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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
Independent Auditors' Report on Compliance and Internal Control
For the Year Ended September 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 MAR 03 1999

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PITTS & MATTE

a corporation of
certified public accountants



Independent Auditors' Report

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

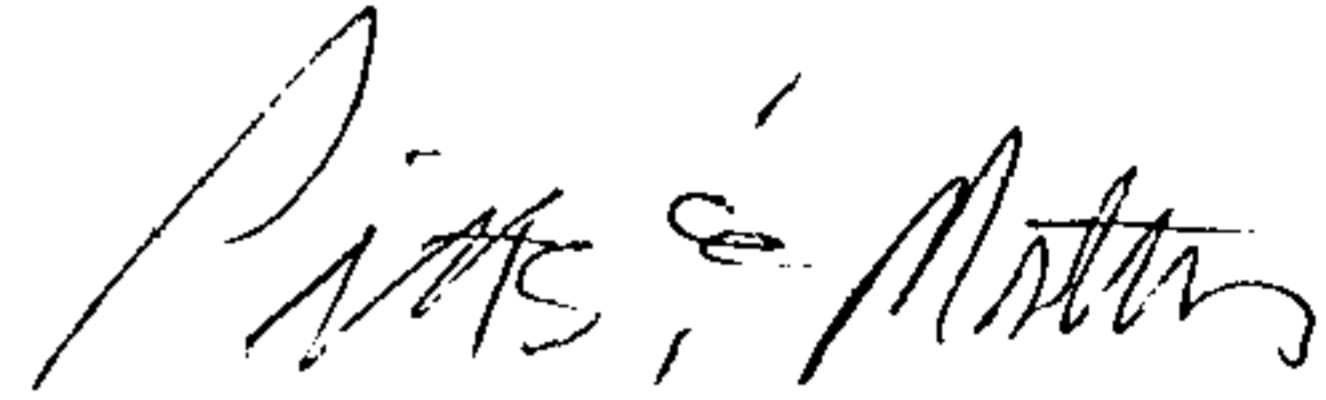
We have audited the accompanying general purpose financial statements of St. Mary Parish Consolidated Gravity Drainage District No. 1, a component unit of St. Mary Parish, as of September 30, 1998, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of St. Mary Parish Consolidated Gravity Drainage District No. 1's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of St. Mary Parish Consolidated Gravity Drainage District No. 1 as of September 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 15, 1998 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.

December 15, 1998



CERTIFIED PUBLIC ACCOUNTANTS

ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1998

	Governmental Fund Type	Account Groups		Total (MEMORANDUM ONLY)
	General Fund	General Fixed Assets	General Long- Term Debt	
<u>Assets and Other Debits</u>				
Cash and cash equivalents	\$167,847			\$167,847
Accounts receivable - other	1,346			1,346
Due from other governments	15,512			15,512
Building and improvements		\$197,892		197,892
Equipment		981,533		981,533
Amounts to be provided for retire- ment of general long-term debt			\$100,000	100,000
Total assets and other debits	<u>\$184,705</u>	<u>\$1,179,425</u>	<u>\$100,000</u>	<u>\$1,464,130</u>
<u>Liabilities, Equity and Other Credits</u>				
<i>Liabilities:</i>				
Accounts payable and accrued expenses	\$66,476			\$66,476
Loan payable to other governments			\$100,000	100,000
Total liabilities	<u>66,476</u>	<u>--</u>	<u>100,000</u>	<u>166,476</u>
<i>Equity and other credits:</i>				
Investment in general fixed assets		\$1,179,425		1,179,425
Fund balance, unreserved, undesignated	118,229			118,229
Total equity and other assets	<u>118,229</u>	<u>1,179,425</u>	<u>--</u>	<u>1,297,654</u>
Total liabilities, equity, and other assets	<u>\$184,705</u>	<u>\$1,179,425</u>	<u>\$100,000</u>	<u>\$1,464,130</u>

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

ST. MARY PARISH
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget and Actual
(GENERAL FUND - THE ENTITY'S ONLY GOVERNMENTAL FUND TYPE)
For the Year Ended September 30, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Ad valorem taxes	\$664,715	\$669,500	\$4,785
Intergovernmental revenues		14,530	14,530
State revenue sharing	67,800	67,806	6
Use of money and property	6,000	7,736	1,736
Total revenues	<u>738,515</u>	<u>759,572</u>	<u>21,057</u>
Expenditures			
Current operating			
Drainage			
Salaries and per diems	260,786	248,087	12,699
Pump operation and maintenanc	174,054	179,258	(5,204)
Personnel benefits	82,006	79,392	2,614
Insurance	77,412	69,549	7,863
Truck expenditures	25,057	21,642	3,415
Utilities	6,000	6,096	(96)
Miscellaneous	14,623	11,824	2,799
Debt Service			
Debt principal	40,947	160,943	(119,996)
Debt interest	250	225	25
Capital outlays	77,998	4,945	73,053
Total expenditures	<u>759,133</u>	<u>781,961</u>	<u>(22,828)</u>
Excess (deficiency) of revenues over expenditures	<u>(20,618)</u>	<u>(22,389)</u>	<u>(1,771)</u>
Other financing sources			
Proceeds from loan - City of Franklin		120,000	120,000
Total other financing sources		<u>120,000</u>	<u>120,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(20,618)</u>	<u>97,611</u>	<u>118,229</u>
Fund balance at beginning of year	<u>20,618</u>	<u>20,618</u>	--
Fund balance at end of year	--	<u>\$118,229</u>	<u>\$118,229</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, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

