

**Consolidated Gravity Drainage District No. 2
of the Parish of St. Mary
State of Louisiana
Financial Report
For the Year Ended
September 30, 2003**

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

Release Date 4.28.04

Consolidated Gravity Drainage District No. 2
of the Parish of St. Mary
State of Louisiana
Annual Financial Report
For the Year Ended September 30, 2003

TABLE OF CONTENTS

	Page
<i>Required Supplemental Information (Part I):</i>	
MANAGEMENT'S DISCUSSION AND ANALYSIS	1
 <i>Financial Section:</i>	
INDEPENDENT AUDITOR'S REPORT	10
BASIC FINANCIAL STATEMENTS:	
<i>Government Wide Financial Statements:</i>	
Statement of Net Assets	12
Statement of Activities	13
<i>Fund Financial Statements – Governmental Funds</i>	
Balance Sheet	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of Change in Fund Balance of Governmental Funds to the Statement of Activities	16
<i>Notes to Financial Statements</i>	17
 <i>Required Supplemental Information (Part II):</i>	
BUDGET COMPARISON SCHEDULE:	
General Fund	30
 <i>Reports Required by Government Auditing Standards:</i>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31
 Schedule of Findings and Questioned Costs	33
 Status of Prior Year Audit Findings	35
 Corrective Action Plan	36

Required Supplemental Information (Part I)

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

We the Board of Commissioners (management) of the Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana ("District"), provide readers of the District's financial statements this narrative overview and analysis of the financial activities of the Recreation District, for the fiscal year ended September 30, 2003. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

This is the first year that the District has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included. In future years, a comparative analysis of government-wide data will be presented. In preparing the information summarized below, we have tried to keep in mind the disadvantage created by not presenting comparative information by expanding on the narrative with our opinion of the changes from one year to the next.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- Net assets of our governmental activities increased by \$771,485 or 16.2%.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets of \$3,543,296 that included property and equipment, net of accumulated depreciation (\$3,258,503) – the net book value, net of the related debt (\$4,540,000).
 - (2) Net assets restricted for capital projects of \$863,399 and restricted for debt service of \$806,796.
 - (3) Unrestricted net assets of \$318,679 that represent the portion available to maintain continuing obligations to citizens and creditors.
- Revenues of our governmental activities totaled approximately \$1,535,000, an increase of 35% from the prior year, while expenditures totaled approximately \$760,000 a increase of 14% from the prior year.
- Capital projects for significant drainage system improvements with an approximate completion cost of \$5.5 million are continuing to progress towards completion. These projects are being funded from the proceeds of 1998 general obligation bonds and funding via a "Cooperative Endeavor Agreement" entered into by the State of Louisiana, St. Mary Parish Council and the District for state capital outlay funds.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements
4. Required supplementary information, and
5. Other supplementary information, which is in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers a concise "entity-wide" Statement of Net Assets and Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting in a manner similar to a private-sector business.

- A. The statement of net assets, beginning on page twelve (12), presents information on all of the District's assets and liabilities using the accrual basis of accounting. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or weakening.
- B. The statement of activities, beginning on page thirteen (13), presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District consist of one category: governmental funds.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

- A. Governmental funds are used to account for most of the District's basic services that are reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- B. The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and the Debt Service Fund. The basic governmental fund financial statements can be found on pages fourteen (14) and fifteen (15).
- C. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The reconciliation's are located on page fourteen (14) and page sixteen (16).

Our auditor has provided assurance in the independent auditor's report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. The District assets exceeded its liabilities at the close of the year by \$5,532,170 (net assets). Of this amount, \$318,679 is unrestricted net assets. This represents 5.8% of net assets and is resources that are available to be used to meet the District's ongoing obligation to citizens and creditors. The District's unrestricted net assets decreased by approximately \$68,000 during the year, mainly from an unanticipated increase in the cost of insurance coverage.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

The District has approximately \$1.67 million in restricted net assets, which represents 30.2% of net assets. These resources are subject to external restrictions on how they may be used, i.e. bond covenants and debt service restrictions. The restricted net assets of the District decreased as a result of bond proceeds remaining in the capital projects fund being utilized for the funding of the District's drainage improvements and renovations project.

The District's capital assets total \$8,083,296, net of depreciation. Although the District's investment in its capital assets is reported net of related debt in its net asset reporting, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District is charged with the responsibility of operating, maintaining, and improving its' drainage system and facilities for the protection of the citizens and property that it serves. The governmental activities of the District include gravity or forced drainage of lands within the District boundaries, i.e. canals, ditches, levees, pumps and pump stations. Property taxes fund most of these governmental activities. Other revenue sources include intergovernmental revenue commitments for capital projects from local and state sources and the proceeds of bonds issued for the improvement of the drainage system. The following tables give an indication of how the District's resources are utilized and the source of the resources.

This table shows the District's expenditures related to the functions/programs associated with its governmental activities.

