. The remaining balance due from other governmental units consisted of unpaid reimbursements of $4,962,608 from FEMA for expenses incurred relating to the flood event of 2016.

NOTE 4 DUE FROM AND TO OTHER GOVERNMENTAL UNITS (CONTINUED)

The amount due to other governmental units at December 31, 2016, consisted of $2,170,000 from an obligation to refund the Coastal Protection and Restoration Authority (CPRA) for funding that CPRA provided to the District for flood fighting in connection with the threat of flooding from the Mississippi River, the Atchafalaya River, and related bodies of water in May 2011. The remaining balance due to other governmental units of $750,000 is also due to the CPRA for funding that CPRA provided in connection with the Franklin Canal Pump Station construction project completed during the year ended December 31, 2015.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	$ 3,370,693	$ 338,489	$ -	$ 3,709,182
Land	23,758	-	-	23,758
Total capital assets not being depreciated	3,394,451	338,489	-	3,732,940
Capital assets being depreciated:				
Machinery and equipment	60,639	7,960	-	68,599
Vehicles	9,337	28,993	-	38,330
Office equipment	10,393	6,356	-	16,749
Improvements other than buildings	11,151	-	-	11,151
Flood protection infrastructure	5,633,349	-	-	5,633,349
Total capital assets being depreciated	5,724,869	43,309	-	5,768,178
Less accumulated depreciation for:				
Machinery and equipment	(36,065)	(9,310)	-	(45,375)
Vehicles	(4,829)	(3,589)	-	(8,418)
Office equipment	(5,945)	(1,864)	-	(7,809)
Improvements other than buildings	(604)	(558)	-	(1,162)
Flood protection infrastructure	(177,777)	(140,833)	-	(318,610)
Total accumulated depreciation	(225,220)	(156,154)	-	(381,374)
Total capital assets being depreciated, net	5,499,649	(112,845)	-	5,386,804
Total capital assets, net	$ 8,894,100	$ 225,644	$ -	$ 9,119,744

Depreciation charged to expense was $156,154 for the year ended December 31, 2016.

NOTE 5 CAPITAL ASSETS (CONTINUED)

Construction in Progress

The costs associated with the engineering and design phase of the Bayou Chene Flood Control Structure construction project of $3,462,946 are included in construction in progress at December 31, 2016. The U.S. Department of Commerce's Economic Development Administration (EDA) has approved $1,800,000 of financial assistance for the design and engineering phase of the project. Terrebonne Levee and Conservation District (TLCD) also pledged to contribute $500,000 to the St. Mary Levee District to partially fund the design and engineering fees of the project. At December 31, 2014, $250,000 of the $500,000 contribution from TLCD was recorded as intergovernmental revenue from local sources. At December 31, 2015, the remaining $250,000 of the $500,000 contribution from TLCD was recorded as intergovernmental revenue from local sources. At December 31, 2016, $114,934 of the $1,800,000 assistance from EDA is recorded as due from other governmental units (see Note 4)

The costs associated with the engineering and design phase of the Bayou Teche Flood Control Structure construction project of $246,236 are included in construction in progress at December 31, 2016.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year in which it will be paid. The District applies GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. As a result, the District recognizes the cost of postemployment healthcare in the year in which the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Because the District adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2013 liability.

As a result of the timing of the GASB 45 actuarial valuation not coinciding with the District's year end, the most current information needed to measure the OPEB obligation or asset is not available to be reported at the date the financial statements are available to be issued; therefore, the valuation at July 1, 2015 is used to measure the 2016 OPEB obligation or asset. The timing difference between the valuation used and the District's year end is not considered to be material to the financial statements for the year ended December 31, 2016.

Plan Description

The District provides post-employment health care and life insurance benefits for substantially all employees if they reach normal retirement age while working for the District. The District's employees may participate in the State of Louisiana's Other Postemployment

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees, and their beneficiaries. The State administers through the Office of Group Benefits (OGB). Louisiana Revised Statutes 42:801-883 assign the authority to establish and amend benefit provisions of the plan. The OGB does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). A copy of the CAFR may be obtained on the Office of Statewide Reporting and Accounting Policy's website at www.doa.louisiana.gov/osrap.

Funding Policy

The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the District are established and may be amended by Louisiana Revised Statutes 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage.