These financial statements include only the operations of the District.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

The District's current operations require only the use of one governmental fund, the general fund and two account groups, the general fixed assets account group and the general long-term debt account group.

Governmental Fund

General Fund

The General Fund is the primary operating fund of the District. It is used to account for all financial resources of the District, since at the current time no other funds are required.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. 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.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

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.

Interest income on investments is recorded when the investments have matured and the income is available.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end. Budgets are amended when needed upon approval by the Board. Encumbrances are not recorded by the District.

E. Cash and Cash Equivalents

The District is permitted by law to invest its funds in certain banks and other financial institutions located within the state. They may also invest in certain government backed securities.

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

Cash and cash equivalents are stated at cost, which approximates market.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets are valued at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public domain ("infrastructure") general fixed assets consisting of levees and drainage systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

G. Compensated Absences

Employees earn vacation and sick leave annually at varying rates depending upon length of service. These compensated absences are allowed to accumulate from period to period if not used.

Upon termination an employee is compensated for accumulated vacation time; but, employees are not compensated for sick time unless termination is due to retirement.

An accrual is made for the amount of compensation the employees will receive in the future based upon services performed in the current year for vacation time not used. These accruals at September 30, 1998 totaled approximately \$4,000, all of which will be paid from current resources. There are no termination benefits due to accumulated sick time at September 30, 1998.

H. Memorandum Only - Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the District's cash and cash equivalents was \$167,847 and the bank balance was \$200,288. All bank balances were covered by federal depository insurance.

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 out 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.

NOTE 4 - FIXED ASSETS

A summary of changes in general fixed assets for the year ended September 30, 1998, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Building and Improvements	\$ 197,892			\$ 197,892
Equipment	<u>976,588</u>	\$ <u>4,945</u>	<u> --</u>	<u>981,533</u>
Total	<u>\$1,174,480</u>	<u>\$ 4,945</u>	<u> --</u>	<u>\$1,179,425</u>

NOTE 5 - DEBT

The following is a summary of changes in the General Long-Term Debt Account Group for the year ended September 30, 1998:

Balance at October 1, 1997	\$141,210
Reductions	(<u>41,210</u>)
Balance at September 30, 1998	<u>\$141,210</u>

Obligations payable at September 30, 1998 are as follows:

GENERAL LONG-TERM DEBT:

Loan payable to other governments

Loan payable to St. Mary Parish Council dated July 30, 1997 bearing no interest payable in annual installments of \$25,000 with final payment July 20, 2002	\$100,000
--	-----------

Aggregate future maturities for the debt are approximately:

For the year ending September 30:

1999	\$ 25,000
2000	25,000
2001	25,000
2002	<u>25,000</u>
	<u>\$100,000</u>

During the year, the City of Franklin advanced \$120,000 to the District. The District repaid the advance shortly thereafter.

NOTE 6 - COMPENSATION OF BOARD MEMBERS

Board members received the following per diems for the year ended September 30, 1998:

<u>Name</u>	<u>Amount</u>
Earlon Arnaud	\$ 450
Clarence Charatain	600
Lenis Clements, Jr.	550
Donnie Coots	600
Chad Gianfala	100
Cleveland Jackson	600
Craig Pellerin	100
Raphael Rodriguez, Jr.	600
	<u>\$3,600</u>

NOTE 7 - 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, 1998, 1997, and 1996 were approximately \$18,600, \$16,600, and \$14,400, respectively; and equal to the required contributions for each year.

NOTE 8 - COMMITMENT

The District entered into an intergovernmental agreement with the St. Mary Parish Council and the City of Franklin for a flood control improvement project at the Bayou Yokely Pump Station. The total cost of the project is estimated to be approximately \$5,550,000 and includes an estimated \$850,000 of in-kind services. The cash portion of the project totalling \$4,700,000 is to be funded approximately 70% (\$3,890,000) by the Department of Transportation and Development and the remaining 30% (\$810,000) is to be funded by the three local entities in equal shares. The City of Franklin is overseeing the three local government's participation in the project. The City of Franklin maintains separate financial information for the project which is included in the City's financial report for the year ended April 30, 1998, which is available from the City Clerk. 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 had been made as of September 30, 1997. The portion of the agreement related to the providing of in-kind services has not yet been finalized.

