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**Consolidated Gravity Drainage District No. 2  
of the Parish of St. Mary  
State of Louisiana**

**Report on Examination of  
Financial Statements**

**September 30, 1999**

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 22 2000

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Consolidated Gravity Drainage District No. 2  
Parish of St. Mary  
Morgan City, Louisiana

We have audited the accompanying general purpose financial statements of Consolidated Gravity Drainage District No. 2, a component unit of the Parish of St. Mary, State of Louisiana, as of September 30, 1999 and for the year ended as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Gravity Drainage District No. 2 as of September 30, 1999, 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 our report dated March 10, 2000, on our consideration of Consolidated Gravity Drainage District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*LeBlanc and Carpenter*

Morgan City, Louisiana  
March 10, 2000

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Combined Balance Sheets - All Fund Types**

**September 30, 1999**

	<u>Governmental Fund Types</u>	
	<u>General Oper/Maint</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$235,781	\$212,546
Interest receivable	591	--
Due from Capital Project Fund	18,045	--
Accounts receivable – other	--	--
Property, plant and equipment	--	--
Amount available for debt retirement	--	--
Funds to be provided for retirement of general long-term debt	<u>    --</u>	<u>    --</u>
<b>TOTAL ASSETS</b>	<u><b>\$254,417</b></u>	<u><b>\$212,546</b></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 12,934	\$ --
Contracts payable	--	--
Due to St. Mary Parish Council	52,006	--
Due to General Fund	--	--
General Obligation Bonds, Series 1998	<u>    --</u>	<u>    --</u>
<b>TOTAL LIABILITIES</b>	<u><b>64,940</b></u>	<u>    --</u>
<b>FUND EQUITY</b>		
Investment in general fixed assets	--	--
Fund balances		
Reserved for debt service	--	212,546
Designated for capital projects	--	--
Unreserved and undesignated	<u>189,477</u>	<u>    --</u>
<b>TOTAL FUND EQUITY</b>	<u><b>189,477</b></u>	<u><b>212,546</b></u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$254,417</b></u>	<u><b>\$212,546</b></u>

Governmental Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	1999	1998
Capital Projects				
\$5,310,433	\$ --	\$ --	\$ 5,758,760	\$ 5,258,427
14,927	--	--	15,518	--
--	--	--	18,045	--
2,020	--	--	2,020	--
--	5,472,772	--	5,472,772	--
--	--	212,546	212,546	10,011
--	--	5,027,454	5,027,454	5,229,989
\$5,327,380	\$5,472,772	\$5,240,000	\$16,507,115	\$10,498,427
\$ --	\$ --	\$ --	\$ 12,934	\$ --
206,754	--	--	206,754	--
--	--	--	52,006	--
18,045	--	--	18,045	--
--	--	5,240,000	5,240,000	5,240,000
224,799	--	5,240,000	5,529,739	5,240,000
--	5,472,772	--	5,472,772	--
--	--	--	212,546	10,011
5,102,581	--	--	5,102,581	5,248,216
--	--	--	189,477	200
5,102,581	5,472,772	--	10,977,376	5,258,427
\$5,327,380	\$5,472,772	\$5,240,000	\$16,507,115	\$10,498,427

See Notes to the Financial Statements.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Combined Statement of Revenues, Expenditures  
and Changes in Fund Balance-All Governmental Fund Types**

**For the year ending September 30, 1999**

	<u>Governmental Fund Types</u>	
	<u>General Oper/Maint</u>	<u>Debt Service</u>
REVENUES		
Ad valorem taxes	\$204,288	\$ 449,428
Interest income	<u>9,662</u>	<u>10,329</u>
TOTAL REVENUES	<u>213,950</u>	<u>459,757</u>
EXPENDITURES		
Advertising	2,323	--
Audit fees	3,000	--
Bond issue costs	--	--
Election expenses	5,159	--
Fuel	10,173	--
Insurance	4,222	--
Secretary and accounting	7,425	--
Maintenance labor	17,700	--
Office supplies, rent, other	1,848	--
Per diem allowance	7,858	--
Repairs and maintenance		
Drainage equipment	35,267	--
Drainage system	48,814	--
Utilities, telephone	4,561	--
Drainage System Improvements		
Construction costs	672	--
Bond interest and fees	<u>--</u>	<u>257,222</u>
TOTAL EXPENDITURES	<u>149,022</u>	<u>257,222</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>64,928</u>	<u>202,535</u>
OTHER FINANCING SOURCES AND (USES)		
Proceeds of bond issue	--	--
Intergovernmental transfer -- SMPC	--	--
Transfer to other fund	(25,598)	--
Transfer from other fund	<u>--</u>	<u>--</u>
NET OTHER FINANCING SOURCES AND (USES)	<u>(25,598)</u>	<u>--</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	39,330	202,535
FUND BALANCE-BEGINNING OF PERIOD	* <u>150,147</u>	<u>10,011</u>
FUND BALANCE-END OF PERIOD	<u>\$189,477</u>	<u>\$212,546</u>

