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

**Annual Component Unit Financial Statements  
with Independent Auditors' Report  
and  
Report on Compliance and Internal Control Over Financial Reporting  
For the Year Ended September 30, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3.24.04

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 1, a component unit of St. Mary Parish, as of September 30, 2003, and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Mary Parish Consolidated Gravity Drainage District No. 1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

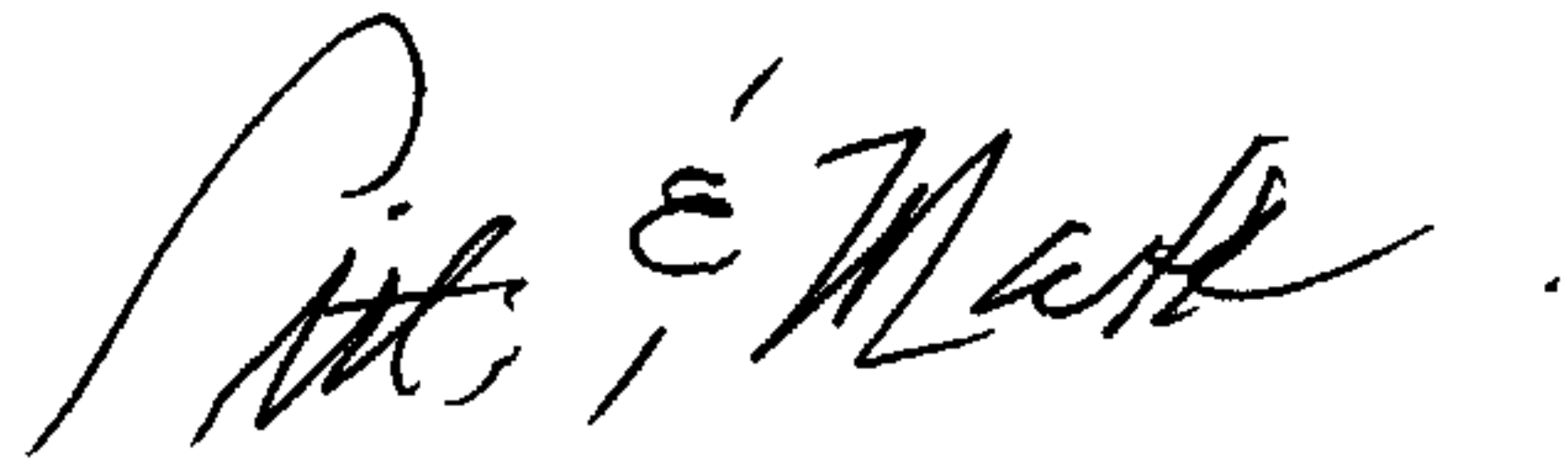
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2003, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34 Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments, for the year ending September 30, 2003.

The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated November 25, 2003 on our consideration of St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



CERTIFIED PUBLIC ACCOUNTANTS

November 25, 2003

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

**Statement of Net Assets  
September 30, 2003**

<b>ASSETS</b>	<b>Governmental <u>Activities</u></b>
<b>Current assets</b>	
Cash and cash equivalents	\$497,612
Investments	46,649
Accounts receivable - other	518
Due from other governments	3,756
	<u>548,535</u>
<b>Total current assets</b>	<u>548,535</u>
<b>Capital assets</b>	
Buildings and improvements, net of accumulated depreciation	126,386
Equipment, net of accumulated depreciation	434,218
Other infrastructure, net of accumulated depreciation	16,801
	<u>577,405</u>
<b>Total net capital assets</b>	<u>577,405</u>
<b>Total assets</b>	<u><u>\$1,125,940</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable and accrued expenses	\$45,062
	<u>45,062</u>
<b>Total liabilities</b>	<u>45,062</u>
<b>Net Assets</b>	
Invested in capital assets	577,404
Restricted for Yokely Pump Station	46,649
Unrestricted	456,825
	<u>1,080,878</u>
<b>Total net assets</b>	<u>1,080,878</u>
<b>Total liabilities and net assets</b>	<u><u>\$1,125,940</u></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, 2003**