Expenditures for Functions/Programs

	<u>AMOUNT</u>	<u>PERCENTAGE</u>
Drainage of lands	\$ <u>763,880</u>	<u>100.00%</u>
Total Governmental Activities	\$ <u>763,880</u>	<u>100.00%</u>

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

General revenues are those available for the District to use to pay for the governmental activities described above. The following table shows the source of the District's revenues.

Source of Revenues		
	AMOUNT	PERCENTAGE
General Revenues		
Ad valorem taxes	\$ 868,692	56.58%
Investment earnings	43,564	2.84%
Program Revenues		
Intergovernmental revenues:		
Operating grants	29,077	1.89%
Capital grants	594,032	38.69%
Total General Revenues	\$ 1,535,365	100.00%

As indicated above, ad valorem tax revenue is the largest revenue source for the District comprising 56.58% of general revenues. For the year ended September 30, 2003, taxes of 15.98 mills were levied on property inside of the District limits compared to 15.98 mills levied in the prior year. The District's taxable assessed valuations increased approximately \$31,000 from \$853,000 to \$884,000 between the years 2001 and 2002.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As previously stated, the District maintains three governmental funds, the General Fund, Capital Projects Fund, and the Debt Service Fund. The District's governmental funds reported combined ending fund balances of \$1,981,210 as of the end of the current fiscal year. This is a decrease of approximately \$2.9 million from the prior year-end. Decreases in the combined fund balances result mainly from increased expenditures for construction projects in the capital projects fund.

The General Fund unreserved fund balance is \$311,015 a decrease of \$95,572 from the prior year. Unanticipated cost increases for insurance coverage and costs related to emergency operations for hurricanes were the main factors in the decrease of unreserved fund balance. The financial resources in this fund are available to carryout the current operations and programs of the District.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

The reserved fund balance in the Capital Projects Fund totaled \$863,399, a decrease of approximately \$2.98 million resulting from the expenditure of funds that are reserved for construction and renovation. At year-end, the District was obligated under construction contracts for approximately \$244,000. The contracts total approximately \$4,781,689 with approximately \$800,000 remaining to be performed on the drainage improvement contracts.

The reserved fund balance in the Debt Service Fund totaled \$806,796, an increase of approximately \$171,000 from the prior year. Resources in this fund are reserved for the payment of principal and interest on the District's outstanding bond issues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District adopts an annual budget for its General Fund. The District did not amend this budget for the year ending September 30, 2003, so the original budget is the same as the final budget for this fiscal year-end. A budget comparison schedule has been included for the General Fund on page thirty (30) to demonstrate compliance with the legally adopted budget. An analysis of significant budget variances in the General Fund is as follows:

1. Revenues:

- Reimbursements received from F.E.M.A. for disaster costs incurred in responding to hurricanes was not anticipated in the original budget.
- Property tax revenue remained very stable, totaling approximately \$270,000 for the current and prior years. The current budget had been conservatively estimated at a total that was \$23,000 less than the prior year revenue.

2. Expenditures:

- Cost increases in insurance coverage's of approximately \$78,000 were not anticipated.
- Emergency operation expenditures related to hurricane response was not anticipated in the original budget.
- Capital expenditures for replacements and betterments at pump stations were not anticipated.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2003 the District had \$8,083,296 (net of depreciation) invested in a wide range of capital assets as shown in the table below:

Summary of Capital Assets

	2003
Land, canals and levees	\$ 914,054
Pumps and engines	2,223,483
Pump station improvements, buildings	1,761,301
Drainage improvements	1,895,808
Construction in progress	<u>4,547,153</u>
Total Cost of Assets	11,341,799
Accumulated Depreciation	<u>(3,258,503)</u>
Total Capital Assets, Net	<u><u>\$ 8,083,296</u></u>

This year there was \$484,551 of additions to capital assets. This year's major capital additions included:

- Sheet pile \$ 10,900
- Engine improvements \$ 27,620
- Construction in progress \$ 3,602,882

Proceeds from the 1998 general obligation bond issue are dedicated to financing the drainage district improvements and renovation projects. Additionally the District is receiving approximately \$680,000 in state capital outlay funds via a cooperative endeavor agreement between the St. Mary Parish Council and the State of Louisiana. At year-end the District had approximately \$4,700,000 in construction projects under contract.

Additional detailed information about capital assets is presented in Note 1 and Note 5 to the financial statements.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

Long-term Debt

The District had \$4,540,000 in bonds outstanding at year-end compared to \$4,730,000 last year as shown in the following table.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	
	2003	2002
1998 General Obligation Bonds	\$ 4,540,000	\$ 4,730,000
	\$ 4,540,000	\$ 4,730,000

The decrease of \$190,000 is the result of required bond principal payments made from the debt service fund. The District does not have plans to issue any new debt at this time.

