

ST. MARY PARISH'S CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2A
MORGAN CITY, LOUISIANA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Mary Parish's Consolidated Gravity Drainage District No. 2A (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 the District, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.



To the Board of Commissioners of
St. Mary Parish's Consolidated Gravity Drainage District No. 2A
May 30, 2023

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.



To the Board of Commissioners of
St. Mary Parish's Consolidated Gravity Drainage District No. 2A
May 30, 2023

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 schedule on page 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for the purpose of additional analysis as required by Louisiana Revised Statute 24:513(A)(3) and is also not a required part of the basic financial statements. Such information 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.



To the Board of Commissioners of
St. Mary Parish's Consolidated Gravity Drainage District No. 2A
May 30, 2023

The 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 May 30, 2023, on our consideration of the District'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 the Authority'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 the District's internal control over financial reporting and compliance.

May 30, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

ASSETS:

Cash and cash equivalents	\$ 5,539,654
Ad valorem taxes receivable	11,480
Other receivables	126,001
Investments	1,696,784
Prepaid expenses	105,153
Capital assets being depreciated, net of accumulated depreciation	15,652,698
Capital assets not being depreciated	<u>12,265,404</u>
 Total assets	 <u>35,397,174</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred amount on refunding of debt	<u>258,340</u>
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LIABILITIES:

Accounts payable	474,679
Accrued expenses	59,487
Bonds payable - current	768,545
Bonds payable - noncurrent	<u>9,328,331</u>
 Total liabilities	 <u>10,631,042</u>

NET POSITION:

Net investment in capital assets	22,034,850
Restricted - debt service	727,700
Unrestricted	<u>2,261,922</u>
 Total net position	 <u>\$ 25,024,472</u>

ST. MARY PARISH CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Function/Programs	Expenses	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<u>Governmental activities:</u>			
Drainage Works	\$ 1,911,046	\$ 1,162,444	\$ (748,602)
Interest on long-term debt	<u>337,342</u>	<u>-</u>	<u>(337,342)</u>
Total governmental activities	<u>\$ 2,248,388</u>	<u>\$ 1,162,444</u>	<u>(1,085,944)</u>
General revenues:			
Ad valorem taxes			2,281,980
Interest income			26,281
Miscellaneous			<u>67,484</u>
Total general revenues			<u>2,375,745</u>
Change in net position			1,289,801
Net position - beginning			<u>23,734,671</u>
Net position - ending			<u>\$ 25,024,472</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS:</u>				
Cash and cash equivalents	\$ 977,864	\$ 345,022	\$ 4,216,768	\$ 5,539,654
Ad valorem taxes receivable	4,814	6,666	-	11,480
Other receivables	-	-	126,001	126,001
Investments	1,696,784	-	-	1,696,784
Prepaid insurance	70,278	-	-	70,278
Due from other funds	67,080	377,762	-	444,842
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,816,820</u>	<u>\$ 729,450</u>	<u>\$ 4,342,769</u>	<u>\$ 7,889,039</u>
<u>LIABILITIES:</u>				
Accounts payable and accrued liabilities	\$ 85,444	\$ 1,750	\$ 387,485	\$ 474,679
Due to other funds	444,842	-	-	444,842
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>530,286</u>	<u>1,750</u>	<u>387,485</u>	<u>919,521</u>
<u>FUND BALANCE:</u>				
Nonspendable	70,278	-	-	70,278
Restricted	-	727,700	3,955,284	4,682,984
Unassigned	2,216,256	-	-	2,216,256
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>2,286,534</u>	<u>727,700</u>	<u>3,955,284</u>	<u>6,969,518</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 2,816,820</u>	<u>\$ 729,450</u>	<u>\$ 4,342,769</u>	<u>\$ 7,889,039</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Fund balance - total governmental funds	\$ 6,969,518
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Prepaid expenses used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	34,875
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	27,918,102
Bonds payable are not reported in the governmental funds.	(10,096,876)
Accrued interest associated with bonds payable is not reported in the governmental funds.	(59,487)
Deferred amounts on bond refunding are not financial resources and, therefore, are not reported in the governmental funds.	<u>258,340</u>
Net position of governmental activities	<u><u>\$ 25,024,472</u></u>