	<u>Total</u>
<u>Expenses</u>	
<u>Drainage</u>	
Salaries, wages, and benefits	\$409,650
Pump operation and maintenance	216,832
Insurance	115,659
Truck expenses	41,656
Utilities	16,715
Miscellaneous	16,729
Hurricane related expenses	101,111
Depreciation expense	95,954
	1,014,306
Total expenses	1,014,306
 <u>Program revenues</u>	
Operating grants and contributions	6,666
Net program expense	1,007,640
 <u>General revenues</u>	
Ad valorem taxes	834,467
Federal grant	62,614
State grant	8,027
State revenue sharing	60,795
Investment income	6,928
	972,831
Total general revenues	972,831
Change in net assets	(34,809)
Net assets - beginning of year	1,115,687
Net assets - end of year	\$1,080,878

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, 2003**

	<u>General Fund</u>	<u>Capital Maintenance Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$497,612		\$497,612
Investments		\$46,649	46,649
Accounts receivable - other	519		519
Due from other governments	3,756		3,756
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$501,887</u>	<u>\$46,649</u>	<u>\$548,536</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$45,062		\$45,062
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>45,062</u>	<u>—</u>	<u>45,062</u>
<b>Fund balances:</b>			
Unreserved/undesignated	456,825		456,825
Reserved for Yokely Pump Station		\$46,649	46,649
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>456,825</u>	<u>46,649</u>	<u>503,474</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$501,887</u>	<u>\$46,649</u>	<u>\$548,536</u>

Reconciliation of the total fund balance – total governmental funds  
to the net assets of governmental activities:

Total fund balance - Governmental Funds	\$503,474
Amounts reported for governmental activities in the Statement of Net Assets 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.	<u>577,404</u>
Net assets of governmental activities	<u><u>\$1,080,878</u></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, 2003**

	<u>General Fund</u>	<u>Capital Maintenance Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Ad valorem taxes	\$834,467		\$834,467
Federal grant	62,614		62,614
State grant	8,027		8,027
State revenue sharing	60,795		60,795
Intergovernmental revenues		\$6,666	6,666
Investment income	6,568	360	6,928
<b>Total revenues</b>	<u>972,471</u>	<u>7,026</u>	<u>979,497</u>
<b>Expenditures</b>			
<b>Current operating</b>			
<b>Drainage</b>			
Salaries and per diems	305,005		305,005
Pump operation and maintenance	215,643	1,189	216,832
Personnel benefits	104,645		104,645
Insurance	109,307	6,352	115,659
Truck expenditures	41,656		41,656
Utilities	16,715		16,715
Miscellaneous	16,729		16,729
Hurricane related expenditures	101,111		101,111
<b>Capital outlays</b>	112,509		112,509
<b>Total expenditures</b>	<u>1,023,320</u>	<u>7,541</u>	<u>1,030,861</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(50,849)</u>	<u>(515)</u>	<u>(51,364)</u>
<b>Other financing sources (uses)</b>			
Transfer out to other funds	(3,333)		(3,333)
Transfer in from other funds		3,333	3,333
<b>Total other financing sources (uses)</b>	<u>(3,333)</u>	<u>3,333</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources (uses) over expenditures</b>	<u>(54,182)</u>	<u>2,818</u>	<u>(51,364)</u>
<b>Fund balance at beginning of year</b>	<u>511,007</u>	<u>43,831</u>	<u>554,838</u>
<b>Fund balance at end of year</b>	<u>\$456,825</u>	<u>\$46,649</u>	<u>\$503,474</u>

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

Net change in fund balance - Governmental Funds (51,364)  
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 (\$112,509) exceeded  
depreciation (\$95,954) in the current period.

16,555

Change in net assets of governmental activities

(\$34,809)