Bond Ratings

The 1998 general obligation bonds are not rated by any nationally recognized bond rating firm or agency.

Additional detailed information about outstanding long-term debt is presented in Note 12 to the financial statements.

CURRENTLY KNOWN FACTS, ECONOMIC FACTORS AND CONDITIONS

The Board of Commissioners continues to monitor all economic factors that affect the operation, maintaining, and improvement of the drainage facilities of the District. The Board evaluates and prioritizes the needs for drainage system improvements to protect the property of citizens and businesses alike within the District boundaries. The Board is aware of its limited resources available to make significant capital improvements and is continually exploring federal, state and local options for funding of its drainage system improvement projects. Historically, the majority of the District's revenue has been derived from a property tax levy for maintenance and operations and a levy for debt

***CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003***

service of its 1998 general obligation bonds. This tax levy of 4.98 mills per annum for maintenance and operation and currently 11.0 mills for debt service was approved by the voters in 1998 and is to expire in 2008. Presently the District is overseeing the completion of a long anticipated capital project that will provide a tremendous improvement in the District's ability to drain the lands within its boundaries. This project is a near complete overhaul of the drainage system in a major portion of the District boundaries. This project is being completed from resources available through the capital projects fund. Future improvements under consideration are an additional pump station site with estimated costs of approximately \$250,000 for which funding sources are being explored.

The Board of Commissioners has no current knowledge of any economic conditions that could have a significant adverse affect on its revenues or operating costs. The general fund unreserved fund balance is \$311,015 as of year-end. The debt service fund balance increased by \$171,267 to a total of \$806,796 during the current fiscal year. The Board of Commissioners in preparing and adopting the general fund budget for fiscal year end September 30, 2004 considered these factors. If these current economic factors and conditions remain consistent, the net asset balance is expected to increase modestly by the close of 2004.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Consolidated Gravity Drainage District No. 2's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary at P.O. Box 48, Morgan City, LA 70381, phone number 1-985-384-2813.

Financial Section

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CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary, a component unit of the Parish of St. Mary, State of Louisiana, as of and for the year ended September 30, 2003, as listed in the financial section of the table of contents. These basic financial statements are the responsibility of the Consolidated Gravity Drainage District No. 2'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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Consolidated Gravity Drainage District No. 2 as of September 30, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Consolidated Gravity Drainage District No. 2, has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments, as of September 30, 2003.

To the Board of Commissioners
Consolidated Gravity Drainage District No. 2
of the Parish of St. Mary
Page 2 of 2

The Management's Discussion and Analysis and the other required supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2004, 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. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LeBlanc and Carpenter

Morgan City, Louisiana
March 30, 2004

Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary
 State of Louisiana
Statement of Net Assets
 September 30, 2003

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,178,385
Due from other governments	
St. Mary Parish Council - capital grants	54,819
Prepaid expenses	<u>25,949</u>
Total current assets	2,259,153
Noncurrent assets:	
Capital assets, net of depreciation	<u>8,083,296</u>
Total assets	<u>\$ 10,342,449</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 7,630
Contracts payable	47,025
Retainage payable	197,339
Interest payable	18,285
Bonds payable - current	<u>200,000</u>
Total current liabilities	<u>470,279</u>
 Bonds Payable - long term	 4,340,000
 NET ASSETS	
Invested in capital assets, net of related debt	3,543,296
Restricted for:	
Capital Projects	863,399
Debt Service	806,796
Unrestricted	<u>318,679</u>
Total net assets	<u>\$ 5,532,170</u>

Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary
 State of Louisiana
Statement of Activities
 For The Year Ended September 30, 2003

Governmental Activities - Gravity Drainage

General government expenses:

Maintenance labor, pump operators	\$ 24,238
Fuel and electricity	28,207
Repairs and maintenance	125,135
Insurance	76,394
Other operating costs	100,179
Interest on bonds	226,122
Depreciation	<u>183,605</u>

Total program expenses 763,880

Program revenues

Intergovernmental revenues:

Operating grants - F.E.M.A.	29,077
Capital grants - St. Mary Parish Council	<u>594,032</u>
Total program revenues	<u>623,109</u>

Net program revenue (140,771)

General revenues:

Ad valorem taxes	868,692
Interest income earned	<u>43,564</u>

Total general revenues 912,256

Change in net assets 771,485

Net assets - beginning 4,760,685

Net assets - ending \$ 5,532,170

Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary
 State of Louisiana
Balance Sheet - Governmental Funds
 September 30, 2003