Governmental Fund Types	Totals (Memorandum Only)	
	1999	1998
Capital Projects		
\$ --	\$ 653,716	\$ --
<u>281,842</u>	<u>301,833</u>	<u>18,227</u>
<u>281,842</u>	<u>955,549</u>	<u>18,227</u>
--	2,323	--
--	3,000	--
40,174	40,174	--
--	5,159	--
--	10,173	--
--	4,222	--
--	7,425	--
--	17,700	--
68	1,916	--
--	7,858	--
--	35,267	--
--	48,814	--
--	4,561	--
442,286	442,958	--
--	<u>257,222</u>	--
<u>482,528</u>	<u>888,772</u>	--
<u>(200,686)</u>	<u>66,777</u>	<u>18,227</u>
--	--	5,240,000
29,453	29,453	200
--	(25,598)	(10,003)
<u>25,598</u>	<u>25,598</u>	<u>10,003</u>
<u>55,051</u>	<u>29,453</u>	<u>5,240,200</u>
(145,635)	96,230	5,258,427
<u>5,248,216</u>	<u>5,408,374</u>	* <u>149,947</u>
\$5,102,581	\$5,504,604	\$5,408,374

\* Includes fund balance equity transferred from Gravity Drainage District No. 5 and Gravity Drainage District No. 3 of St. Mary Parish.

See Notes to the Financial Statements.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Operation and Maintenance Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual**

**For the year ended September 30, 1999**

	9-30-99		
	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>			
Ad valorem taxes	\$212,000	\$204,288	\$ (7,712)
Interest income	850	9,662	8,812
<b>TOTAL REVENUES</b>	<u>212,850</u>	<u>213,950</u>	<u>1,100</u>
<b>EXPENDITURES</b>			
Advertising	750	2,323	(1,573)
Audit fees	3,000	3,000	--
Election costs	0	5,159	(5,159)
Engineering consultants	5,000	--	5,000
Fuel	28,000	10,173	17,827
Insurance	8,000	4,222	3,778
Secretary and accounting	3,000	7,425	(4,425)
Maintenance labor	18,000	17,700	300
Office supplies, rent other	2,100	1,848	252
Per diem allowance	5,000	7,858	(2,858)
Repairs and maintenance			
Drainage equipment	80,000	35,267	44,733
Drainage system	40,000	48,814	(8,814)
Utilities, telephone	6,000	4,561	1,439
Drainage System Improvements			
Construction costs	14,000	672	13,328
<b>TOTAL EXPENDITURES</b>	<u>212,850</u>	<u>149,022</u>	<u>63,828</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>0</u>	<u>64,928</u>	<u>64,928</u>
<b>OTHER SOURCES (USES)</b>			
Transfer to other fund	--	(25,598)	(25,598)
Intergovernmental equity transferred	--	149,947	149,947
<b>NET OTHER SOURCES (USES)</b>	<u>0</u>	<u>124,349</u>	<u>124,349</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>--</u>	<u>189,277</u>	<u>189,277</u>
<b>APPROPRIATION OF FUND BALANCE-CASH RESERVES</b>	--	--	--
<b>FUND BALANCE, BEGINNING</b>	200	200	--
<b>FUND BALANCE, ENDING</b>	<u>\$ 200</u>	<u>\$189,477</u>	<u>\$189,277</u>

See accompanying notes to financial statements.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

Notes to Financial Statements

September 30, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On November 12, 1997, the St. Mary Parish Council created "Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary," a consolidated gravity drainage district which includes the boundaries of Gravity Drainage District No. 3 and Gravity Drainage District No. 5. During 1998, the Consolidated Gravity Drainage District No. 2 has passed propositions which will allow the District to assess property taxes for the construction, operation, and maintenance of gravity and forced drainage works, the said taxes to be in lieu of and replace the levy of similar taxes previously authorized to be levied by Gravity Drainage District No. 3 and Gravity Drainage District No. 5.