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

**Budgetary Comparison (Non-GAAP Basis) -  
General Fund  
For the Year Ended September 30, 2003**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts	Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Ad valorem taxes	\$750,000	\$834,000	\$834,467	\$467
Federal grant		62,614	62,614	
State grant		8,027	8,027	
State revenue sharing	51,410	60,795	60,795	
Investment income	9,500	6,500	6,568	68
	<u>810,910</u>	<u>971,936</u>	<u>972,471</u>	<u>535</u>
<b><u>Expenditures</u></b>				
Current operating				
Drainage				
Salaries, wages, and benefits	407,358	433,845	409,650	24,195
Pump operation and maintenance	194,356	273,304	215,643	57,661
Insurance	97,441	110,000	109,307	693
Truck expenditures	31,860	49,000	41,656	7,344
Utilities	11,731	18,000	16,715	1,285
Miscellaneous	14,088	20,992	16,729	4,263
Hurricane related expenditures		62,324	101,111	(38,787)
Capital outlay	263,334	259,769	115,842	143,927
	<u>1,020,168</u>	<u>1,227,234</u>	<u>1,026,653</u>	<u>200,581</u>
Excess (deficiency) of revenues over expenditures	<u>(209,258)</u>	<u>(255,298)</u>	<u>(54,182)</u>	<u>201,116</u>
Fund balances, beginning of year	<u>449,416</u>	<u>511,007</u>	<u>511,007</u>	<u>--</u>
Fund balances, end of year	<u>\$240,158</u>	<u>\$255,709</u>	<u>\$456,825</u>	<u>\$201,116</u>

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

ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Notes to the Financial Statements  
September 30, 2003

**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.

In June 1999, the GASB approved Statement No. 34, Basis Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments (Statement). Significant changes required by the Statement include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, the preparation of the financial statements using full accrual accounting for all of the District's activities (Government-Wide Financial Statements), and the reporting of infrastructure assets. The major change under full accrual accounting includes reporting fixed assets (net of accumulated depreciation) in the Government-Wide Financial Statements. The District has elected to implement the provisions of the Statement in the current year except for the reporting of infrastructure. The District plans to retroactively report infrastructure assets (acquired prior to October 1, 2002) in the fiscal year ending September 30, 2007. These changes are reflected in the accompanying financial statements (including notes to the financial statements).

The District has not presented a MD & A that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

**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 Assets 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 assets resulting from the current year's activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. In accordance with GASB No. 34 this is the first year that Government-Wide Financial Statements are presented.

**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.

Implementation of GASB No. 34 has not resulted in any significant changes in the Fund Financial Statements.

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 funds utilized by the District.

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

### Governmental Fund

#### General Funds

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 and all liabilities (whether current or noncurrent) are included on the statement of net assets and the statement of activities presents increases (revenues) and decreases (expenses) in net total assets. 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.

### 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 and current liabilities 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.



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

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.

### F. Budgets

Fund budgets are adopted on a basis consistent with generally accepted accounting principles, except for: a transfer from the General Fund to the Capital Maintenance Fund in the amount of \$3,334 which is reported as a capital outlay expenditure for budget reporting purposes rather than other financing sources. Annual appropriated budgets are adopted for the General Fund. The Capital Maintenance fund does not have an adopted budget. Under previous generally accepted accounting principles, the Capital Maintenance fund was considered to be an agency fund, which under Louisiana Law was not required to adopt a budget. However, with the implementation of GASB No. 34, the Capital Maintenance fund is now a special revenue fund which is required to have a budget under Louisiana Law. Because it was previously an agency fund, the District did not adopt a budget; therefore, there is no budget to actual comparison. 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.

### G. Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include demand deposits, money market accounts, and/or certificates of deposit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Investments

The District's investment are composed entirely of long-term bank certificates of deposit, non participating contracts which are recorded at cost, unless there is significant impairment of the credit standing of the issuer.

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 requires that in the initial year of implementation, accumulated depreciation on fixed assets be recorded retroactively since their acquisition. Due to this change, the value of fixed assets was reduced by approximately \$675,000 at the beginning of the year.

GASB No. 34 also requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include the District's drainage systems. These infrastructure assets are likely to be the largest asset class of the District. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of the infrastructure is subject to an extended implementation period and will be implement in the fiscal year ending September 30, 2007.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets and displayed in three components:

- a) Invested in capital assets - consists of capital assets net of accumulated depreciation.
- b) Restricted net assets - consists of net assets 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 assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets"

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

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 7).

## NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

### Cash and Cash Equivalents

The District may deposit funds with a fiscal agent bank and certain other financial institutions. The District may also invest in time deposits or certificates of deposit.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved.

Under the provision of the Governmental Accounting Standards Board (GASB) codification, accounts secured by the pledged securities which are not in the name of the governmental unit are considered uncollateralized.

The following is a summary of the cash and cash equivalents and the related federal deposit insurance and pledged securities at year end.

