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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 Internal Control Over Financial Reporting  
and Compliance and Other Matters**

**For the Year Ended September 30, 2006**

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 2-28-07

## CONTENTS

|   | <u>Page</u> |
|---|-------------|
| <b><u>FINANCIAL INFORMATION SECTION</u></b>   |             |
| Independent Auditors' Report  | 1-2         |
| Basic Financial Statements  |             |
| Government-wide Financial Statements  |             |
| Statement of Net Assets   | 3           |
| Statement of Activities   | 4           |
| Fund Financial Statements   |             |
| Balance Sheet - Governmental Funds  | 5           |
| Statement of Revenues, Expenditures,<br>and Changes in Fund Balance- Governmental Funds   | 6           |
| Budgetary Comparison (Non-GAAP Basis) - General Fund  | 7           |
| Budgetary Comparison (Non-GAAP Basis) -<br>Capital Maintenance Fund   | 8           |
| Notes to the Financial Statements   | 9-18        |
| <b><u>INTERNAL CONTROL OVER FINANCIAL REPORTING AND<br/>COMPLIANCE AND OTHER MATTERS SECTION</u></b>  |             |
| Report On Internal Control Over Financial Reporting and<br>Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with<br><u>Government Auditing Standards</u> | 19-20       |
| Schedule of Findings, Questioned Costs, and<br>Federal Awards   | 21-22       |
| Summary of Prior Year Findings and Related Corrective<br>Action Prepared by St. Mary Parish Consolidated<br>Gravity Drainage District No. 1   | 23          |
| Corrective Action Plan Prepared by Management of<br>St. Mary Parish Consolidated Gravity Drainage<br>District No. 1   | 24          |



INDEPENDENT AUDITORS' REPORT

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

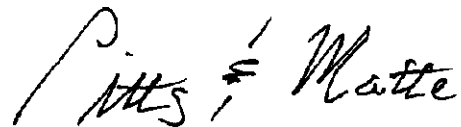
We have audited the accompanying financial statements of the governmental activities and each major fund and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund of St. Mary Parish Consolidated Gravity Drainage District No. 1, a component unit of St. Mary Parish, as of and for the year ended September 30, 2006, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 1 as of September 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 our report dated January 12, 2007 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 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 and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Pitts & Matte". The signature is written in black ink and is centered on the page.

CERTIFIED PUBLIC ACCOUNTANTS

January 12, 2007

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

**Statement of Net Assets  
September 30, 2006**

| ASSETS   | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Current assets</b>  |                                    |
| Cash and cash equivalents                                      | \$288,873                          |
| Investments  | 252,314                            |
| Due from other governments                                     | 53,441                             |
| Total current assets   | <u>594,628</u>                     |
| <b>Capital assets</b>  |                                    |
| Land   | 8,600                              |
| Buildings and improvements, net of<br>accumulated depreciation | 102,317                            |
| Equipment, net of accumulated<br>depreciation                  | 261,172                            |
| Infrastructure - drainage, net of<br>accumulated depreciation  | 5,323,294                          |
| Total net capital assets                                       | <u>5,695,383</u>                   |
| Total assets   | <u><u>\$6,290,011</u></u>          |
| <b>LIABILITIES AND NET ASSETS</b>                              |                                    |
| <b>Liabilities</b>   |                                    |
| <b>Current liabilities</b>                                     |                                    |
| Accounts payable and accrued expenses                          | \$78,217                           |
| Total liabilities  | <u>78,217</u>                      |
| <b>Net Assets</b>  |                                    |
| Invested in capital assets                                     | 5,695,383                          |
| Restricted for Yokely Pump Station                             | 13,338                             |
| Unrestricted   | 503,073                            |
| Total net assets   | <u>6,211,794</u>                   |
| Total liabilities and net assets                               | <u><u>\$6,290,011</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, 2006**

| <u>Expenses</u>                    | <u>Total</u> |
|------------------------------------|--------------|
| Drainage                           |              |
| Salaries, wages, and benefits      | \$415,967    |
| Pump operation and maintenance     | 221,015      |
| Insurance                          | 112,587      |
| Truck expenses                     | 58,668       |
| Utilities                          | 14,830       |
| Miscellaneous                      | 25,374       |
| Hurricane related expenses         | 74,532       |
| Depreciation expense               | 319,353      |
| Bad debt expense                   | 5,135        |
| Total expenses                     | 1,247,461    |
| <u>Program revenues</u>            |              |
| Operating grants and contributions | 6,666        |
| Net program expense                | 1,240,795    |
| <u>General revenues</u>            |              |
| Ad valorem taxes                   | 830,506      |
| State revenue sharing              | 54,281       |
| Investment income                  | 4,335        |
| Disaster assistance                | 177,089      |
| Total general revenues             | 1,066,211    |
| Change in net assets               | (174,584)    |
| Net assets - beginning of year     | 6,386,378    |
| Net assets - end of year           | \$6,211,794  |