NOTE 9 - CONCENTRATIONS

The majority of the District's revenues come from property tax revenue. The property taxes collected during the audit period accounted for approximately 88% of the District's total revenue.

NOTE 10 - RELATED PARTIES

As noted in Note 8, the District has an intergovernmental agreement with the St. Mary Parish Council and the City of Franklin. The District has received loans from both the Parish Council and the City of Franklin which are described in Note 5.

NOTE 11 - RISK MANAGEMENT

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

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

NOTE 12 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District does not utilize any computer equipment.

The District has not inventoried other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting District operations. It is unknown as of September 30, 1998, what effects, if any, failing to remediate any such systems will have upon District operations.

Ad valorem tax assessments for the District are handled by the St. Mary Parish Assessor's office and collections are handled by the St. Mary Parish Sheriff's office. The Assessor's office and Sheriff's office are responsible for remediating their respective systems. The District is not responsible for any costs associated with these projects.

Because of the unprecedented nature of the year 2000 issue, it's effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL



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 general purpose financial statements of St. Mary Parish Consolidated Gravity Drainage District No. 1 as of and for the year ended September 30, 1998, and have issued our report thereon dated December 15, 1998. We conducted our audit in accordance with generally accepted auditing standards 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 general purpose 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

A similar report issued by us dated November 25, 1997 for the year ended September 30, 1997, reported no instances of noncompliance.

Internal Control over Financial Reporting

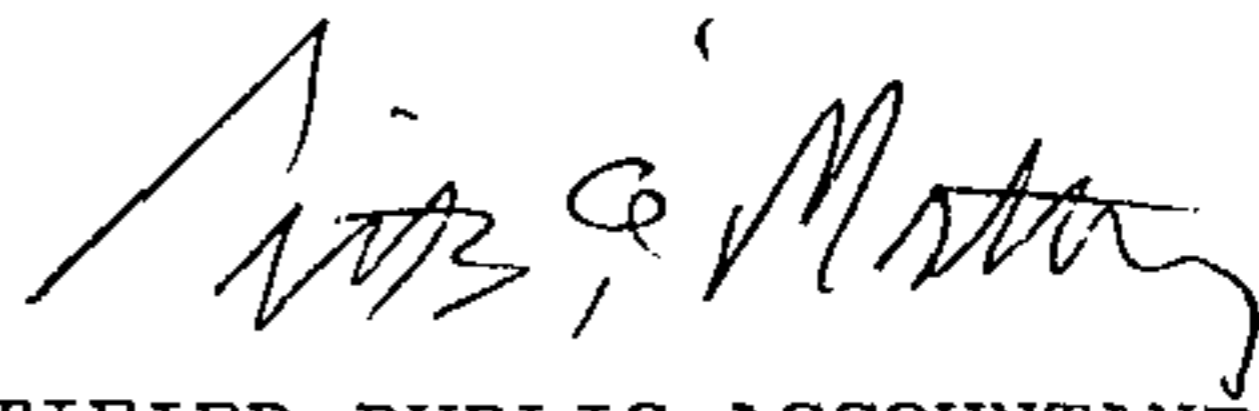
In planning and performing our audit, we considered St. Mary Parish Consolidated Gravity Drainage District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide 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 general purpose financial statements. A description of this condition is included in the material weakness section of this report as item no. 98-1.

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 general purpose 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.

A similar report issued by us dated November 25, 1997 for the year ended September 30, 1997 contained one material weakness in internal accounting control. A similar comment is repeated this year.

The 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. However, this report is a matter of public record, and its distribution is not limited.

December 15, 1998



CERTIFIED PUBLIC ACCOUNTANTS

MATERIAL WEAKNESS

ITEM 98 - 1

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.

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

Material Weakness

1997 Internal Control Auditing Finding (page 17)

Segregation of Duties

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.

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.

St. Mary Parish
Consolidated Gravity Drainage District No. 1

POST OFFICE BOX 668
BALDWIN, LOUISIANA 70514
PHONE/FAX 318 - 828-0675

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

COMMISSIONERS
EARLON ARNAUD
HERBERT BARRAS, JR.
CLARENCE CHARATAIN
LENIS CLEMENTS, JR.

February 8, 1999

Dr. Daniel G. Kyle
Office of Legislative Auditors
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

St. Mary Parish Consolidated Gravity Drainage District No. 1 respectfully submits the following corrective action plan for their year ended September 30, 1998.

CORRECTIVE ACTION:

Person Responsible: Raphael E. Rodriguez, Jr., President
St. Mary Parish Consolidated Gravity Drainage Dist. No. 1
Post Office Box 668
Baldwin, LA 70514
(318)828-0675

MATERIAL WEAKNESS: RE: Item No. 98-1

Segregation of Duties: 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.

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

St. Mary Parish Consolidated Gravity Drainage District No. 1



Raphael E. Rodriguez, Jr.
President