Cash and cash equivalents - stated value	<u>\$497,612</u>
Cash and cash equivalents - bank balance	518,462
Portion insured by federal deposit insurance	386,819
Collateralized by securities in the District's name	
Held by the District or third parties	NONE
Balance uninsured and uncollateralized under GASB codification	131,643
Portion of deposits secured under Louisiana law	<u>131,643</u>
Amount unsecured under Louisiana law	<u>NONE</u>

### Investments

Under state law, the District may invest in certain federally guaranteed securities, certain time certificates of deposit, mutual or trust funds and certain investment pools.

The District's investments are categorized as either (1) insured or registered or for which the securities are held by the government or its agent in the government's name (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the government's name.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

	<u>Categories</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of Deposit Expendable Trust	<u>          </u>	<u>---</u>	<u>\$46,649</u>	<u>\$46,649</u>
Total	<u>---</u>	<u>---</u>	<u>\$46,649</u>	<u>\$46,649</u>

The investments are reported at cost because they are nonparticipating, non-negotiable certificates of deposit.

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, 2003 is as follows:

	<u>Balance</u> <u>9/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/03</u>
Capital assets:				
Building and Improvements	\$ 197,892			\$197,892
Equipment	1,040,510	\$93,842		1,134,352
Other infrastructure	<u>          </u>	<u>18,668</u>	<u>          </u>	<u>18,668</u>
Total capital assets at historical cost	<u>1,238,402</u>	<u>112,510</u>		<u>1,350,912</u>
Less accumulated depreciation for:				
Buildings and improvements	(66,623)	(4,883)		(71,506)
Equipment	(610,930)	(89,204)		(700,134)
Other infrastructure		(1,867)		(1,867)
Total accumulated depreciation	<u>(677,553)</u>	<u>(95,954)</u>	<u>          </u>	<u>(773,507)</u>
Total capital assets, net	<u>\$560,849</u>	<u>\$16,556</u>	<u>          </u>	<u>\$577,405</u>

The beginning balance recorded in accumulated depreciation is for the cumulative effect for depreciation not recorded in years prior to the effect of GASB No. 34.

Approximately \$5,000 of equipment was idle at year end.

#### NOTE 5 - COMPENSATION OF BOARD MEMBERS

Board members received the following per diems for the year ended September 30, 2003:

<u>Name</u>	<u>Amount</u>
Earlon Arnaud	\$ 600
Alva Charatain	500
Lenis Clements, Jr.	500
Donnie Coots	500
Chad Gianfala	400
Cleveland Jackson	600
Raphael Rodriguez, Jr.	<u>500</u>
	<u>\$3,600</u>

#### NOTE 6 - PENSION PLAN

St. Mary Parish Consolidated Gravity Drainage District No. 1 contributes to the Parochial Employees' Retirement System of Louisiana (Plan A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees consisting of seven members. The System provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The System was established by the Louisiana legislature by Act 205 of 1952 and revised by Act 765 of 1979. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by calling the Parochial Employees' Retirement System of Louisiana at (225) 928-1361.

Plan members are required to contribute 9.50% of their annual covered salary and St. Mary Parish Consolidated Gravity Drainage District No. 1 is required to contribute at a rate established by the State Legislature. The current rate is 7.75% of annual covered payroll. The Drainage District's actual contributions to the System for the years ending September 30, 2003, 2002, and 2001 were approximately \$22,500, \$19,500, and \$19,500, respectively; and equal the required contributions for each year.

## NOTE 7 - COMMITMENT

The District entered into an intergovernmental agreement with the St. Mary Parish Council (Parish) and the City of Franklin (City) for a flood control improvement project at the Bayou Yokely Pump Station. The total cost of Phase I of the project is estimated to be approximately \$6.2 million. The administrative, engineering, and land acquisition costs of approximately \$800,000 are to be paid by the three local entities in equal shares. Construction costs of approximately \$5.4 million are to be paid jointly by the Louisiana Department of Transportation and Development (DOTD) and the U.S. Army Corp. of Engineers. The City is overseeing the three local government's participation in the project. The City maintains separate financial information for this project, which is included in its financial report for the year ended April 30, 2003, which is available from the City Clerk of Franklin. The District's cash portion of the project costs is to be funded in three equal increments of \$90,000 over a three year period. The final payment was made as of September 30, 1997. The project is substantially complete. The City and DOTD are presently considering a second phase of the project with an estimated cost of \$2.5 million. The District expects to again partner with the Parish and the City to provide local funding if it is required.