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

**Balance Sheet  
Governmental Funds  
September 30, 2006**

|                                       | <u>General<br/>Fund</u> | <u>Capital<br/>Maintenance<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------------|-------------------------|---|---|
| <b>ASSETS</b>                         |                         |   |   |
| Cash and cash equivalents             | \$285,704               | \$3,169                                 | \$288,873                               |
| Investments                           | 240,952                 | 11,362                                  | 252,314                                 |
| Accounts receivable - other           | 53,441                  |   | 53,441                                  |
|                                       | <hr/>                   | <hr/>                                   | <hr/>                                   |
| Total assets                          | <u>\$580,097</u>        | <u>\$14,531</u>                         | <u>\$594,628</u>                        |
| <b>LIABILITIES AND FUND BALANCES</b>  |                         |   |   |
| <b>Liabilities:</b>                   |                         |   |   |
| Accounts payable and accrued expenses | \$77,024                | \$1,193                                 | \$78,217                                |
|                                       | <hr/>                   | <hr/>                                   | <hr/>                                   |
| Total liabilities                     | <u>77,024</u>           | <u>1,193</u>                            | <u>78,217</u>                           |
| <b>Fund balances:</b>                 |                         |   |   |
| Unreserved/undesignated               | 503,073                 |   | 503,073                                 |
| Reserved for Yokely Pump Station      |                         | 13,338                                  | 13,338                                  |
|                                       | <hr/>                   | <hr/>                                   | <hr/>                                   |
| Total fund balances                   | <u>503,073</u>          | <u>13,338</u>                           | <u>516,411</u>                          |
|                                       | <hr/>                   | <hr/>                                   | <hr/>                                   |
| Total liabilities and fund balances   | <u>\$580,097</u>        | <u>\$14,531</u>                         | <u>\$594,628</u>                        |

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

Total fund balance - Governmental Funds \$516,411

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.

5,695,383

Net assets of governmental activities

\$6,211,794



**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, 2006**

|   | <u>General<br/>Fund</u> | <u>Capital<br/>Maintenance<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|---|---|
| <b>Revenues</b>   |                         |   |   |
| Ad valorem taxes  | \$830,506               |   | \$830,506                               |
| State revenue sharing   | 54,281                  |   | 54,281                                  |
| Intergovernmental revenues  |                         | \$6,666                                 | 6,666                                   |
| Investment income   | 3,892                   | 443                                     | 4,335                                   |
| Disaster assistance   | 172,771                 | 4,318                                   | 177,089                                 |
| <b>Total revenues</b>   | <u>1,061,450</u>        | <u>11,427</u>                           | <u>1,072,877</u>                        |
| <b>Expenditures</b>   |                         |   |   |
| <b>Current operating</b>  |                         |   |   |
| <b>Drainage</b>   |                         |   |   |
| Salaries and per diems  | 283,113                 |   | 283,113                                 |
| Pump operation and maintenance  | 215,989                 | 5,026                                   | 221,015                                 |
| Personnel benefits  | 132,854                 |   | 132,854                                 |
| Insurance   | 107,164                 | 5,423                                   | 112,587                                 |
| Truck expenditures  | 58,668                  |   | 58,668                                  |
| Utilities   | 14,830                  |   | 14,830                                  |
| Miscellaneous   | 25,374                  |   | 25,374                                  |
| Hurricane related expenditures  | 70,214                  | 4,318                                   | 74,532                                  |
| Bad debt expense  | 5,135                   |   | 5,135                                   |
| <b>Capital outlays</b>  | 10,457                  |   | 10,457                                  |
| <b>Total expenditures</b>   | <u>923,798</u>          | <u>14,767</u>                           | <u>938,565</u>                          |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b>  | <u>137,652</u>          | <u>(3,340)</u>                          | <u>134,312</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<br/>financing sources (uses) over<br/>expenditures</b> | <u>134,319</u>          | <u>(7)</u>                              | <u>134,312</u>                          |
| <b>Fund balance at beginning of year</b>  | <u>368,754</u>          | <u>13,345</u>                           | <u>382,099</u>                          |
| <b>Fund balance at end of year</b>  | <u>\$503,073</u>        | <u>\$13,338</u>                         | <u>\$516,411</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   | \$134,312 |
| Amounts reported for governmental activities in the Statement<br>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 depreciation (\$319,353) exceeded capital  
outlays (\$10,457) in the current period.