	<u>General Oper/Maint</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 318,645	\$ 1,052,944	\$ 806,796	\$ 2,178,385
Due from other governments	-	54,819	-	54,819
Total assets	<u>\$ 318,645</u>	<u>\$ 1,107,763</u>	<u>\$ 806,796</u>	<u>\$ 2,233,204</u>
LIABILITIES				
Accounts payable	\$ 7,630	\$ -	\$ -	\$ 7,630
Contracts payable	-	47,025	-	47,025
Retainage payable	-	197,339	-	197,339
Total liabilities	<u>7,630</u>	<u>244,364</u>	<u>-</u>	<u>251,994</u>
FUND BALANCES				
Reserved-reported in:				
Capital Projects Fund	-	863,399	-	863,399
Debt Service Fund	-	-	806,796	806,796
Unreserved-reported in:				
General Fund	311,015	-	-	311,015
Total fund balances	<u>311,015</u>	<u>863,399</u>	<u>806,796</u>	<u>1,981,210</u>
Total liabilities and fund balances	<u>\$ 318,645</u>	<u>\$ 1,107,763</u>	<u>\$ 806,796</u>	

RECONCILIATION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Total of fund balance for governmental funds

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	8,083,296
Expenditures for prepaid expenses in governmental activities are not financial resources and therefore are not reported in the funds.	25,949
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(18,285)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	

Bonds payable: Current	(200,000)	
Long term	(4,340,000)	(4,540,000)

Net assets of governmental activities		<u>\$ 5,532,170</u>
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Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary
 State of Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
 For the year ending September 30, 2003

	General Oper/Maint	Capital Projects	Debt Service	Total Governmental Funds
<u>REVENUES</u>				
Ad valorem taxes	\$ 270,721	\$ -	\$ 597,971	\$ 868,692
Intergovernmental revenues:				
St. Mary Parish Council - capital grants	-	594,032	-	594,032
F.E.M.A. - operating grants	29,077	-	-	29,077
Interest income	4,596	30,039	8,929	43,564
Total Revenues	<u>304,394</u>	<u>624,071</u>	<u>606,900</u>	<u>1,535,365</u>
<u>EXPENDITURES</u>				
General government - current:				
Advertising	549	-	-	549
Audit fees	3,250	-	-	3,250
Engineering	4,820	-	-	4,820
Fuel and electricity	28,207	-	-	28,207
Insurance	102,343	-	-	102,343
Secretary and accounting	4,010	-	-	4,010
Maintenance labor, pump operators	24,238	-	-	24,238
Office supplies, auto, other	6,075	-	-	6,075
Pension cost	8,833	-	19,511	28,344
Per diem allowance	4,160	-	-	4,160
Repairs and maintenance	125,135	-	-	125,135
Telephone	4,699	-	-	4,699
Emergency operations	45,127	-	-	45,127
Total current expenditures	<u>361,446</u>	<u>-</u>	<u>19,511</u>	<u>380,957</u>
Capital expenditures:				
Capital outlay	38,520	-	-	38,520
Construction and engineering	-	3,602,882	-	3,602,882
Total capital expenditures	<u>38,520</u>	<u>3,602,882</u>	<u>-</u>	<u>3,641,402</u>
Debt service:				
Bond principal	-	-	190,000	190,000
Bond interest and fees	-	-	226,122	226,122
Total debt service expenditures	<u>-</u>	<u>-</u>	<u>416,122</u>	<u>416,122</u>
Total Expenditures	<u>399,966</u>	<u>3,602,882</u>	<u>435,633</u>	<u>4,438,481</u>
Net change in fund balances	(95,572)	(2,978,811)	171,267	(2,903,116)
<u>FUND BALANCES</u>				
Fund balance, beginning of year	<u>406,587</u>	<u>3,842,210</u>	<u>635,529</u>	<u>4,884,326</u>
Fund balance, end of year	<u>\$ 311,015</u>	<u>\$ 863,399</u>	<u>\$ 806,796</u>	<u>\$ 1,981,210</u>

Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 Of Governmental Funds to the Statement of Activities**
 For the Year Ended September 30, 2003

Net change in fund balances - total governmental funds (fund financial statements) \$ (2,903,116)

Amounts reported for *governmental activities* in the statement of activities
 (government-wide financial statements) are different because:

Governmental funds report capital outlays as expenditures in the individual fund.
 Governmental activities report depreciation expense to allocate the cost of
 those capital assets over the estimated useful lives of the asset.

Capital outlay	\$ 3,641,402	
Depreciation expense	<u>(183,605)</u>	3,457,797

Repayment of long-term debt is reported as an expenditure in
 governmental funds, but the repayment reduces long-term liabilities
 in the statement of net assets. In the current year, these amounts
 consist of:

Bond principal retirement	190,000
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Some expenses reported in the statement of activities do not require
 the use of current financial resources; therefore, are not reported
 as expenditures in governmental funds.

Accrued interest expense on long-term debt is reported in the
government-wide statement of activities and changes in net assets,
 but does not require the use of current financial resources;
 therefore, change in accrued interest expense is not reported as
 expenditures in governmental funds.

855

Current financial resources utilized for prepaid expenses are reported
 as expenditures in the governmental funds.