Gravity Drainage District No. 3 and Gravity Drainage District No. 5 will transfer all assets and obligations to Consolidated Gravity Drainage District No. 2 in early 1999. At that time the consolidated drainage district will carryout all operations, maintenance, and construction from its own resources. As directed by the St. Mary Parish Council, Gravity Drainage District No. 3 and Gravity Drainage District No. 5 and their Board of Commissioners will cease to exist and function at that time.

The Consolidated Gravity Drainage District No. 2 was created and established pursuant to the provisions of an ordinance adopted by the St. Mary Parish Council, all in accordance with the provisions of Part II, Chapter 7, Title 38 of the Louisiana Revised Statutes of 1950, as amended. The District is managed by five board of commissioners as appointed by the St. Mary Parish Council. The District has full power and authority to drain lands in the district by construction, maintenance and operation of gravity and/or forced drainage facilities, including drains, drainage canals, ditches, pumps and pumping plants, dikes, levees and other related works.

The financial statements of Consolidated Gravity Drainage District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of certain significant accounting policies and practices.

### Reporting Entity

GASB Statement No. 14, *Governmental Reporting Entity*, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Consolidated Gravity Drainage District No. 2 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1999. The Consolidated Gravity Drainage District No. 2 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

### Fund Accounting

The District reports its financial position and results of operations by using funds and accounts groups. Each fund is a separate accounting entity with self-balancing accounts that include assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. An account group is a self-balancing set of accounts used for financial reporting purposes 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. The funds are grouped by fund type and classified into three broad fund categories: governmental, proprietary and fiduciary. There are two account groups. The funds and accounts groups presented in these financial statements are described below.

GOVERNMENTAL FUNDS are accounted for on a current financial resources measurement focus. The balance sheets generally contain only current assets and current liabilities. The reported fund balance (net current assets) is a measure of "available spendable resources." Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current assets during a period.

The OPERATION AND MAINTENANCE FUND is the general operating and administrative fund of the District. It accounts for all financial resources except those required to be accounted for in another fund or account group.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and drainage system improvements.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or “financial flow” measurement focus and only current assets and current liabilities are generally included in the balance sheet.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. No depreciation has been provided on general fixed assets.

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

### Basis of Accounting

The MODIFIED ACCRUAL BASIS OF ACCOUNTING is used by all governmental funds types. Under the modified accrual basis of accounting, REVENUES ARE RECOGNIZED when susceptible to accrual (that is, 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 except that principal and interest on general long-term debt is recognized when due.

### Cash and Investments

Cash and cash equivalents includes amounts in demand deposit checking, interest bearing checking and certificates of deposit.

State statutes authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts; mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies; Louisiana Asset Management Pool (LAMP); and any other investment allowed by state statute for local governments.

Investments are stated at cost or amortized cost when applicable.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts in the year they are deemed uncollectible. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

### Total Columns on the Combined Financial Statements

The total columns on the Combined Balance Sheet are captioned Memorandum Only to indicate it is 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 is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## NOTE B - AD VALOREM TAX ASSESSMENT

Consolidated Gravity Drainage District No. 2 has submitted a proposition that received voter approval in May 1998 that includes millage for operation and maintenance and millage for repayment of a substantial bond issue for capital improvement projects. This proposition received voter approval and 5.0 mills and 11.0 mills was assessed for the operation and maintenance fund and the debt service fund respectively for 1998.

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Mary Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation was completed for the list of January 1, 1998. Taxes are due and payable December 31 with interest being charged on payments after February 1.

## NOTE C - CASH AND INVESTMENTS

At present, all of the District's cash and cash equivalents and investments are in demand deposits and certificates of deposit. State law requires that deposits be fully collateralized at all times. *Acceptable collateralization includes the \$100,000 FDIC/FSLIC insurance and the market value of securities purchased and pledged.* Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the District or with an unaffiliated bank or trust company for the account of the District.

NOTE C - CASH AND INVESTMENTS (Continued)

The District's cash and investments are categorized to give an indication of the level of risk assumed by the District at September 30, 1999:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name).

