

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
MORGAN CITY, LOUISIANA**

Annual Financial Statements

September 30, 2019



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 2, a component unit of St. Mary Parish, Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 2 as of September 30, 2019, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Mary Parish Consolidated Gravity Drainage District No. 2's basic financial statements. The schedule of compensation, benefits, and other payments to agency head, as required by Louisiana Revised Statute (LRS) 24:513 A(3), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2020 on our consideration of St. Mary Parish Consolidated Gravity Drainage District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of St. Mary Parish Consolidated Gravity Drainage District No. 2's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Mary Parish Consolidated Gravity Drainage District No. 2's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
February 21, 2020

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Statement of Net Position
September 30, 2019**

	Governmental Activities
Assets	
Cash	\$ 7,411,053
Prepaid Expenses	95,157
Due from Other Governments	45,280
Capital Assets Being Depreciated, Net of Accumulated Depreciation	4,588,989
Capital Assets Not Being Depreciated	<u>18,405,366</u>
Total Assets	<u>30,545,845</u>
Deferred Outflows of Resources	
Deferred Amount on Refunding of Debt	<u>387,509</u>
Liabilities	
Accounts Payable	30,987
Accrued Expenses	70,263
Bonds Payable	
Due Within One Year	671,514
Due in More than One Year	<u>11,532,187</u>
Total Liabilities	<u>12,304,951</u>
Net Position	
Net Investment in Capital Assets	17,628,161
Restricted - Debt Service	429,131
Unrestricted	<u>571,111</u>
Total Net Position	<u>\$ 18,628,403</u>

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

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Statement of Activities
For the Year Ended September 30, 2019**

Functional Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities			
Drainage Works	\$ 1,165,247	3,441,324	\$ 2,276,077
Interest on Long-Term Debt	400,390	-	(400,390)
Total Governmental Activities	\$ 1,565,637	\$ 3,441,324	1,875,687
General Revenues			
Taxes			
Ad Valorem Taxes			2,127,485
Interest Income			22,632
Miscellaneous			46,554
Total General Revenues			2,196,671
Change in Net Position			4,072,358
Net Position, Beginning of Year			14,556,045
Net Position, End of Year			\$ 18,628,403

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Balance Sheet
Governmental Funds
September 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash	\$ 614,963	\$ 429,131	\$ 6,366,959	\$ 7,411,053
Prepaid Insurance	41,684	-	-	41,684
Due from Other Governments	-	-	45,280	45,280
Total Assets	\$ 656,647	\$ 429,131	\$ 6,412,239	\$ 7,498,017
Liabilities				
Accounts Payable	\$ 15,272	\$ -	\$ 15,714	\$ 30,986
Accrued Liabilities	8,391	-	-	8,391
Total Liabilities	23,663	-	15,714	39,377
Fund Balances				
Nonspendable	41,684	-	-	41,684
Restricted	-	429,131	6,396,525	6,825,656
Unassigned	591,300	-	-	591,300
Total Fund Balances	632,984	429,131	6,396,525	7,458,640
Total Liabilities and Fund Balances	\$ 656,647	\$ 429,131	\$ 6,412,239	\$ 7,498,017

**Amounts reported for governmental activities in the
statement of net position are different because:**

Total Fund Balance	\$ 7,458,640
Prepaid expenses used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	53,472
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	22,994,355
Bonds payable are not reported in the fund financial statements.	(12,203,701)
Accrued interest associated with bonds payable is not reported in the fund financial statements.	(61,872)
Deferred amounts on bond refunding are not financial resources and, therefore, are not reported in the fund financial statements.	387,509
Net Position of Governmental Activities	\$ 18,628,403