Annual Other Postemployment Benefit Cost

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 5,700
Interest on prior year net OPEB obligation	605
Adjustment to annual required contribution	(529)
Annual OPEB cost (expense)	5,776
Less contributions made	-
Change in net OPEB obligation	5,776
Net OPEB obligation - beginning of year	15,124
Net OPEB obligation - end of year	$ 20,900

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for December 31, 2016, and the two preceding fiscal years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
12/31/2014	$ 3,359	0.0%	$ 9,759
12/31/2015	5,365	0.0%	15,124
12/31/2016	5,776	0.0%	20,900

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016, is as follows:

Actuarial accrued liability (AAL)	$ 14,300
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 14,300
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	$ 108,578
UAAL as a percentage of covered payroll	13.17%

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the District's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions utilized a 4.0% discount rate. The valuation assumed an initial annual healthcare cost trend rate of 7.5% and 6.5% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 4.5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of payroll on an open basis. The remaining amortization period at July 1, 2015 was twenty-seven years.

NOTE 7 OPERATING LEASES

The District entered into a 12-month cancelable building lease for $1,300 per month beginning on July 1, 2014. The District had the option to renew the lease for an additional 12-month period beginning on July 1, 2015. The option to renew was not formally exercised; however, the District continued to lease the property on a month-to-month basis until July 2016. Payments on this lease totaling $9,100 were made during the year ended December 31, 2016.

The District entered into a 5-year cancelable building lease for $2,685 per month beginning on August 1, 2016. The District has the option to renew the lease for an additional 5-year period beginning on August 1, 2021. Payments on this lease totaling $14,675 were made during the year ended December 31, 2016.

The District renewed a 12-month cancelable land lease for $500 per month beginning on June 1, 2013. This lease will be extended on a month to month basis for a period not to exceed five years beyond the primary term. Payments on this lease totaling $6,000 were made during the year ended December 31, 2016.

The District entered into a 12-month cancelable land lease for $1,495 per month beginning on July 1, 2016. This lease will be extended on a month to month basis for a period not to exceed three years beyond the primary term. Payments on this lease totaling $8,343 were made during the year ended December 31, 2016.

NOTE 8 DEFERRED COMPENSATION PLAN

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

Contributions are made voluntarily by the employee through payroll deductions, with the District making matching contributions up to 10% of the participating employees' regular gross wages. There were no participants in the plan during the year ended December 31, 2016; therefore, the total employer contribution expense for the year was $0.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended December 31, 2016. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

NOTE 10 CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY LEVEE DISTRICT

Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes - ad valorem	$2,623,500	$2,920,000	$2,948,446	$ 28,446
Interest income	3,660	10,358	8,766	(1,592)
Intergovernmental				
Local sources	-	290,290	290,290	-
Federal sources	1,102,500	5,649,245	299,179	(5,350,066)
Permits	4,000	2,150	1,700	(450)
Rents and royalties	-	213	213	-
Other income	2,000	-	17,134	17,134
Total revenues	3,735,660	8,872,256	3,565,728	(5,306,528)
Expenditures				
Current -				
Flood protection:				
General administrative	108,050	114,054	221,356	(107,302)
Insurance	55,800	60,571	59,660	911
Levee maintenance	569,000	318,378	310,603	7,775
Miscellaneous	-	-	2,590	(2,590)
Personal services	137,280	140,539	141,245	(706)
Professional services	450,500	4,786,450	4,706,061	80,389
Rental	40,620	34,431	38,118	(3,687)
Supplies and materials	212,700	2,616,603	2,411,142	205,461
Travel	9,000	6,783	7,023	(240)
Utilities	3,100	5,404	5,818	(414)
Capital outlay	4,885,000	372,151	381,798	(9,647)
Total expenditures	6,471,050	8,455,364	8,285,414	169,950
Change in fund balance	(2,735,390)	416,892	(4,719,686)	(5,136,578)
Fund balance, beginning	6,663,394	6,591,541	6,591,541	-
Fund balance, ending	$3,928,004	$7,008,433	$1,871,855	$ (5,136,578)

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Schedule of Funding Progress – Other Postemployment Benefits
For the Year Ended December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
7/1/2013	$ -	$ 6,500	$ 6,500	0.00%	$ 37,600	17.29%
7/1/2014	-	9,000	9,000	0.00%	96,151	9.36%
7/1/2015	-	14,300	14,300	0.00%	108,578	13.17%

See independent auditor’s report.

OTHER SUPPLEMENTARY INFORMATION

ST. MARY LEVEE DISTRICT

Schedule of Compensation, Benefits and Other Payments to Executive Director
For the Year Ended December 31, 2016

Executive Director Name: Timothy Matte

Purpose	Amount
Salary	$ 68,400
Benefits - insurance	-
Benefits - retirement	-
Benefits - other	-
Car allowance	7,200
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	2,065
Registration fees	-
Conference travel	799
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
Total	$ 78,464

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Schedule of Compensation Paid to the Board of Commissioners
For the Year Ended December 31, 2016

William Hidalgo, Sr., President	$	2,775
Kenneth P. Arceneaux, Jr.		1,125
Barry Broussard		900
Wayne Cantrell, Jr.		450
Norris Crappell		1,500
Junius Hebert, Jr.		1,575
Luther Smith		750
Wilson Terry		1,500
James Vidos		1,125
Total	$	11,700

See independent auditor's report.