ST. MARY PARISH CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	General Fund
<u>GENERAL REVENUES:</u>				
Ad valorem taxes	\$ 1,112,674	\$ 1,169,306	\$ -	\$ 2,281,980
Grant revenue	1,162,444	-	-	1,162,444
Interest income	17,713	6,342	2,226	26,281
Miscellaneous	67,484	-	-	67,484
	<u>2,360,315</u>	<u>1,175,648</u>	<u>2,226</u>	<u>3,538,189</u>
Total general revenues				
<u>EXPENDITURES:</u>				
Drainage Works:				
Advertising and publishing	1,066	-	-	1,066
Contract labor - excavator	28,594	-	-	28,594
Fuel and electricity	114,884	-	-	114,884
Insurance	141,829	-	-	141,829
Miscellaneous	9,339	2,750	-	12,089
Office expense	15,059	-	-	15,059
Pension	36,124	37,721	-	73,845
Per diem - board	4,095	-	-	4,095
Professional fees	76,455	-	650	77,105
Rental - excavator	65,167	-	-	65,167
Repairs and maintenance	121,578	-	-	121,578
Salaries and wages	335,935	-	-	335,935
Storm related	150	-	-	150
Supplies	9,221	-	-	9,221
Debt service - principal	-	670,000	-	670,000
Debt service - interest	-	355,868	-	355,868
Capital outlays	238,519	-	2,927,491	3,166,010
	<u>1,198,015</u>	<u>1,066,339</u>	<u>2,928,141</u>	<u>5,192,495</u>
Total expenditures				
Excess of revenues over expenditures	1,162,300	109,309	(2,925,915)	(1,654,306)
<u>OTHER FINANCING SOURCES:</u>				
Transfers in	-	-	1,162,444	1,162,444
Total other financing sources	-	-	1,162,444	1,162,444
<u>OTHER FINANCING USES:</u>				
Transfers out	(1,162,444)	-	-	(1,162,444)
Total other financing uses	(1,162,444)	-	-	(1,162,444)
Net change in fund balance	(144)	109,309	(1,763,471)	(1,654,306)
Beginning of year	2,286,678	618,391	5,718,755	8,623,824
End of year	<u>\$ 2,286,534</u>	<u>\$ 727,700</u>	<u>\$ 3,955,284</u>	<u>\$ 6,969,518</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
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, 2022

Net change in fund balance - governmental fund	\$ (1,654,306)
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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 lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	2,261,452
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of 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	670,000
Amortization of premiums on bonds payable	62,948
Amortization of deferred loss on bond refunding	(43,057)
Change in prepaid expenses	(5,871)
Change in accrued interest	<u>(1,365)</u>

Change in net position	<u>\$ 1,289,801</u>
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ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The mission of St. Mary Parish's Consolidated Gravity Drainage District No. 2A (the District) is to drain lands in the District by construction, maintenance, and operation of pumping plants, dikes, levees and other related works.. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies.

Reporting Entity

On April 24, 2020, the St. Mary Parish Council created St. Mary Parish's Consolidated Gravity Drainage District No. 2A (the District), a consolidated gravity drainage district which includes the boundaries of Consolidated Gravity Drainage District No. 2 (District 2) and Gravity Drainage District No. 6 (District 6). The District was created and established pursuant to the provisions of Chapter 22, Title 33 of the Louisiana Revised Statutes of 1950, as amended.

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 District's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

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, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Basis of Presentation (continued)

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 either governmental or business type. The District's fire protection activities and related general administrative services are classified as governmental activities. The District does not have any business-type activities.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements - Government-Wide Financial Statements (GWFS)

In the government-wide Statement of Net Position (Exhibit A), the governmental activities column is presented on a consolidated basis and is 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 position is reported in three parts – net investment in capital assets, restricted for debt service, and unrestricted.