Cash and investments stated at cost consist of the following:

	<u>Operation &amp; Maintenance</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
Cash – Interest bearing checking	<u>\$235,781</u>	<u>\$212,546</u>	<u>\$5,310,433</u>	<u>\$5,758,760</u>
Total cash and investments	<u>\$235,781</u>	<u>\$212,546</u>	<u>\$5,310,433</u>	<u>\$5,758,760</u>

Cash and investments categorized by level of risk are:

Amounts insured by the FDIC or collateralized with securities held by the District in its name	\$ 241,035
Amounts collateralized with securities held by the pledging financial institution's trust department in the District's name	5,517,725
Uncollateralized	<u>          --</u>
Total cash and investments	<u>\$5,758,760</u>

NOTE D – DUE (TO) FROM OTHER FUNDS OR GOVERNMENTS

	<u>Due From Other Funds</u>	<u>Due (To) Other Funds</u>	<u>Due (To) Other Governments</u>
Due from Capital Projects Fund (capital project reimbursement)	\$18,045	\$ --	\$ --
Due (to) General Fund (capital project reimbursement)	--	(18,045)	--
Due (to) St. Mary Parish Council (Wyandotte Subdivision project)	--	--	39,000
Due (to) St. Mary Parish Council (Advance for election costs and insurance coverage)	--	--	13,006
	<u>\$18,045</u>	<u>\$(18,045)</u>	<u>\$52,006</u>

NOTE E - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCE

As of September 30, 1999, or during the year then ended, the following individuals served on the Board of Commissioners for Consolidated Gravity Drainage District No. 2 and were paid for meetings attended for the District or for either Gravity Drainage District No. 3 or Gravity Drainage District No. 5. These amounts were treated as operating expenses by the District. During the year there were numerous special meetings held for election calls, ad valorem assessments and construction projects.

<u>Name</u>	<u>Meeting Per Diem</u>	<u>Travel Per Diem</u>	<u>Total</u>
Reynold Barousse	\$1,170	\$ 58	\$1,228
Carl Kraemer	1,950	--	1,950
Kevin Landry	1,170	--	1,170
Daniel Wilson	1,690	--	1,690
Harrel Wilson	1,170	--	1,170
David Devillier	325	--	325
Archie Vining	<u>325</u>	<u>--</u>	<u>325</u>
	<u>\$7,800</u>	<u>\$ 58</u>	<u>\$7,858</u>

## NOTE F – CONTRACTS PAYABLE

The District had entered into two contracts for construction of the Walnut Canal flood control structure. The total of the two contracts is \$312,327. \$105,573 has been paid for performance completed and the \$206,754 balance remaining to be paid on the contracts includes \$11,730 in retainage. The District anticipates completion of the project within the next year.

## NOTE G - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>9-30-98</u>	<u>Transfers</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>9-30-99</u>
Drainage system:					
Equipment and improvements	\$ 0	\$5,011,448	\$ --	\$ --	\$5,011,448
Land	0	10,866	--	--	10,866
Office building	0	7,000	--	--	7,000
Office equipment/furniture	0	500	672	--	1,172
Buildings – pump stations	0	--	--	--	--
Construction in progress	<u>0</u>	<u>--</u>	<u>442,286</u>	<u>--</u>	<u>442,286</u>
<b>Total General Fixed Assets</b>	<b><u>\$ 0</u></b>	<b><u>\$5,029,814</u></b>	<b><u>\$442,958</u></b>	<b><u>\$ --</u></b>	<b><u>\$5,472,772</u></b>

Transfers were the result of consolidating Gravity Drainage District No. 3 and Gravity Drainage District No. 5. The historical cost of general fixed assets transferred by District No. 3 and District No. 5 was \$2,665,745 and \$2,354,069, respectively. By intergovernmental agreement, land, building and improvements valued at \$10,000 was received from Sewerage District No. 1 of St. Mary Parish.