(308,896)

---

Change in net assets of governmental activities

(\$174,584)

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

**Budgetary Comparison (Non-GAAP Basis) -  
General Fund  
For the Year Ended September 30, 2006**

|  | <u>Budgeted Amounts</u> |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|------------------|-------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                   |   |
| <u>Revenues</u>                                      |                         |                  |                   |   |
| Ad valorem taxes                                     | \$832,300               | \$832,300        | \$830,506         | (\$1,794)   |
| State revenue sharing                                | 56,553                  | 54,281           | 54,281            |   |
| Investment income                                    | 5,000                   | 4,000            | 3,892             | (108)   |
| Disaster Assistance                                  |                         | 172,771          | 172,771           |   |
|  | <u>893,853</u>          | <u>1,063,352</u> | <u>1,061,450</u>  | <u>(1,902)</u>  |
| <u>Expenditures</u>                                  |                         |                  |                   |   |
| Current operating                                    |                         |                  |                   |   |
| Drainage   |                         |                  |                   |   |
| Salaries, wages, and benefits                        | 485,338                 | 465,989          | 415,967           | 50,022  |
| Pump operation and maintenance                       | 270,061                 | 225,361          | 215,989           | 9,372   |
| Insurance  | 124,328                 | 115,000          | 107,164           | 7,836   |
| Truck expenditures                                   | 52,344                  | 66,344           | 58,668            | 7,676   |
| Utilities  | 17,636                  | 17,636           | 14,830            | 2,806   |
| Miscellaneous  | 19,534                  | 29,648           | 28,707            | 941   |
| Hurricane related expenditures                       |                         | 87,338           | 70,214            | 17,124  |
| Bad debt expense                                     |                         |                  | 5,135             | (5,135)   |
| Capital outlay                                       | <u>125,000</u>          | <u>125,000</u>   | <u>10,457</u>     | <u>114,543</u>  |
|  | <u>1,094,241</u>        | <u>1,132,316</u> | <u>927,131</u>    | <u>205,185</u>  |
| Excess (deficiency) of revenues<br>over expenditures | <u>(200,388)</u>        | <u>(68,964)</u>  | <u>134,319</u>    | <u>203,283</u>  |
| Fund balances, beginning of year                     | <u>404,361</u>          | <u>368,754</u>   | <u>368,754</u>    | <u>--</u>   |
| Fund balances, end of year                           | <u>\$203,973</u>        | <u>\$299,790</u> | <u>\$503,073</u>  | <u>\$203,283</u>  |

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

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

**Budgetary Comparison (Non-GAAP Basis)  
Capital Maintenance Fund  
For the year ended September 30, 2006**

|  | Budgeted<br>Amount<br><u>Original &amp;<br/>Final</u> | Actual<br><u>Amounts</u> | Variance with<br>Final Budget<br>Positive<br><u>(Negative)</u> |
|--|---|--------------------------|--|
| <b><u>Revenues</u></b>                               |   |                          |  |
| City of Franklin                                     | \$ 3,333  | \$ 3,333                 |  |
| St. Mary Parish Government                           | 3,333   | 3,333                    |  |
| Transfer in from General Fund                        | 3,333   | 3,333                    |  |
| Interest Income                                      | 260   | 443                      | 183  |
| Disaster assistance                                  | <u>4,318</u>  | <u>4,318</u>             | <u>-</u>   |
| Total Revenues                                       | <u>14,577</u>   | <u>14,760</u>            | <u>183</u>   |
| <b><u>Expenditures</u></b>                           |   |                          |  |
| Pump Operations & Maintenance                        | 2,200   | 5,026                    | (2,826)  |
| Insurance-General                                    | 5,600   | 5,423                    | 177  |
| Hurricane related expenditures                       | <u>4,318</u>  | <u>4,318</u>             | <u>-</u>   |
| Total Expenditures                                   | <u>12,118</u>   | <u>14,767</u>            | <u>(2,649)</u>   |
| Excess (deficiency) of revenues<br>over expenditures | <u>2,459</u>  | <u>(7)</u>               | <u>(2,466)</u>   |
| Fund balances, beginning of year                     | <u>13,342</u>   | <u>13,345</u>            | <u>3</u>   |
| Fund balances, end of year                           | <u>\$ 15,801</u>                                      | <u>\$ 13,338</u>         | <u>\$ (2,463)</u>  |