25,949

Change in net assets of governmental activities

\$ 771,485

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

Notes To Financial Statements
September 30, 2003

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 included the boundaries of Gravity Drainage District No. 3 and Gravity Drainage District No. 5. 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.

Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Consolidated Gravity Drainage District No. 2 (the District) conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of certain significant accounting policies:

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Council is the financial reporting entity for St. Mary Parish. The Governmental Accounting Standards Board established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The St. Mary Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Based on criterion applied, the District is a component unit of the St. Mary Parish Council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the St. Mary Parish Council, the general government services provided by the Council, or the other governmental units that comprise the financial reporting entity for St. Mary Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Government Accounting Standards Board (GASB) Statement 14.

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

B. Basic Financial Statements – Basis of Presentation

Government – Wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type activities. All of the District's administrative services are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and activities. These functions are also supported by general government revenues (ad valorem taxes and interest earned). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

The net costs (by function) are normally covered by general revenue (ad valorem taxes and interest earned, etc.). This government-wide focus is more 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.

Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

B. *Basic Financial Statements – Basis of Presentation, (Continued)*

Governmental Funds

Governmental Funds are those through which the governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The Governmental Funds of the District are as follows:

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

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or repair or replacement of major capital facilities (other than those financed by proprietary funds and trust funds).

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

C. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are both levied and budgeted as general revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The governmental funds use the following practices in recording revenues and expenditures.

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

C. *Measurement Focus, Basis of Accounting and Financial Statement Presentation,
(Continued)*

Ad valorem taxes are considered susceptible to accrual. Interest income is recorded when received by the District. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. *Budgets and Budgetary Accounting*

The District complies with the “Louisiana Local Government Budget Act” and henceforth; budgets are adopted for its general fund on a modified accrual basis that is consistent with generally accepted accounting principles. Annual budgets are prepared by the Board of Commissioners of the District along with a budget message and presented to the Board for adoption no later than 15 days prior to the beginning of the fiscal year. Budgets are adopted for the fiscal year and lapse at year-end. The budget is amended by supplemental appropriations as needed to during the year to comply with state law.

The Consolidated Gravity Drainage District No. 2 follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP), which for the General Fund is the modified accrual basis of accounting.
- b. The District approves and adopts total budget revenue and expenditures only. The District transfers budget amounts between expenditure classifications within the General Fund. Therefore, the level of budgetary responsibility is by total expenditures; however, for report purposes, this level has been expanded to classifications of expenditures. Unused appropriations lapse at the end of the year.

E. *Cash and Investments*

Cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in Louisiana Asset Management Pool (LAMP), United States bonds, treasury notes, or certificates. Investments are stated at cost.

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

E. Cash and Investments, (Continued)

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the FDIC insurance and the market value of securities purchased and pledged to the political subdivision. 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 political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

F. 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.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings, pump stations and improvements	15-40 years
Drainage system improvements	20-25 years
Equipment, pumps and engines	15-25 years
Land, canals, levees and construction in progress	Not being depreciated

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

Notes To Financial Statements
September 30, 2003

Note 1 – Summary of Significant Accounting Policies, (Continued)

H. Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or legally segregated by outside parties for a specific future use.

J Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Interest Bearing Deposits

At present, all of the District's cash and cash equivalents are in demand deposits at a fiscal agent bank. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. 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.

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

Notes To Financial Statements
September 30, 2003

Note 2 – Cash and Interest Bearing Deposits, (Continued)

The District's deposits are categorized to give an indication of the level of risk assumed by the District at September 30, 2003:

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).

At September 30, 2003, the District has cash and interest-bearing deposits (book balances) totaling \$2,178,385, as follows:

	<u>Operation & Maintenance</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>
Cash – Interest bearing checking	<u>\$318,645</u>	<u>\$806,796</u>	<u>\$1,052,944</u>	<u>\$2,178,385</u>
Total	<u>\$318,645</u>	<u>\$806,796</u>	<u>\$1,052,944</u>	<u>\$2,178,385</u>

Deposit balances (bank balances) at September 30, 2003, are secured as follows:

Bank balances	<u>\$2,183,768</u>
Federal deposit insurance (Category 1)	\$ 165,055
Pledged securities (Category 1)	<u>5,822,393</u>
Total federal insurance and pledged securities	<u>\$5,987,448</u>
Excess	<u>\$3,803,680</u>

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

Notes To Financial Statements
September 30, 2003

NOTE 3 – Due from Other Governments

The amounts due from other governmental units consisted of capital outlay grant reimbursements due from St. Mary Parish Council.

	<u>2003</u>
<u>General Fund:</u>	
*St. Mary Parish Council (capital outlay fund grant receivable)	<u>\$179,667</u>

*These funds are owed to the District as reimbursement due for capital expenditures incurred by the District. The capital expenditures were incurred in connection with a “Cooperative Endeavor Agreement” between the Parish of St. Mary and the State of Louisiana (Facility Planning and Control) for drainage system improvements for Consolidated Gravity Drainage District No. 2. St. Mary Parish.