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of the District's function. The function is supported by general government revenues (ad valorem tax). Any program revenues and operating grants received would reduce gross expenses in the Statement of Activities.

This government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from current year's activities.

Basic Financial Statements – Fund Financial Statements (FFS)

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflow of resources, liabilities, deferred inflow of resources, reserves, fund equity, revenues and expenditures. The District's current operations require the use of only the following fund types:

Governmental Fund:

The focus of the governmental fund's measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. In general, fund balance represents the accumulated expendable resources, which may be used to finance future operations of the District.

General Fund

The General Fund is the principal fund of the District and is used to account for the operations of the District. General revenues are accounted for in this fund. General operating expenditures are paid from this fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The District records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Property taxes, parcel fees, state revenue sharing, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual, subject to availability, and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

All other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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, treasury certificates, or the State Treasurer's Investment Pool. 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 fair market value.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold of \$500 or more for capitalizing capital assets. 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.

All capital assets, other than land, canals, levees and construction in progress, are depreciated using the straight-line method over the following useful lives:

Buildings, pump stations and improvements	5 - 40 Years
Drainage improvements	5 - 40 Years
Pumps, engines and equipment	5 - 30 Years

Bonds Payable

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

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category – deferred refunding of debt.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. Currently, the District does not have any items that qualify for reporting in this category.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of state, local or federal awards or externally imposed conditions by grantors or creditors.
- c. Committed – amounts that can be used for specific purposes determined by formal action by an ordinance or resolution.
- d. Assigned – amounts that are designated by the formal action of the government's highest level of decision making authority.
- e. Unassigned – amounts not included in other classifications.

The Board of Commissioners, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment by formal vote at a public board meeting. For assigned fund balance the Board of Commissioners authorizes management to assign amounts for a specific purpose.

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

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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 reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through May 30, 2023, which is the date the financial statements were available to be issued.

Adoption of New Accounting Pronouncement

The District has adopted GASB 87, Leases. The objectives of GASB 87 are to better meet the information needs of financial statement users by improving financial accounting and reporting for leases by governments. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption did not result in a material impact on the financial statements of the District.

(2) CASH AND CASH EQUIVALENTS

At September 30, 2022, the carrying amount of the District's bank deposits was \$5,539,654. 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. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash and deposits are categorized into three categories of credit risk. Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent, in the District's name. Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the District's name. Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the District's name, and deposits which are uninsured or uncollateralized.

At September 30, 2022, the bank balance was \$5,542,959. Of the bank balance, \$263,434 was covered by federal depository insurance (Category 1). In compliance with State laws, the remaining balance of \$5,279,525 was secured by bank owned securities specifically pledged to the District and held by and independent custodian bank jointly in the name of the District and the depository bank (Category 2).

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(3) INVESTMENTS

Investments held at September 30, 2022 consisted of \$1,696,784 in the Louisiana Asset Management Pool (LAMP), a local government investment pool which is reported in the governmental activities column of the statement of net position. LAMP is administered by Louisiana Asset Management Pool, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

- Credit Risk: LAMP is rated AAAM by Standard & Poors.
- Custodial Credit Risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of Credit Risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest Rate Risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is .0295% and 53 days as of September 30, 2022.

The investments in LAMP are stated at fair value. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(4) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2022 consisted of the following:

	Interfund Receivables	Interfund Payables
General Fund	\$ 67,080	\$ 444,842
Debt Service Fund	377,762	-
	\$ 444,842	\$ 444,842