In a separate but related agreement, the City, Parish, and 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 special revenue fund.

## NOTE 8 - 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.

Amounts reported as revenues 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 applicable funds. 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.

**COMPLIANCE AND INTERNAL CONTROL SECTION**





**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING 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 the financial statements of St. Mary Parish Consolidated Gravity Drainage District No. 1 as of and for the year ended September 30, 2003, and have issued our report thereon dated November 25, 2003, which contains two additional paragraphs. One paragraph notes that during the year, the District adopted GASB No. 34. The second paragraph states that management elected to omit Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether St. Mary Parish Consolidated Gravity Drainage District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings and questioned costs as item 2003-1.

## Internal Control over Financial Reporting

In planning and performing our audit, we considered St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Mary Parish Consolidated Gravity Drainage District No. 1's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A description of this condition is included in the material weakness section of this report as item no. 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

This report is intended solely for the use of the management of the District, the Legislative Auditor of the State of Louisiana and the Finance Committee of the St. Mary Parish Council, and is not intended to be and should not be used by anyone other than these specified parties. However under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

November 25, 2003



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

Schedule of Findings, Questioned Costs and Federal Awards  
For the Year Ended September 30, 2003

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified 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

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

Compliance

There was one material instance of noncompliance noted during the audit of the financial statements.

3. Federal Awards

This section is not applicable for the year ended September 30, 2003.

## B. FINDINGS - FINANCIAL STATEMENT AUDIT

### ITEM OF NONCOMPLIANCE

#### ITEM 2003-1

##### Budget

##### Auditor's Comments

Condition: During the course of the audit for year ended September 30, 2003, it was noted that the District did not adopt a budget for the Capital Maintenance fund.

Criteria: State statute requires budgets to be adopted for all special revenue funds.

Effect: Violation of state statute.

Cause: Under previous generally accepted accounting principles, the Capital Maintenance fund was considered to be an agency fund, which under state statute was not required to adopt a budget. However, with the implementation of GASB No. 34, the Capital Maintenance fund is now a special revenue fund which is required to have a budget under state statute. Because it was previously an agency fund, the District did not adopt a budget.

Management's Comments: In the future, we will adopt a budget for the Capital Maintenance fund as required by State law.

### Material Weakness

#### ITEM 2003-2

##### 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 with our CPA and have decided that the additional controls derived by employing an additional person in our bookkeeping area is 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, 2003.

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 2002-1 - 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 with our CPA and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable to prior year.

St. Mary Parish  
Consolidated Gravity Drainage District No. 1

POST OFFICE BOX 668  
BALDWIN, LOUISIANA 70514  
PHONE/FAX 337 - 828-0675

R. RODRIGUEZ, JR., Pres.  
D. COOTS, Vice-Pres.  
C. JACKSON, Secy. Treas.  
R. ROBISON, JR., Supervisor

COMMISSIONERS  
EARLON ARNAUD  
ALVA CHARATAIN  
LENIS CLEMENTS, JR.  
CHAD GIANFALA

November 25, 2003

Mr. Grover C. Austin, CPA  
First Assistant Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70803-9397

Dear Mr. Austin:

St. Mary Parish Consolidated Gravity Drainage District No. 1 respectfully submits the following corrective action plan for their year ended September 30, 2003.

CORRECTIVE ACTION:

Person Responsible: Raphael E. Rodriguez, Jr., President  
St. Mary Parish Consolidated  
Gravity Drainage District No. 1  
P.O. Box 668  
Baldwin, LA 70514

Noncompliance: Re: Item No. 2003-1

Budget: During the audit, our auditors noted that the District did not adopt a budget for the Capital Maintenance Fund as required by State Statute.

Corrective Action: In the future we will adopt a budget for the Capital Maintenance Fund as required by state law.

Material Weakness: Re: Item No. 2003-2

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 this situation with our CPA and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

Mr. Grover C. Austin, CPA  
November 25, 2003  
Page 2

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

St. Mary Parish Consolidated Gravity Drainage District No. 1

  
Raphael E. Rodriguez, Jr.  
President