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

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Ad Valorem Taxes	\$ 892,721	\$ 1,234,764	\$ -	\$ 2,127,485
Grant Revenue	-	-	3,441,324	3,441,324
Interest Income	3,749	3,746	15,137	22,632
Miscellaneous	46,554	-	-	46,554
Total Revenues	943,024	1,238,510	3,456,461	5,637,995
Expenditures				
Drainage Works				
Advertising and Publishing	5,064	-	-	5,064
Fuel and Electricity	62,746	-	-	62,746
Insurance	98,778	-	-	98,778
Miscellaneous	25,055	3,499	-	28,554
Pension	29,075	40,261	-	69,336
Per Diem - Board	2,340	-	-	2,340
Professional Fees	127,813	1,650	650	130,113
Repairs and Maintenance	158,242	-	921	159,163
Salaries and Wages	279,694	-	-	279,694
Supplies	8,452	-	-	8,452
Debt Service - Principal	-	575,000	-	575,000
Debt Service - Interest and Fiscal Charges	-	419,650	-	419,650
Capital Outlay	52,965	-	346,298	399,263
Total Expenditures	850,224	1,040,060	347,869	2,238,153
Net Change in Fund Balances	92,800	198,450	3,108,592	3,399,842
Fund Balances, Beginning of Year	540,184	230,681	3,287,933	4,058,798
Fund Balances, End of Year	\$ 632,984	\$ 429,131	\$ 6,396,525	\$ 7,458,640

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

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**
**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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 3,399,842
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	83,635
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The issuance of long-term debt (e.g., certificates of indebtedness, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:

Principal Payments	575,000
Amortization of Premiums on Bonds Payable	60,420
Amortization of Deferred Loss on Bond Refunding	(43,056)
Change in Prepaid Expenses	(5,379)
Change in Accrued Interest	1,896

Change in Net Position of Governmental Activities	\$ 4,072,358
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The accompanying notes are an integral part of these financial statements.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of St. Mary Parish Consolidated Gravity Drainage District No. 2 conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The following is a summary of significant accounting policies.

Reporting Entity

On November 12, 1997, the St. Mary Parish Council created St. Mary Parish Consolidated Gravity Drainage District No. 2 (the District), a consolidated gravity drainage district which includes the boundaries of Gravity Drainage District No. 3 and Gravity Drainage District No. 5. The District was created and established pursuant to the provisions of Part II, Chapter 7, Title 38 of the Louisiana Revised Statutes of 1950, as amended. The District has full power and authority to drain lands in the District by construction, maintenance, and operation of pumping plants, dikes, levees, and other related works.

This report includes all funds which are controlled by or dependent on the District's executive and legislative branches (the Board of Commissioners). Control by or dependence on the District was determined on the basis of budget adoptions, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The District is an integral part of the Parish of St. Mary.

Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63 in June 2011.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain district functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures are at least 10 percent of the corresponding total for all governmental and proprietary funds and at least 5 percent of the aggregate amount for all governmental and proprietary funds.

The District reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

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.

Measurement Focus / Basis of Accounting

The amounts reflected in 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. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus / Basis of Accounting (Continued)

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. 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 pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when payment is due, and certain compensated absences and claims and judgments, if any, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Ad valorem taxes and other major revenues are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Ad valorem taxes are recognized as revenues in the year in which such taxes are levied and billed to taxpayers.

Budget Policies

The District is required by law to adopt an annual budget. The District adopted and prepared a budget for the General Fund on the modified accrual basis of accounting for the year ended September 30, 2019. This budget is presented with these financial statements in the required supplementary information section of the report on page 23.

The General Fund had actual expenditures in excess of budgeted expenditures of \$18,876.

This budget was integrated into the accounting system during the year as a management control device. Appropriations are valid only for the year in which they are made. The District does not use encumbrance accounting and appropriations lapse at the end of each year.

As required by state law, when actual revenues within a fund are failing to meet estimated annual budgeted revenues by five percent or more, and/or actual expenditures within a fund are exceeding estimated budgeted expenditures by 5 percent or more, a budget amendment to reflect such changes is adopted by the District in an open meeting. Budgeted amounts included in the financial statements include the original adopted budget and all subsequent amendments.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Budget Policies (Continued)

Because the budgets are prepared on a modified accrual basis, no differences in budget basis and GAAP basis occurs. Additional information on the original and final budgets can be found in the budgetary comparison schedule in the required supplementary information section of this report.