Note 4 – Ad Valorem Tax Assessment

Consolidated Gravity Drainage District No. 2 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. 4.98 mills and 11.0 mills was assessed for the operation and maintenance fund and the debt service fund respectively for 2002.

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 District’s boundaries. 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 properties at January 1, 2000. Taxes are due and payable December 31 and are delinquent after that date with interest being charged. Lien date for all delinquent properties is April 1.

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

Notes To Financial Statements
September 30, 2003

Note 5 – Capital Assets

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Cost of Capital assets, not being depreciated				
Land, canals and levees	\$ 914,054	-	-	\$ 914,054
Construction in progress	944,271	3,602,882	-	4,547,153
Total not being depreciated	\$ 1,858,325	\$ 3,602,882	-	\$ 5,461,207
Cost of Capital assets, being depreciated				
Pumps & engines	\$ 2,195,863	\$ 27,620	-	\$ 2,223,483
Pump station improvements, buildings	1,750,401	10,900	-	1,761,301
Drainage improvements	1,895,808	-	-	1,895,808
Total being depreciated	\$ 5,842,072	\$ 38,520	-	\$ 5,880,592

Less accumulated depreciation:

Pumps & engines	\$ 1,610,774	\$ 65,749	-	\$ 1,676,523
Pump station improvements, buildings	1,204,160	54,055	-	1,258,215
Drainage improvements	259,964	63,801	-	323,765
Totals	\$ 3,074,898	\$ 183,605	-	\$ 3,258,503
Capital assets, net	\$ 4,625,499			\$ 8,083,296

Note 6 – Risk Management

During November, 2002 the various property and liability insurance policies were renewed. The premium cost for renewal increased by approximately \$83,000. This significant increase reflects the tightening of coverage providers and increased exposure costs. The Board will continue to search for better alternatives and monitor the current effects the increase will have on the general fund budget and resources.

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

Notes To Financial Statements
September 30, 2003

Note 7 – Board of Commissioners and Per Diem Allowance

As of September 30, 2003, 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. These amounts were treated as operating expenses by the District. During the year there were numerous special meetings held for construction projects.

<u>Name</u>	<u>Meeting Per Diem</u>
Carl Kraemer, President	\$ 910
Reynold Barousse, Treasurer	845
Kevin Landry	65
Daniel Wilson	975
Harrel Wilson	975
Ray Autrey	<u>390</u>
	<u>\$4,160</u>

Monthly per diem for attending board meetings is \$65.00 for each board member. There were three special or emergency meetings held during the year, primarily regarding emergency flooding and construction projects.

Note 8 – Contracts Payable

The District has entered into three contracts for drainage system improvements and has recorded contract liabilities as follows:

	<u>Contracts Payable</u>	<u>Retainage Payable</u>
Engineering contract for design and inspection services on two projects, a pump station project and a channel and levee improvement project. Balance due for engineering services on the projects.	\$12,494	\$ 0
Construction contract for construction of a pump station and equipment, total contract \$3,444,679; balance due including retainage	34,531	154,329
Construction contract for drainage channel and levee improvement, total contract \$1,337,010; balance due including retainage	<u>0</u>	<u>43,010</u>
TOTAL CONTRACTS PAYABLE	<u>\$47,025</u>	<u>\$197,339</u>

The two construction projects are anticipated to be completed by mid 2004. The contracts are accounted for in the Capital Projects Fund.

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

Notes To Financial Statements
September 30, 2003

Note 9 – F.E.M.A. Reimbursements

The Commission received \$29,077 in reimbursement from the Federal Emergency Management Agency (F.E.M.A.) for emergency costs incurred as a result of tropical storm damages. Costs incurred are included in “Emergency Operations” on the combined statements of revenues and expenditures. The Commission complied with all federal requirements and documentation in order to receive the F.E.M.A. reimbursement.

Note 10 – On-Behalf Payments for Fringe Benefits

Property tax revenues include amounts withheld by the Sheriff to make “on-behalf payments for fringe benefits” which represent the District’s pro-rata share of retirement plan contributions for other governmental units. Because the District is one of several governmental agencies receiving proceeds from a property tax assessment, it has no bear a pro-rata share of the pension expense relating to the public employees who participate in the Parochial Employees Retirement System. The District’s pro-rata share of the required contribution (\$28,344), which was withheld by the Sheriff from property tax collections to satisfy the District’s obligation, has been presented as an “ad valorem tax deduction” expenditure of the general fund in these financial statements. The District has also increased its property tax revenues by the same of the intergovernmental expenditure.