(5) CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended September 30, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Capital assets not being depreciated</u>				
Land	\$ 2,789,972	\$ -	\$ -	\$ 2,789,972
Construction in progress	18,066,711	3,123,422	(11,714,701)	9,475,432
Total capital assets not being depreciated	20,856,683	3,123,422	(11,714,701)	12,265,404
<u>Capital assets being depreciated</u>				
Pumps, engines and equipment	3,780,734	53,044	-	3,833,778
Pump station improvements	7,567,316	12,903	-	7,580,219
Drainage improvements	3,117,745	11,556,304	-	14,674,049
Buildings	294,227	-	-	294,227
Vehicles	40,363	-	-	40,363
Total capital assets being depreciated	14,800,385	11,622,251	-	26,422,636
<u>Less accumulated depreciation</u>				
Pumps, engines and equipment	(2,802,290)	(79,598)	-	(2,881,888)
Pump station improvements	(4,884,939)	(208,254)	-	(5,093,193)
Drainage improvements	(1,988,404)	(480,744)	-	(2,469,148)
Buildings	(284,422)	(924)	-	(285,346)
Vehicles	(40,363)	-	-	(40,363)
Total accumulated depreciation	(10,000,418)	(769,520)	-	(10,769,938)
Total capital assets being depreciated, net	4,799,967	10,852,731	-	15,652,698
Total capital assets, net	\$ 25,656,650	\$ 13,976,153	\$ (11,714,701)	\$ 27,918,102

Depreciation expense of \$769,520 for the year ended September 30, 2022, was charged to drainage works.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(6) 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, 2022, the District had a deferred amount on refunding debt of \$258,340, which resulted from the advance refunding of the General Obligations Bonds, Series 2005 and 2009.

(7) BONDS PAYABLE

The following is a summary of bonds payable for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
\$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.	\$ 380,000	\$ -	\$ (380,000)	\$ -	\$ -
\$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%.	905,000	-	(220,000)	685,000	220,000
\$3,280,000 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	-	-	3,130,000	360,000
\$3,280,000 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%.	5,905,000	-	(70,000)	5,835,000	125,000
Unamortized premium on debt	509,824	-	(62,948)	446,876	63,545
	<u>\$ 10,829,824</u>	<u>\$ -</u>	<u>\$ (732,948)</u>	<u>\$ 10,096,876</u>	<u>\$ 768,545</u>

The following is a schedule of future debt service requirements:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 705,000	\$ 336,181	\$ 1,041,181
2024	735,000	316,028	1,051,028
2025	765,000	293,046	1,058,046
2026	805,000	268,988	1,073,988
2027	845,000	248,688	1,093,688
2028-2032	3,170,000	795,538	3,965,538
2033-2037	<u>2,625,000</u>	<u>323,000</u>	<u>2,948,000</u>
	<u>\$ 9,650,000</u>	<u>\$ 2,581,469</u>	<u>\$ 12,231,469</u>

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(7) BONDS PAYABLE (CONTINUED)

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, 2022, the District had not exceeded the statutory limit.

(8) 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 taxes are budgeted in the year billed. The following is a summary of authorized and levied ad valorem taxes:

	Authorized	Levied
<u>District 2</u>	<u>Mills</u>	<u>Mills</u>
Maintenance and operations	7.50	6.68
Debt service	9.25	9.25
<u>District 6</u>		
Maintenance and operations	7.83	6.68

(9) COMPENSATION PAID TO BOARD MEMBERS

For the year ended September 30, 2022, the following individuals served on the Board of Commissioners and received per diem allowances as follows:

Leroy Trim	\$	845
Timothy Matthews Sr		845
Charlie Solar, Jr		780
Larry J. Aucoin		780
Harry K. Hoffpauir		520
Glen A. Swain		65
Newton Gaudet		65
Tom Nguyen		65
Scott Singleton		65
Theodore Bailey		65
		<u>\$ 4,095</u>

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

(10) RISKS AND UNCERTAINTIES

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, 2022, 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.

(11) TAX ABATEMENTS

For the year ended September 30, 2022, a total of \$1,492 in ad valorem taxes receivable by the District was abated on tax-exempt properties.

(12) SUBSEQUENT EVENTS

On October 27, 2022 the District entered into a five year lease of an excavator expiring in October 2027, requiring monthly rental payments of \$5,694.