Cash

Cash includes amounts in interest-bearing demand deposits. Cash equivalents would include amounts in time deposits and those investments with original maturities of 90 days or less. 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 United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value.

Capital Assets

All capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, Pump Stations, and Improvements	5 - 40 Years	Straight-Line
Drainage Improvements	20 - 40 Years	Straight-Line
Pumps, Engines, and Equipment	5 - 30 Years	Straight-Line
Land, Canals, Levees, and Construction in Progress		Not Being Depreciated

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Bonds Payable

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Equity Classifications

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources related to those assets.

Restricted - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - All other net position is reported in this category.

In the governmental fund financial statements, fund balances are classified as follows:

1. **Nonspendable Fund Balance** - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
2. **Restricted Fund Balance** - Amounts that can be spent only for specific purposes because of enabling legislation or externally imposed conditions by grantors, creditors, or citizens.
3. **Unassigned Fund Balance** - All amounts not included in other spendable classifications.

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

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of GASB Statement No. 88, *Certain Disclosures Related to Debt*

This Statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments. This Statement is effective for periods beginning after June 15, 2018. Adoption of this standard had no impact on the District's financial statements.

Recent Accounting Pronouncement

The GASB issued Statement No. 87, *Leases*, in June 2017. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement will be effective for the District for the fiscal year ending September 30, 2020.

Note 2. Cash

At September 30, 2019, cash consisted of demand deposits with a carrying value of \$7,411,053 and a bank balance of \$7,427,650. These deposits are stated at cost which approximates market.

Custodial Credit Risk - Deposits

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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At September 30, 2019, the District had \$7,427,650 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 in federal deposit insurance and \$8,818,718 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

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

Notes to Financial Statements

Note 3. Capital Assets

Capital assets activity for the year ended September 30, 2019 was as follows for the governmental activities:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,594,657	\$ -	\$ -	\$ 2,594,657
Construction in Progress	15,464,410	346,299	-	15,810,709
Total Capital Assets Not Being Depreciated	18,059,067	346,299	-	18,405,366
Capital Assets Being Depreciated				
Pumps, Engines, and Equipment	2,905,026	4,147	-	2,909,173
Pump Station Improvements	5,966,477	39,204	-	6,005,681
Drainage Improvements	2,911,915	9,613	-	2,921,528
Buildings	264,233	-	-	264,233
Vehicles	40,363	-	-	40,363
Total Capital Assets Being Depreciated	12,088,014	52,964	-	12,140,978
Less Accumulated Depreciation for:				
Pumps, Engines, and Equipment	(2,031,832)	(58,217)	-	(2,090,049)
Pump Station Improvements	(3,371,089)	(153,892)	-	(3,524,981)
Drainage Improvements	(1,548,115)	(91,965)	-	(1,640,080)
Buildings	(253,706)	(3,481)	-	(257,187)
Vehicles	(31,619)	(8,073)	-	(39,692)
Total Accumulated Depreciation	(7,236,361)	(315,628)	-	(7,551,989)
Total Capital Assets Being Depreciated, Net	4,851,653	(262,664)	-	4,588,989
Capital Assets, Net	\$ 22,910,720	\$ 83,635	\$ -	\$ 22,994,355

Depreciation expense in the amount of \$315,628 was charged to drainage works for the year ended September 30, 2019.

At September 30, 2019, the District's construction in progress consisted of survey and certification services for several levee improvement projects and ongoing construction and materials for improvements to various pumping stations.

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

Notes to Financial Statements

Note 4. Deferred Outflows of Resources - Refunding of Debt

In 2014, the District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These Statements provide guidance on reporting the difference between the reacquisition price and net carrying amount of old debt for current and advance refunding resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt. At September 30, 2019, the District had a deferred amount on refunding debt of \$387,509, which resulted from the advance refunding of the General Obligations Bonds, Series 2005 and 2009.