Note 11 – Construction Commitments

The District entered into the following construction commitments not yet completed at September 30, 2003:

Construction For	Contract Amount	Amounts Paid / Accrued 9/30/03	Retainage Remaining 9/30/03	Contract Performance Remaining
Pump station construction and improvements	\$ 3,444,679	\$ 2,932,247	\$ 154,329	\$ 358,103
Channel and levee improvements	\$ 1,337,010	\$ 846,336	\$ 43,010	447,664
	<u>\$ 4,781,689</u>	<u>\$ 3,778,583</u>	<u>\$ 197,339</u>	<u>\$ 805,767</u>

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

Notes To Financial Statements
September 30, 2003

Note 12 – General Long-Term Debt

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

<u>Description</u>	<u>Balance at</u> <u>9-30-02</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at</u> <u>9-30-03</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>\$4,730,000</u>	<u>\$ --</u>	<u>\$190,000</u>	<u>\$4,540,000</u>
	<u>\$4,730,000</u>	<u>\$ --</u>	<u>\$190,000</u>	<u>\$4,540,000</u>

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, 2003.

See page 14 for a summary of bond principal maturities and interest requirements.

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

Notes To Financial Statements
September 30, 2003

Note 12 – General Long-Term-Debt, (Continued)

<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	435,000	4.85%	10,548.75	445,548.75	445,548.75
TOTALS:	\$ 5,240,000		\$ 3,045,863.75	\$ 8,285,863.75	\$ 8,285,863.75
Less Amounts Paid	(700,000)		(1,213,212.50)	(1,913,212.50)	(1,913,212.50)
	\$ 4,540,000		\$ 1,832,651.25	\$ 6,372,651.25	\$ 6,372,651.25

***Required Supplemental
Information (Part II)***

Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary
 State of Louisiana
Budget Comparison Schedule
General Fund
 For The Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
<u>REVENUES</u>				
Ad valorem taxes	\$ 246,800	Budget was not amended	\$ 270,721	\$ 23,921
Intergovernmental revenues:				
F.E.M.A. operating grants	-		29,077	29,077
Interest	11,000		4,596	(6,404)
Total Revenues	<u>257,800</u>	<u>-</u>	<u>304,394</u>	<u>46,594</u>
<u>EXPENDITURES</u>				
General government - current:				
Pump operation contractors	46,100		24,238	21,862
Fuel and electricity costs	29,000		28,208	792
Repairs and maintenance	110,000		125,135	(15,135)
Accounting and secretarial	3,750		4,010	(260)
Advertise, publishing costs	1,000		549	451
Audit fees	3,250		3,250	-
Commissioners per diem	7,800		4,160	3,640
Emergency operations	5,000		45,127	(40,127)
Engineering	6,000		4,820	1,180
Insurance	24,000		102,343	(78,343)
SMP sheriff's pension deduction	8,000		8,833	(833)
Other expenses	8,900		10,773	(1,873)
Total current expenditures	<u>252,800</u>		<u>361,446</u>	<u>(108,646)</u>
Capital expenditures				
Capital outlay - construction	5,000		38,520	(33,520)
Total Expenditures	<u>257,800</u>	<u>-</u>	<u>399,966</u>	<u>(142,166)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(95,572)	(95,572)
<u>Fund Balances</u>				
Fund Balance, Beginning of Year	<u>406,587</u>		<u>406,587</u>	-
Fund Balance, End of Year	<u>\$ 406,587</u>	<u>-</u>	<u>\$ 311,015</u>	<u>\$ (95,572)</u>

***Reports Required by Government
Auditing Standards***

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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
of the Parish of St. Mary
State of Louisiana
Morgan City, Louisiana

We have audited the basic financial statements of Consolidated Gravity Drainage District No. 2, as of and for the year ended September 30, 2003, and have issued our report thereon dated March 30, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Consolidated Gravity Drainage District No. 2's basic 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary in a separate letter dated March 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 basic 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.

Internal Control Over Financial Reporting, (Continued)

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 the Tourist Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item I/C 2003-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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 consider the reportable condition identified as I/C 2003-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

This report is intended solely for the information and use of the Board of Commissioners (management), the 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 30, 2004
Morgan City, Louisiana

Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary
 State of Louisiana
Schedule of Findings and Questioned Costs
 For The Year Ending September 30, 2003

We have audited the financial statement of Consolidated Gravity Drainage District No. 2 as of and for the year ended September 30, 2003, and have issued our report thereon dated March 30, 2004. 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. Our audit of the financial statements as of September 30, 2003 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weakness YES NO
 Reportable Conditions YES NO

Compliance:

Compliance Material to Financial Statements YES NO

b. Federal Awards

The auditor has determined that there were no federal awards received by the District therefore this section is not applicable.

Internal Control:

Material Weakness YES NO
 Reportable Conditions YES NO

Type of Opinion on Compliance
 for Major Programs:

Unqualified Qualified
 Disclaimer Adverse

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 YES NO

c. Identification of Major Program:

CFDA Number (s) Name of Federal Program (or Cluster)

The auditor has determined that there were no federal awards received by the District therefore this section is not applicable.

Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary
State of Louisiana
Schedule of Findings and Questioned Costs
For The Year Ending September 30, 2003

Section II - Financial Statement Findings

I/C 2003-1: Material Weakness - Segregation of Duties

Our examination disclosed that there is very little segregation of duties amongst the District's accounting functions, particularly in the areas of cash disbursements, cash receipts, bank reconciliations, general ledger and journal entries. This weakness is due to the fact that the District employs only one person to attend to the various accounting functions. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected timely.

We recommend the following procedures as suggestions to compensate for the lack of segregation of duties within the District's accounting function:

- 1) Board approval for all invoices before the invoice is paid.
- 2) Require signatures of two approved Board members on each check to be written.
- 3) Have the monthly bank statement mailed direct to a Board member each month. This member could prepare the monthly bank reconciliation or at least do a review of checks clearing the bank statement. This review would include comparing the information on each cancelled check to the check register maintained by the bookkeeper, verifying payments were made to authorized vendors, and verifying approved signatures.
- 4) On a monthly basis the Board should review the cash disbursements journal for agreement to the check register and cancelled checks.
- 5) On a monthly basis the Board should review the general ledger and journal entries to ascertain if the recorded transactions were consistent with those previously approved by the Board.
- 6) The Board should review bank statements and journals to verify that tax collections are deposited timely and to agree to the remittance stub information received from the sheriff. Also, verify that property taxes have been correctly allocated between the general fund and the debt service fund.

This list is not intended to be all inclusive of procedures that could be instituted to strengthen internal controls but to provide suggestions that the Board may consider to better monitor its accounting function due to a accounting personnel.

Section III - Federal Award Findings and Questioned Costs

The auditor has determined that there were no federal awards received by the District, therefore this section is not applicable.

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

State of Louisiana

Status of Prior Audit Findings

Year Ended September 30, 2003

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
I/C 2002-1	9/30/2002	Segregation of Duties	Partially	Continue Monitoring

Section II - Internal Control and Compliance Material to Federal Awards:

None reported in the prior year.

Section III - Management Letter:

None presented in the prior year.

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

State of Louisiana

Corrective Action Plan

For The Year Ending September 30, 2003

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

I/C 2003-1	Segregation of Duties	(See Response)	Carl Kraemer	Continue Monitoring
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Corrective Action Plan

The Board of Commissioners has provided the following response and corrective action plan to the segregation of duties finding. The Board has identified the following compensating controls that are in effect. The Board has always reviewed and approved invoices prior to payment or any other cash disbursements to be made. The Board has always required dual signatures of approved members on any checks to be written. The Board reviews the bank balances at the monthly meetings. The Board will consider changing the monthly bank statement mailing and reconciliation procedures. 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 Board acknowledges the loss of internal control that results with their limited staff and are constantly monitoring for any problems or irregularities.

Section II - Internal Control and Compliance Material to Federal Awards:

The auditor has determined that there were no federal awards received by the District, therefore this section is not applicable.

Section III - Management Letter:

There was no management letter issued with this engagement.

This schedule has been prepared by management.

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

March 30, 2004

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

We have audited the basic financial statements of Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary as of and for the year ended September 30, 2003, and have issued our report thereon dated March 30, 2004. 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.

As part of our examination, we have issued a report on the financial statements and a report on internal control and compliance with laws, regulations, and contracts, dated March 30, 2004. During the course of our examination, we became aware of the following matters, which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2003-1

Budget Compliance

Criteria:

In accordance with LSA-R.S. 39:1309, where the governing authority (Board of Commissioners) has received notice of a five percent variance or there has been a change in operations upon which the original adopted budget was developed, the governing authority must adopt a budget amendment. During 2003, the Board should have become aware that there was a greater than five percent variance in revenues and expenditures as originally budgeted and should have adopted a budget amendment to reflect these changes.

Condition:

The Consolidated Gravity Drainage District No. 2 did not prepare and adopt an amended budget for the September 30, 2003, year-end after notification that a five percent variance had occurred.

- Cause:** The Board responds that the adopted budget is employed as a management planning and control device during the year. By the time it was realized that the budget for fiscal year ending September 30, 2003 had a five percent variance in total revenues and total expenditures the year was over. The Board is aware and constantly monitors the requirement that expenditures shall not exceed the total of estimated funds available for the fiscal year. The Board is implementing procedures to receive interim budget to actual comparisons of revenues and expenditures and will attempt to monitor any variances greater than five percent in total so that budget amendments can be prepared when required.
- Effect:** The district is not in compliance with the above LRS 39:1309.
- Recommendation:** We recommend that the District monitor variances in its actual revenue and expenditures as compared to the original budget amounts. If variances are five percent occur, then the District should prepare and adopt a budget amendment in accordance with LSA-R.S. 39:1309.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendation.

LeBlanc and Carpenter

March 30, 2004
Morgan City, Louisiana