ST. MARY PARISH  
CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1

Notes to the Financial Statements  
September 30, 2006

**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 implemented the provisions of the Statement in a prior 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.

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.

C. Basic Financial Statements - Fund Financial Statements

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

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

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

### Governmental Fund

#### General Fund

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

#### Special Revenue Fund

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

#### D. Basis of Accounting

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

### Government-wide Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets 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.

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

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 \$3,333 which is reported by the General Fund as an expenditure and by the Capital Maintenance Fund as a revenue for budget reporting purposes rather than other financing sources. Annual appropriated budgets are adopted for the General Fund and the Capital Maintenance Fund. All annual appropriations lapse at fiscal year end. Budgets are amended when needed upon approval by the Board. In the financial statement budgetary comparison of the budget to actual amounts, both the original and final amended budget amounts are shown.

G. Cash and Cash Equivalents

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



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Investments

The District's investments 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 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 historical cost nor related depreciation has historically been reported for most infrastructure assets 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

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

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

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

### Cash and cash equivalents

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

At year end 2006 the carrying amount of the District's cash was \$288,873 and the bank balance was \$313,965, \$275,338 was covered by federal depository insurance and the remaining \$38,627 was collateralized with securities held by the financial institution, not in the District's name.

### Investments

Under state law the Commission may invest in certain federal or federally guaranteed securities, certain bank time certificates of deposit, mutual or trust funds, and in the Louisiana Asset Management Pool (LAMP). LAMP is an external investment pool operated to allow local governments to pool their investment funds.

At September 30, 2006, all of the District's investments totaling \$252,314 were in bank time certificates of deposit, \$100,000 was covered by FDIC insurance, and the remaining \$152,314 was collateralized with securities held by the financial institution, not in the District's name.

**NOTE 3 - TAXES**

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

**NOTE 4 - FIXED ASSETS**

Capital asset activity for the year ended September 30, 2006 is as follows:

|                                | <u>Balance</u><br><u>9/30/05</u> | <u>Increases</u>   | <u>Balance</u><br><u>9/30/06</u> |
|--------------------------------|----------------------------------|--------------------|----------------------------------|
| Capital assets not being       |                                  |                    |                                  |
| Depreciated                    |                                  |                    |                                  |
| Land                           | \$8,600                          |                    | \$ 8,600                         |
| Total capital assets not being |                                  |                    |                                  |
| depreciated                    | <u>8,600</u>                     |                    | <u>8,600</u>                     |
| Other capital assets:          |                                  |                    |                                  |
| Building and                   |                                  |                    |                                  |
| Improvements                   | 195,317                          |                    | 195,317                          |
| Equipment                      | 1,220,066                        | \$10,457           | 1,230,523                        |
| Infrastructure-drainage        | 5,785,357                        | --                 | 5,785,357                        |
| Total other capital assets     |                                  |                    |                                  |
| at historical cost             | <u>7,200,740</u>                 | <u>10,457</u>      | <u>7,211,197</u>                 |
| Less accumulated deprecia-     |                                  |                    |                                  |
| tion for:                      |                                  |                    |                                  |
| Buildings and improvements     | (79,344)                         | (13,656)           | (93,000)                         |
| Equipment                      | (889,046)                        | (80,305)           | (969,351)                        |
| Infrastructure-drainage        | (236,976)                        | (225,087)          | (462,063)                        |
| Total accumulated depre-       |                                  |                    |                                  |
| ciation                        | <u>(1,205,366)</u>               | <u>(319,048)</u>   | <u>(1,524,414)</u>               |
| Other capital assets, net      | <u>5,995,374</u>                 | <u>(308,591)</u>   | <u>5,686,783</u>                 |
| Total capital assets, net      | <u>\$6,003,974</u>               | <u>\$(308,591)</u> | <u>\$5,695,383</u>               |

Approximately \$29,000 of equipment was idle at year end.