Note 5. Payables

The payables, as reposted on the statement of net position at September 30, 2019 included the following:

	Governmental Activities	Total
Accounts Payable	\$ 30,987	\$ 30,987
Accrued Expenses	70,263	70,263
Total	\$ 101,250	\$ 101,250

Note 6. Bonds Payable

The following is a summary of bonds payable of the District as of September 30, 2019:

\$6,320,000 General Obligation Bonds dated November 1, 2009; balance due in annual principal installments, starting March 1, 2012, of \$175,000 - \$380,000, plus semi-annual interest payments, through March 1, 2022, with interest at 4% to 5%. During 2017, the bond maturities for the years 2023 through 2029 were defeased.	\$ 1,065,000
\$3,280,000 General Obligation Refunding Bonds dated August 20, 2014; balance due in annual principal installments, starting March 1, 2015, of \$285,000 - \$505,000, plus semi-annual interest payments, through March 1, 2025, with interest at 2.39%.	1,325,000

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

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

\$3,130,000 General Obligation Refunding Bonds dated February 22, 2017; balance due in annual principal installments, starting March 1, 2023, of \$360,000 - \$535,000, plus semi-annual interest payments, through March 1, 2029, with interest at 3% to 4%.	3,130,000
\$6,115,000 General Obligation Bonds dated August 30, 2017; balance due in annual principal installments, starting March 1, 2019, of \$65,000 - \$565,000, plus semi-annual interest payments, through March 1, 2037, with interest at 2% to 4%.	<u>6,050,000</u>
Total	<u>\$ 11,570,000</u>

The following is a summary of debt transactions of the District for the year ended September 30, 2019:

	Debt Payable October 1, 2018			Debt Payable September 30, 2019		
	Issued	Retired	Due Within 1 Year			
Governmental Activities						
\$6,320,000 General Obligation Bonds, Series 2009	\$ 1,370,000	\$ -	\$ (305,000)	\$ 1,065,000	\$ 325,000	
\$3,280,000 General Obligation Refunding Bonds, Series 2014	1,530,000	-	(205,000)	1,325,000	210,000	
\$3,130,000 General Obligation Refunding Bonds, Series 2017	3,130,000	-	-	3,130,000	-	
\$6,115,000 General Obligation Bonds, Series 2017	6,115,000	-	(65,000)	6,050,000	75,000	
Unamortized Premium on Debt	694,121	-	(60,420)	633,701	61,514	
Total Governmental Activities	<u>12,839,121</u>	<u>-</u>	<u>(635,420)</u>	<u>12,203,701</u>	<u>671,514</u>	
Total Debt	<u>\$ 12,839,121</u>	<u>\$ -</u>	<u>\$ (635,420)</u>	<u>\$ 12,203,701</u>	<u>\$ 671,514</u>	

General obligation bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 10% of the assessed value of taxable property in the District. At September 30, 2019, the District had not exceeded this statutory limit.

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

Notes to Financial Statements

Note 6. Bonds Payable (Continued)

The following is a schedule of future principal debt service requirements:

Year Ending September 30,	General Obligation Bonds		
	Principal	Interest	Total
2020	\$ 610,000	\$ 399,916	\$ 1,009,916
2021	640,000	379,517	1,019,517
2022	670,000	356,918	1,026,918
2023	705,000	336,180	1,041,180
2024	735,000	316,028	1,051,028
2025-2029	4,235,000	1,195,708	5,430,708
2030-2034	2,340,000	601,150	2,941,150
2035-2037	1,635,000	132,400	1,767,400
Total	\$ 11,570,000	\$ 3,717,817	\$ 15,287,817

Note 7. Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1st of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1st of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the Tax Assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

The following is a summary of authorized and levied ad valorem taxes:

	Authorized Mills	Levied Mills
Maintenance and Operations	7.38	6.68
Debt Service	9.25	9.25

Note 8. Grant Revenue

Grant revenues totaling \$3,441,324 for the year ended September 30, 2019 consisted of \$3,220,668 from the Coastal Protection and Restoration Authority, a state agency, to help fund levee improvement projects taken on by the District and \$220,656 from the City of Morgan City for reimbursements related to road work.