(13) NEW ACCOUNTING PRONOUCEMENTS

The GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The Statement is effective for fiscal years beginning after June 15, 2022.

The GASB has released Statement No. 101, [Compensated Absences](#) (Statement 101), which replaces GASB Statement No. 16, Accounting for Compensated Absences. The Statement 101 requires liabilities for compensated absences to be recognized for: Leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. Under the new Statement a liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered; (b) the leave has accumulated; and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits is not included in the compensated absences liability. The Statement also addresses the timing of the recognition of a liability for certain types of compensated absences, such as sabbatical leave, parental leave, military leave, jury duty leave and other specific types of compensated balances. The Statement is effective for fiscal years beginning after December 15, 2023.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>GENERAL REVENUES:</u>			
Ad valorem taxes	\$ 1,076,042	\$ 1,112,674	\$ 36,632
Grant revenue	500,000	1,162,444	662,444
Interest income	1,478	17,713	16,235
Miscellaneous	12,092	67,484	55,392
	<hr/>	<hr/>	<hr/>
Total general revenues	1,589,612	2,360,315	770,703
<u>EXPENDITURES:</u>			
Drainage Works			
Advertising and publishing	6,000	1,066	4,934
Contract labor - excavator	27,600	28,594	(994)
Fuel and electricity	126,300	114,884	11,416
Insurance	131,500	141,829	(10,329)
Miscellaneous	-	9,339	(9,339)
Office expense	16,000	15,059	941
Pension	37,285	36,124	1,161
Per diem - board	6,400	4,095	2,305
Professional fees	113,600	76,455	37,145
Rental - excavator	60,000	65,167	(5,167)
Repairs and maintenance	165,000	121,578	43,422
Salaries and wages	360,500	335,935	24,565
Storm related	5,000	150	4,850
Supplies	31,300	9,221	22,079
Capital outlay	1,077,257	238,519	838,738
	<hr/>	<hr/>	<hr/>
Total current drainage works expenditures	2,163,742	1,198,015	965,727
Excess of revenues over expenditures	(574,130)	1,162,300	1,736,430
<u>OTHER FINANCING USES:</u>			
Transfers out	(1,162,444)	(1,162,444)	-
	<hr/>	<hr/>	<hr/>
Total other financing uses	(1,162,444)	(1,162,444)	-
Net change in fund balance	(1,736,574)	(144)	
<u>FUND BALANCE:</u>			
Beginning of year	2,286,678	2,286,678	
	<hr/>	<hr/>	
End of year	\$ 550,104	\$ 2,286,534	

(See Independent Auditors' Report)

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Harry "Hanko" Hoffpauir, Board Chairman

<u>Purpose</u>	<u>Amount</u>
Per diem	\$ <u>520</u>
Total compensation, benefits and other payments	\$ <u>520</u>

(See Independent Auditors' Report)

**INDEPENDENT AUDITORS' 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***

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

We have audited, in accordance with the 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's Consolidated Gravity Drainage District No. 2A (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 or significant deficiencies may exist that were not identified.



To the Board of Commissioners of
St. Mary Parish's Consolidated Gravity Drainage District No. 2A
May 30, 2023

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as finding 2022-001.

St. Mary Parish's Consolidated Gravity Drainage District No. 2A's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 results 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 and is intended solely for the information and use of management, the Board of Commissioners, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

May 30, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

SECTION I - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of St. Mary Parish's Consolidated Gravity Drainage District No. 2A.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements were reported in the Independent Auditors' 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*.
3. An instance of noncompliance was reported in the Independent Auditor's 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*.
4. A management letter was not issued for the year ended September 30, 2022.

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 2022-001 Noncompliance with Reporting Requirements

Criteria: The District is required to provide an annual financial report to the Louisiana Legislative Auditor no later than six months after its year end in accordance with Louisiana Revised Statutes 24:513 and 24:514.

Condition: The District failed to comply with these laws, submitting the required reports after the required deadline.