## NOTE H - GENERAL LONG-TERM DEBT

A summary of general long-term debt is as follows:

<u>Description</u>	<u>Balance at</u> <u>9-30-98</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at</u> <u>9-30-99</u>
\$5,240,000 of General Obligation Bonds, Series 1998, of Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana	<u>\$5,240,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$5,240,000</u>
	<u>\$5,240,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$5,240,000</u>

NOTE H - GENERAL LONG-TERM DEBT (Continued)

Following is a summary of bond principal maturities and interest requirements:

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Semi-Annual Debt Service</u>	<u>Calendar Year Debt Service</u>
3-1-1999			128,611.25	128,611.25	
9-1-1999			128,611.25	128,611.25	257,222.50
3-1-2000	160,000	5.40%	128,611.25	288,611.25	
9-1-2000			124,291.25	124,291.25	412,902.50
3-1-2001	170,000	5.40%	124,291.25	294,291.25	
9-1-2001			119,701.25	119,701.25	413,992.50
3-1-2002	180,000	5.40%	119,701.25	299,701.25	
9-1-2002			114,841.25	114,841.25	414,542.50
3-1-2003	190,000	5.40%	114,841.25	304,841.25	
9-1-2003			109,711.25	109,711.25	414,552.50
3-1-2004	200,000	5.40%	109,711.25	309,711.25	
9-1-2004			104,311.25	104,311.25	414,022.50
3-1-2005	210,000	5.40%	104,311.25	314,311.25	
9-1-2005			98,641.25	98,641.25	412,952.50
3-1-2006	225,000	5.40%	98,641.25	323,641.25	
9-1-2006			92,566.25	92,566.25	416,207.50
3-1-2007	235,000	5.40%	92,566.25	327,566.25	
9-1-2007			86,221.25	86,221.25	413,787.50
3-1-2008	250,000	5.40%	86,221.25	336,221.25	
9-1-2008			79,471.25	79,471.25	415,692.50
3-1-2009	265,000	4.40%	79,471.25	344,471.25	
9-1-2009			73,641.25	73,641.25	418,112.50
3-1-2010	280,000	4.45%	73,641.25	353,641.25	
9-1-2010			67,411.25	67,411.25	421,052.50
3-1-2011	295,000	4.50%	67,411.25	362,411.25	
9-1-2011			60,773.75	60,773.75	423,185.00
3-1-2012	310,000	4.55%	60,773.75	370,773.75	
9-1-2012			53,721.25	53,721.25	424,495.00
3-1-2013	330,000	4.60%	53,721.25	383,721.25	
9-1-2013			46,131.25	46,131.25	429,852.50
3-1-2014	345,000	4.65%	46,131.25	391,131.25	
9-1-2014			38,110.00	38,110.00	429,241.25
3-1-2015	365,000	4.70%	38,110.00	403,110.00	
9-1-2015			29,532.50	29,532.50	432,642.50
3-1-2016	385,000	4.75%	29,532.50	414,532.50	
9-1-2016			20,388.75	20,388.75	434,921.25
3-1-2017	410,000	4.80%	20,388.75	430,388.75	
9-1-2017			10,548.75	10,548.75	440,937.50
3-1-2018	<u>435,000</u>	4.85%	<u>10,548.75</u>	<u>445,548.75</u>	<u>445,548.75</u>
TOTALS:	5,240,000		3,045,863.75	8,285,863.75	8,285,863.75
Less Amounts Paid	--		<u>(257,222.50)</u>	<u>(257,222.50)</u>	<u>(257,222.50)</u>
			<u>2,788,641.25</u>	<u>8,028,641.25</u>	<u>8,028,641.25</u>

NOTE H – GENERAL LONG-TERM DEBT (Continued)

Bond indebtedness of the District is reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at September 30, 1999.

NOTE I - FUNDS TO BE PROVIDED FOR INTEREST ACCRUING IN FUTURE PERIODS

Under normal conditions, bond issues are not retired prior to their maturity. Although for accounting purposes, interest coupons issued in connection with the sale of bond issues become obligations/expenditures of the District only with the passage of time, for all practical purposes they constitute fixed and determinable obligations which must be retired from dedicated revenues. The following table indicates unmatured interest coupons outstanding at September 30, 1999, and the amounts which can be presumed to be required in the future years for retirement of interest coupons which will become payable over the remaining life of the bond issue:

	General Obligation Bonds Series 1998, to be retired from ad valorem taxes and <u>earnings on investments</u>
	<u>1999</u>
Amount to be provided per financial statements	\$5,027,454
Unmatured interest coupons	<u>2,788,641</u>
TOTAL	<u>\$7,816,095</u>

NOTE J - TRANSFER OF ACCRUED INTEREST

Proceeds from the sale of the General Obligation Bonds, 1998 Series (\$5,240,000) which were dated September 1, 1998, was delivered on September 15, 1998. Accrued interest from the date of the bonds to the date of delivery was \$10,003 and was deposited into the Capital Projects Fund. In accordance with the bond covenants, the accrued interest of \$10,003 was transferred to the Debt Service Fund for future payment of bond principal and interest.