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

Notes to Financial Statements

Note 9. Compensation Paid to Board Members

For the year ended September 30, 2019, the following individuals served on the Board of Commissioners and received per diem allowances as follows:

Jory Champagne	\$	845
Leroy Trim		780
Harry K. Hoffpauir		715
		<hr/>
Total	\$	2,340

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2019, the District carried insurance through various commercial carriers to cover all risks of loss. The District had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 11. Commitments

At September 30, 2019, the District had an active construction project and has spent \$219,806 on this contract. The District's remaining commitment on this contract is \$330,180.

Note 12. Tax Abatements

For the year ended September 30, 2019, a total of \$49,630 in ad valorem taxes receivable by the District was abated on tax-exempt properties.

Note 13. Operating Lease

The District leases an excavator under an operating lease expiring in August 2022, requiring monthly rental payments of \$4,948. Total rent expense related to this agreement totaled \$59,381 for the year ended September 30, 2019.

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

Notes to Financial Statements

Note 13. Operating Lease (Continued)

Future minimum lease expense from this agreement is as follows:

Year Ending September 30,	Amount
2020	\$ 59,381
2021	59,381
2022	<u>54,433</u>
Total	<u>\$ 173,195</u>

REQUIRED SUPPLEMENTARY INFORMATION

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended September 30, 2019

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 700,000	\$ 892,408	\$ 892,721	\$ 313
Interest Income	2,500	3,788	3,749	(39)
Federal Sources	-	39,113	35,171	(3,942)
Miscellaneous	6,000	6,968	11,383	4,415
Total Revenues	708,500	942,277	943,024	747
Expenditures				
Drainage Works				
Advertising and Publishing	2,000	5,034	5,064	(30)
Fuel and Electricity	55,000	71,879	62,746	9,133
Insurance	95,000	98,873	98,778	95
Miscellaneous	5,000	11,457	25,055	(13,598)
Pension	25,000	29,075	29,075	-
Per Diem - Board	3,000	2,340	2,340	-
Professional Fees	115,000	117,789	127,813	(10,024)
Repairs and Maintenance	210,000	156,938	158,242	(1,304)
Salaries and Wages	255,000	272,997	279,694	(6,697)
Supplies	7,500	12,001	8,452	3,549
Capital Outlay	3,000	52,965	52,965	-
Total Expenditures	775,500	831,348	850,224	(18,876)
Net Change in Fund Balance	\$ (67,000)	\$ 110,929	92,800	\$ (18,129)
Fund Balance, Beginning of Year			<u>540,184</u>	
Fund Balance, End of Year			<u>\$ 632,984</u>	

OTHER SUPPLEMENTARY INFORMATION

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2**
**Schedule of Compensation, Benefits, and Other Payments
to Agency Head**
For the Year Ended September 30, 2019

Louisiana Revised Statute (LRS) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees, be reported as a supplemental report within the financial statements of a local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended LRS 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that receive public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

Agency Head
Lee Dragna, Board Chairman

Purpose	Amount
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing - Relocation Expense	\$0
Miscellaneous Expenses	\$0
Special Meals	\$0

See independent auditor's report.