Several years ago the District, the St. Mary Parish Council (Council) and the City of Franklin (City) entered into an Agreement with the Louisiana Department of Transportation and Development (DOTD) and U.S. Army Corp of Engineers (Corp) for a flood control improvement project, the Bayou Yokely Pump Station.

**NOTE 4 - FIXED ASSETS (continued)**

The construction costs were paid jointly by the DOTD and the Corp. The administrative, engineering, and land acquisition costs were paid by the District, the City and the Council.

According to the agreement the City was responsible for overseeing and accounting for the construction phase of the project. Upon completion of the construction project the District is responsible for operating and maintaining the Pumping Station. Therefore in accordance with the agreement and provisions and interpretations of GASB #34 the assets of the Yokely Pumping Station in the amount of \$5,694,813 were transferred to the District in the year ended September 30, 2005.

**NOTE 5 - COMPENSATION OF BOARD MEMBERS**

Board members received the following per diems for the year ended September 30, 2006:

| <u>Name</u>            | <u>Amount</u>  |
|------------------------|----------------|
| Earlon Arnaud          | \$ 650         |
| Alva Charatain         | 450            |
| Lenis Clements, Jr.    | 500            |
| Donnie Coots           | 600            |
| Chad Gianfala          | 550            |
| Cleveland Jackson      | 650            |
| Raphael Rodriguez, Jr. | <u>500</u>     |
|                        | <u>\$3,900</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.

NOTE 6 - PENSION PLAN (continued)

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 12.75% of annual covered payroll. The Drainage District's actual contributions to the System for the years ending September 30, 2006, 2005, and 2004 were approximately \$31,000, \$35,000, and \$33,500, respectively; and equal the required contributions for each year.

NOTE 7 - COMMITMENT

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

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.

NOTE 9 - HURRICANE RITA

In September, 2005, Hurricane Rita struck the Louisiana Gulf Coast. The extreme amount of rainfall associated with the hurricane caused the District to incur additional costs in order to prevent flooding. The District applied to receive substantial financial disaster assistance from the federal and state governments. The District incurred expenses in September and October, 2005. Costs that qualify for reimbursement under the disaster assistance program (FEMA) are determined differently from costs or expenses under generally accepted accounting principles. Costs incurred by the District that the District believes are reimbursable by FEMA total approximately \$184,000. A portion of the District's request totaling \$177,089 has been approved and funded in 2006, this amount has been reported as revenue for 2006.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND  
OTHER MATTERS SECTION



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

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

We have audited the financial statements of governmental activities and each major fund and the respective budgetary comparisons for the General Fund and Capital Maintenance Fund of St. Mary Parish Consolidated Gravity Drainage District No. 1 as of and for the year ended September 30, 2006, which collectively comprise the St. Mary Parish Consolidated Gravity Drainage District No. 1's basic financial statement and have issued our report thereon dated January 12, 2007, which contains an additional paragraph. The 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.

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 reportable condition is included in the material weakness section of this report as item no. 2006-1.

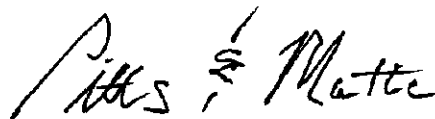


A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being 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.

#### Compliance and Other Matters

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

January 12, 2007

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

*Schedule of Findings, Questioned Costs and Federal Awards  
For the Year Ended September 30, 2006*

**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 Over Financial Reporting

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 and Other Matters

There were no material instances of noncompliance required to be reported nor other matters noted during the audit of the financial statements.

3. Federal Awards

This section is not applicable for the year ended September 30, 2006.

## B. FINDINGS - FINANCIAL STATEMENT AUDIT

### Material Weakness

#### ITEM 2006-1

#### 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.

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

This section is not applicable for the year ended September 30, 2006.

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 2005-1 - 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

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

January 12, 2007

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

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

Dear Mr. Theriot:

St. Mary Parish Consolidated Gravity Drainage District No. 1 respectfully submits the following corrective action plan for their year ended September 30, 2006.

**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

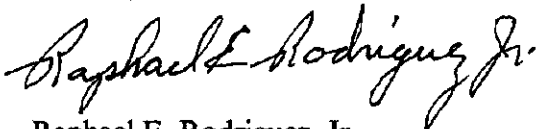
Material Weakness: RE: Item No. 2006-1

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.

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