## NOTE K – COOPERATIVE ENDEAVOR AGREEMENT

The District has entered into a cooperative endeavor agreement with the State of Louisiana (Office of Facility Planning and Control (FP&C) of the Division of Administration (DOA)) and the Parish of St. Mary. State funds in the amount of \$300,000 as provided in the 1998 capital outlay budget are to be provided for the planning and construction of the “Walnut Drainage Canal Flood Control Structure”. St. Mary Parish has committed \$52,800 in local matching funds for the project.

The District has entered into two contracts with construction contractors and an engineering firm for the performance of this project. The construction contracts total \$312,327 and at year end were approximately one-third complete (See Note E). As of September 30, 1999, the St. Mary Council had funded \$29,453 in engineering costs for planning, design, inspection and administration of the project.

At present, the District is still waiting to receive reimbursements from the state, pending completion of documentation and procedures by the engineering firm. The engineering firm anticipates completion of administrative procedures and the reimbursement from the State to be completed in mid-year 2000.

## NOTE L – SUBSEQUENT EVENT

In October 1999, the District entered into a contract for drainage improvements in the Wyandotte subdivision area with a construction contractor totaling approximately \$1.3 million. Work began in October 1999 with anticipated completion of the project by June 2000. The project will be funded and accounted for by the Capital Projects Fund.

## NOTE M - 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.

Consolidated Gravity Drainage District No. 2 has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the District’s operations:

- Ad valorem tax assessment, collection, and remittance for the District is handled by St. Mary Parish Assessor and St. Mary Parish Sheriff, respectively. The Assessor and Sheriff are responsible for remediating their systems, and are solely responsible for any costs associated with these projects. The Assessor and Sheriff have completed the remediation process on their systems.

Because of the unprecedented nature of the Year 2000 issue, its 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.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2  
OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA

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

PERIOD ENDED SEPTEMBER 30, 1999

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

To the Board of Commissioners  
Consolidated Gravity Drainage District No. 2  
Parish of St. Mary  
Morgan City, Louisiana

We have audited the general purpose financial statements of Consolidated Gravity Drainage District No. 2, as of and for the year September 30, 1999, and have issued our report thereon dated March 10, 2000. 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.

### Compliance

As part of obtaining reasonable assurance about whether Consolidated Gravity Drainage District No. 2'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*. There were no prior year findings or management letter comments.

We noted certain immaterial instances of noncompliance that we have reported to the management of Consolidated Gravity Drainage District No. 2 in a separate letter dated March 10, 2000.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Consolidated Gravity Drainage District No. 2'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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

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 Consolidated Gravity Drainage District No. 2's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the District employs only one person in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

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, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Commissioners (management), St. Mary Parish Council, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*LeBlanc and Carpenter*

March 10, 2000  
Morgan City, Louisiana

## COMMENTS TO MANAGEMENT

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## COMMENTS TO MANAGEMENT

To the Board of Directors  
Consolidated Gravity Drainage District No. 2  
Morgan City, Louisiana

During the performance of our audit of the Consolidated Gravity Drainage District No. 2 for the year ending September 30, 1999, we noted certain immaterial instances of noncompliance with state laws that were clearly inconsequential to the audit results. However, we feel these instances of noncompliance should be communicated to the Board of Commissioners for future reference.

## MINUTES OF MEETINGS

State statutes require that minutes of all Board of Commissioner meetings should be recorded. Minutes of meetings should reflect all discussions, actions taken, motions addressed, expenditure approvals and any other pertinent actions of the Board. All minutes of meetings should be approved and signed by the presiding officer and secretary. During the audit, it was noted that per diem payments were made to the Board of Commissioners for special meetings attended for which no minutes of meetings were recorded. These special meetings were related to ongoing bond issue, construction projects and construction funding requirements.

Additionally state statutes requires the timely publication of minutes, ordinances, resolutions, budgets and other official proceedings of the District in the official journal. This statute includes any minutes of special meetings called. The Board is reminded of its responsibility to give advance public notice of all regular and special board meetings.

These comments regarding immaterial instances of noncompliance have been made to management for future reference in planning and monitoring the activities of the Consolidated Gravity Drainage District No. 2.

*LeBlanc and Carpenter*

Morgan City, Louisiana  
March 10, 2000