Effect: The District is not in compliance with Louisiana Revised Statutes 24:513 and 24:514.

Cause: The delay was due to the consolidation of District 2 and District 6 resulting in additional time needed to complete required reporting.

Recommendation: The District should put additional policies and procedures in place to ensure that required annual reports are filed in a timely manner.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action plan for further information.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

I. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Finding 2021-001 Louisiana Audit Law

Condition: The Authority failed to comply with Louisiana Revised Statutes 24:513 and 24:514.

This finding was repeated in the current year.

II. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FEDERAL AWARDS

Not applicable.

III. MANAGEMENT LETTER

Not applicable.



ST. MARY PARISH CONSOLIDATED GRAVITY DRAINAGE DISTRICT #2

May 30, 2023

Ericksen Krentel, LLP
4227 Canal Street
New Orleans, Louisiana 70119

Re: Finding 2022-001 Noncompliance with Reporting Requirements

Over the past several years we have had an issue with auditors being able to help complete our audits. For the 2021-2022 audit we were not told until January 2023 that the firm scheduled would not be able to perform the work.

Ericksen Krentel, LLP has been helpful, stepping up to the plate to see the District thru the process.

As of this date we feel certain that Ericksen Krentel LLP will be conducting the audit for year ending Sept 2023.

President

Office Manager

ST. MARY PARISH'S CONSOLIDATED
GRAVITY DRAINAGE DISTRICT NO. 2A
LOUISIANA LEGISLATIVE AUDITOR
STATEWIDE AGREED-UPON PROCEDURES
FOR THE YEAR ENDED
SEPTEMBER 30, 2022



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners and Management
St. Mary Parish's Consolidated Gravity Drainage District No. 2A
Morgan City, Louisiana

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the year ended September 30, 2022. St. Mary Parish's Consolidated Gravity Drainage District No. 2A's management is responsible for those C/C areas identified in the AUPs.

St. Mary Parish's Consolidated Gravity Drainage District No. 2A (the District) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the year ended September 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are attached in Schedule "1."

We were engaged by the District to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUP's, 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.

May 30, 2023
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

1) **WRITTEN POLICIES AND PROCEDURES**

Procedures: 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) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
- c) ***Disbursements***, including processing, reviewing, and approving.
- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) ***Payroll/Personnel***, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- h) ***Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

ST. MARY PARISH'S CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2A
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

- j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) ***Information Technology 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.
- l) ***Prevention of Sexual Harassment***, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: The District's policies and procedures do not address the areas of information technology disaster recovery/business continuity and prevention of sexual harassment.

BOARD OR FINANCE COMMITTEE

- 2. **Procedures:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget- to-actual, at a minimum, on all special revenue funds. Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.
 - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

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BOARD OR FINANCE COMMITTEE(CONTINUED)

- d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were found as a result of applying the procedure.

BANK RECONCILIATIONS

3. **Procedures:** Obtain a listing of entity 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 five additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated or electronically logged).
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of applying the procedure.

COLLECTIONS (EXCLUDING ELECTRONIC FUNDS TRANSFERS)

4. **Procedure:** 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).
5. **Procedures:** 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 responsible for cash collections do not share cash drawers/registers.

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COLLECTIONS (CONTINUED)

- 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/official verifies the reconciliation.

Results: No exceptions were found as a result of applying the procedure.

- 6. **Procedure:** Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was enforced during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

- 7. **Procedures:** Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under "Bank Reconciliations" above (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). 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 and the cash is stored securely in a locked safe or drawer).
- e) Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of applying the procedure.

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**NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS,
TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES)**

8. **Procedure:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than five).
9. **Procedures:** For each location selected under #8 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: No exceptions were found as a result of applying the procedure.

10. **Procedures:** For each location selected under #8 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 itemized invoice, and that supporting documentation indicates that deliverables included on the invoice were received by the entity.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions were found as a result of applying the procedure.

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CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS

11. **Procedures:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. **Procedures:** Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: There was no evidence that the combined statement selected for testing was reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder. Additionally, finance charges in the amount of \$37.75 were assessed on the selected statement.