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

Independent Auditor's Report

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

We have audited, 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, the financial statements of the governmental activities and each major fund of St. Mary Parish Consolidated Gravity Drainage District No. 2, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise St. Mary Parish Consolidated Gravity Drainage District No. 2's basic financial statements, and have issued our report thereon dated February 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Mary Parish Consolidated Gravity Drainage District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Mary Parish Consolidated Gravity Drainage District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Mary Parish Consolidated Gravity Drainage District No. 2's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Mary Parish Consolidated Gravity Drainage District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
February 21, 2020

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Schedule of Findings and Responses
For the Year Ended September 30, 2019**

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting and compliance and other matters: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| c. Noncompliance material to the financial statements noted? | No |
| 3. Management letter comment provided? | None |

Federal Awards

Not applicable.

Part II - Findings Related to the Financial Statements

None.

Part III - Compliance and Other Matters

None.

**ST. MARY PARISH CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2019**

Section II. Financial Statement Findings

None.

Section III. Findings and Questioned Costs for Federal Awards

Not applicable.

AGREED-UPON PROCEDURES REPORT

St. Mary's Parish Consolidated Gravity Drainage District No. 2

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period October 1, 2018 - September 30, 2019

To the Board of Commissioners of
St. Mary's Parish Consolidated Gravity Drainage District No. 2
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by St. Mary's Parish Consolidated Gravity Drainage District No. 2 (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period October 1, 2018 through September 30, 2019. The District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: Exception noted. There is no disaster recovery/business continuity policy currently in place.

Management's Response: Management plans to implement a disaster recovery/business continuity policy.

Collections (excluding EFTs)

2. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).

Results: Obtained a listing of deposit sites for the fiscal period and management's representation that the listing is complete.

3. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: We obtained a listing of collection locations and management's representation that the listing is complete. We noted that the employee responsible for collecting cash is also responsible for preparing/making the bank deposits. Additionally, the employee responsible for collecting cash is responsible for posting entries and reconciling accounts. However, due to the size of the District, we feel that compensating controls are in place to detect any instances of undeposited cash. Management feels that compensating controls are in place and operating effectively over the cash collection and reconciliation processes.

4. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: We inquired of management and determined that employees are covered by an insurance policy.

5. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period. Randomly select two deposits for each of the five bank accounts selected (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: An exception was noted for procedure d) as the tested checks did not have a date stamped on them to show the date that they were received. Procedures a) - c) and e) were performed without exception.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

6. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five locations (or all locations if less than five).

Results: Obtained a listing of locations for the fiscal period and management's representation that the listing is complete.

7. For each location selected under #6 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: We noted a), c), and d) had exceptions. Only one employee is involved in processing and approving payments to vendors. However, all purchases are reviewed by board members in the check signing process. Two board members must approve payment during the check signing process. We noted that the person responsible for processing payments is also able to add/modify vendor files. Last, the employee who mails the checks is also responsible for processing payments. However, we feel that compensating controls are in place for non-payroll disbursements. Management feels that compensating controls are in place and operating effectively over non-payroll disbursements.

- 8. For each location selected under #6 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five disbursements for each location, obtain supporting documentation for each transaction, and:
 - a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #7, as applicable.

Results: We observed and matched each disbursement to the related invoice/billing statement. The office manager handles purchase requests, approval, and order placing due to the small size of the District. However, all purchases are reviewed by board members in the check signing process. We feel that compensating controls are in place for non-payroll disbursements. Management feels that compensating controls are in place and operating effectively over non-payroll disbursements.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



A Professional Accounting Corporation

Covington, LA
March 16, 2020



ST. MARY PARISH

CONSOLIDATED GRAVITY DRAINAGE DISTRICT # 2

March 16, 2020

Mr. Daryl Purpera
Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397
RE: Statewide Agreed-upon Procedures

Dear Mr. Purpera:

The management of the St. Mary Parish Consolidated Gravity Drainage District No. 2 (the District) wishes to provide the following responses relative to the results of the Year 3 Statewide agreed-upon procedures engagement:

1. In response to the results of the Policies and Procedures section, the District will ensure that a Disaster Recovery/Business Continuity policy is created and implemented.
2. In response to the results of the Collections section, the District will ensure that deposits are made within one business day of receipt.

Sincerely,

Mr. Lee Dragna, President