ST. MARY LEVEE DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security:			
Pass-through program from:			
Governor's Office of Homeland Security and Emergency Preparedness -			
Disaster Grants - Public Assistance	97.036	101-UYRJ5-00	$ 4,962,608
U.S. Department of Commerce:			
Economic Development Administration -			
Economic Adjustment Assistance	11.307		67,337
Total expenditures of federal awards			$ 5,029,945

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

See independent auditor’s report.

INTERNAL CONTROL

AND

COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the St. Mary Levee District (District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-002.

St. Mary Levee District's Response to Findings

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

Purpose of this Report

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

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

Morgan City, Louisiana
June 30, 2017

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

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

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

Report on Compliance for Each Major Federal Program

We have audited the St. Mary Levee District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2016. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a material weakness.

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

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

Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

Morgan City, Louisiana
June 30, 2017

ST. MARY LEVEE DISTRICT

Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2016

Section I Internal Control and Compliance Material to the Financial Statements

2015-001 Inadequate segregation of accounting functions

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

Recommendation: Based upon the size of the entity and the cost-benefit consideration of additional personnel, it may not be feasible to achieve complete segregation of accounting functions.

Status: This finding is unresolved. See current year finding 2016-001.

Section II Internal Control and Compliance Material to Federal Awards

At December 31, 2015, St. Mary Levee District did not meet the requirements to have a single audit in accordance with *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; therefore, this section is not applicable.

Section III Management Letter

A management letter was not issued for the year ended December 31, 2015.

ST. MARY LEVEE DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on St. Mary Levee District's financial statements as of and for the year ended December 31, 2016.

Deficiencies in Internal Control – Financial Reporting

Our consideration of internal control over financial reporting disclosed one instance of a deficiency in internal control which is required to be reported under *Government Auditing Standards* and is listed as item 2016-001 in Part 2. We consider the deficiency to be a material weakness.

Material Noncompliance and Other Matters – Financial Reporting

The results of our tests disclosed one instance of noncompliance which is required to be reported under *Government Auditing Standards* and is listed as item 2016-002 in Part 2.

FEDERAL AWARDS

Auditor's Report – Financial Statements

An unmodified opinion has been issued on St. Mary Levee District's compliance for its major program as of and for the year ended December 31, 2016.

Major Program – Identification

St. Mary Levee District had the following major program at December 31, 2016:

Disaster Grants – Public Assistance CFDA # 97.036

Program Type Determination

The dollar threshold to distinguish between Type A and Type B programs is $750,000 for the fiscal year ended December 31, 2016.

Risk Consideration

For the year ended December 31, 2016, St. Mary Levee District was not considered a low-risk auditee.

ST. MARY LEVEE DISTRICT

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2016

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

Deficiencies in Internal Control – Major Program

The results of our tests of internal control over compliance disclosed one instance of a deficiency in internal control over compliance that is reported as item 2016-001 in Part 3. We consider the deficiency to be a material weakness.

Noncompliance – Major Program

The results of our tests disclosed no instances of noncompliance during the audit of the major program.

MANAGEMENT LETTER

This section is not applicable for the fiscal year ended December 31, 2016.

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

2016-001 Inadequate segregation of accounting functions

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

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

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

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

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

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

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

2016-002 Noncompliance with the Louisiana Local Government Budget Act

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

Condition: Revenues of the General Fund exceeded the budgeted amount by five percent or more.

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

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

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

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

Part 3: Findings and Questioned Costs Relating to Federal Awards

2016-001 See the detailed finding in Part 2.

ST. MARY LEVEE DISTRICT

Management's Corrective Action Plan for Current Year Findings
For the Year Ended December 31, 2016

2016-001 Inadequate segregation of accounting functions

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

2016-002 Noncompliance with the Louisiana Local Government Budget Act

Management's Response and Planned Corrective Action: The District amends its budget when it identifies major changes in either revenue or expenditures. The District anticipated receiving Federal Emergency Management Agency reimbursements for its expenditures made during January through July of 2016 in sufficient time to be reflected on its 2016 financial statements. Correspondence received from the Governor's Office of Homeland Security and Emergency Preparedness indicated that many of these reimbursements were approved so the expectation was that they would be received shortly. The first reimbursement was received in March 2017, just past the sixty day timeframe to be included in the 2016 financial statements.

In the future, we will monitor these types of accruals and amend the budget once it is determined that the reimbursements will not be received in time to be reflected in the current year financial statements.

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

Anticipated Completion Date: Year ending December 31, 2017