13. **Procedures:** Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions were found as a result of applying the procedure.

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TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS (EXCLUDING CARD TRANSACTIONS)

14. **Procedures:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:
- a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: This section was not applicable as the District did not have any travel related disbursements.

CONTRACTS

15. **Procedures:** Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:
- Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g. if approval is required for any amendment was approval documented).

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CONTRACTS(CONTINUED)

- Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: This section was not applicable as there were no contracts that were initiated or renewed during the fiscal period.

PAYROLL AND PERSONNEL

16. **Procedure:** Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. **Procedures:** Randomly select one pay period during the fiscal period. For the five employees or officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees or officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Results: No exceptions were found as a result of applying the procedure.

18. **Procedures:** Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' accumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Results: No exceptions were found as a result of applying the procedure.

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PAYROLL AND PERSONNEL(CONTINUED)

19. **Procedure:** Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g. payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedure.

ETHICS

20. **Procedures:** Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b) Observe that the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

Results: The five employees selected did not complete the required one hour of annual ethics training during the fiscal period.

DEBT SERVICE

21. **Procedure:** Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.
22. **Procedure:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: There was no debt issued during the fiscal period selected, the Organization is not required by a debt covenant to maintain a reserve balance.

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FRAUD NOTICE

23. **Procedure:** Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the Organization attorney of the parish in which the entity is domiciled.

Results: No exceptions were found as a result of applying the procedure.

24. **Procedure:** Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of applying the procedure.

INFORMATION TECHNOLOGY DISASTER RECOVERY/BUSINESS CONTINUITY

25. **Procedures:** Perform the following procedures:

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Results: We performed the procedures and discussed the results with management.

SEXUAL HARASSMENT

26. **Procedures:** Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

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27. **Procedure:** Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
28. **Procedure:** Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements;
 - b) Number of sexual harassment complaints received by the agency;
 - c) Number of complaints which resulted in a finding that sexual harassment occurred;
 - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - e) Amount of time it took to resolve each complaint.

Results: The five employees selected for testing did not complete one hour of sexual harassment training during the calendar year. The District does not have its sexual harassment policy and complaint procedure posted on its website. Additionally, the District did not prepare the annual sexual harassment report as per R.S. 42:344.



ST. MARY PARISH

CONSOLIDATED GRAVITY DRAINAGE DISTRICT #2

May 30, 2023

Ericksen Krentel, LLP
4227 Canal Street
New Orleans, Louisiana 70119

Re: Noncompliance with Statewide Agreed Upon Policy and Procedures

Between COVID delaying the testing of SAUP and the complexity of the consolidation of District 2 and District 6 into District 2A there was a clear lack of understanding of how important these policy and procedures are to the daily running of DD2A. NOW, with this audit we can address this issue in a proper manner, bring to the boards attention the urgent need, in order to comply with the fiscal year audit ending in Sept of 2023.

#1 Results: The District's policies and procedures do not address the areas of information technology disaster recovery/business continuity and prevention of sexual harassment.

This will be addressed and policy adopted by the current Board(s).

#2 Results: There was no evidence that the combined statement selected for testing was reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder. Additionally, finance charges in the amount of \$37.75 were assessed on the selected statement.

There will be Finance committee(s) that will review and authorize (by initialing) the payables on a monthly basis. Two signers will be required for both payables and disbursements.

#3 Results: The five employees selected did not complete the required one hour of annual ethics training during the fiscal period.

Both ethics and sexual harassment training will resume for all pumpers, employees, and board members.

#4 Results: The five employees selected for testing did not complete one hour of sexual harassment training during the calendar year. The District does not have its sexual harassment policy and complaint procedure posted on its website. Additionally, the District did not prepare the annual sexual harassment report as per R.S. 42:344.

Both ethics and sexual harassment training will resume for all pumpers, employees, and board members. The harassment policy and complaint procedure will be adopted by the board(s) and posted to our website.

President

Office Manager