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**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
CALCASIEU PARISH POLICE JURY
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 1999**

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

Release Date 08-16-00

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
Lake Charles, Louisiana

FINANCIAL REPORT
December 31, 1999

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GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

December 31, 1999

COMMISSIONERS

Patrick Hay - President
Jack Chelette - Vice President
Denise Foster - Secretary Treasurer
Ernest Walker - Board Member
Lowell Guillory - Board Member

LEGAL COUNSEL

Rick Bryant - District Attorney

McELROY, QUIRK & BURCH

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Barbara Hutson Gonzales, CPA
Judson J. McCann Jr., CPA
Martin L. Chechotsky, CPA, CFE*
Robert M. Gani, CPA, MT**
Tina Demarest Barrett, CPA, CVA***
Mollie C. Broussard, CPA

Anne Collette, CPA

* Certified Fraud Examiner
** Masters of Taxation
*** Certified Valuation Analyst



Charles P. Quirk, CPA, Retired
Oray J. Woods Jr., CPA, Inactive
Robert E. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired

Charles I. McElroy, CPA (1917- 1997)
Patrick J. Reddin, CPA (1926- 1995)
Frank D. Burch, CPA (1921- 1991)

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Gravity Drainage District No. 4
of Calcasieu Parish
Calcasieu Parish Police Jury
Lake Charles, Louisiana

We have audited the accompanying general purpose financial statements of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of December 31, 1999, and for the year then ended. These general purpose financial statements are the responsibility of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2000, on our consideration of the Gravity Drainage District No. 4 of Calcasieu Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

McElroy, Quirk & Burch

Lake Charles, Louisiana
May 15, 2000

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 1999

	<u>Governmental Fund Type Special Revenue Fund</u>	<u>General Fixed Assets</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 377,600	\$ -
Investments	4,665,248	-
Taxes receivable (net of allowance for uncollectibles of \$16,863)	1,652,702	-
Grants receivable	561,324	-
Interest receivable	86,725	-
Land, building, equipment and improvements	<u>-</u>	<u>11,382,408</u>
Total assets	<u>\$ 7,343,599</u>	<u>\$ 11,382,408</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Accounts payable	\$ 20,884	\$ -
Contracts payable	181,416	-
Other current liabilities	28,494	-
Deferred revenue	<u>26,809</u>	<u>-</u>
Total liabilities	<u>257,603</u>	<u>-</u>
Fund equity:		
Investment in general fixed assets	-	11,165,808
Contributed capital	-	216,600
Fund balance:		
Unreserved:		
Designated (Note 8)	<u>7,085,996</u>	<u>-</u>
Total fund equity	<u>7,085,996</u>	<u>11,382,408</u>
Total liabilities and fund equity	<u>\$ 7,343,599</u>	<u>\$ 11,382,408</u>

See Notes to Financial Statements.

Totals (Memorandum Only)	
1999	1998
\$ 377,600	\$ 3,436,431
4,665,248	1,500,100
1,652,702	1,520,259
561,324	145,299
86,725	-
<u>11,382,408</u>	<u>9,829,168</u>
<u>\$ 18,726,007</u>	<u>\$ 16,431,257</u>

\$ 20,884	\$ 26,816
181,416	27,027
28,494	25,644
<u>26,809</u>	<u>26,810</u>
<u>257,603</u>	<u>106,297</u>
11,165,808	9,612,568
216,600	216,600
<u>7,085,996</u>	<u>6,495,792</u>
<u>18,468,404</u>	<u>16,324,960</u>
<u>\$ 18,726,007</u>	<u>\$ 16,431,257</u>

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TYPE - SPECIAL REVENUE FUND
Years Ended December 31, 1999 and 1998

	<u>Special Revenue Fund</u>	
	<u>1999</u>	<u>1998</u>
Revenues:		
Ad valorem taxes	\$ 1,711,214	\$ 1,586,290
State grants - DOTD	532,075	96,439
Local grants:		
City of Lake Charles	-	30,059
Calcasieu Parish Police Jury	580,066	182,450
State revenue sharing	80,428	80,428
Interest	318,086	261,638
Miscellaneous	<u>1,264</u>	<u>17,906</u>
Total revenues	<u>3,223,133</u>	<u>2,255,210</u>
Expenditures:		
Public works:		
Drainage and flood control:		
Salaries and benefits	559,182	468,821
Per diem (Board of Commissioners)	15,940	15,745
Operating services	384,199	303,716
Materials and supplies	65,479	136,779
Intergovernmental charges	53,786	52,003
Capital outlay	<u>1,554,343</u>	<u>678,574</u>
Total expenditures	<u>2,632,929</u>	<u>1,655,638</u>
Excess of revenues over expenditures	590,204	599,572
Fund balance at beginning of year	<u>6,495,792</u>	<u>5,896,220</u>
Fund balance at end of year	<u>\$ 7,085,996</u>	<u>\$ 6,495,792</u>

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended December 31, 1999

With Comparative Actual Amounts for Year Ended December 31, 1998

	1999		Variance	1998
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Ad valorem taxes	\$ 1,608,000	\$ 1,525,339	\$ (82,661)	\$ 1,624,748
State grants-DOTD	1,103,161	417,435	(685,726)	47,914
Local grants:				
City of Lake Charles	-	-	-	27,224
Calcasieu Parish Police Jury	180,000	278,537	98,537	84,599
State revenue sharing	80,500	80,428	(72)	80,428
Interest	221,000	243,772	22,772	261,638
Miscellaneous	18,000	1,263	(16,737)	17,906
Total revenues	<u>3,210,661</u>	<u>2,546,774</u>	<u>(663,887)</u>	<u>2,144,457</u>
Expenditures:				
Salaries and benefits	526,411	552,183	(25,772)	480,766
Per diem	15,745	16,108	(363)	15,577
Operating services	367,925	397,076	(29,151)	285,664
Materials and supplies	94,400	65,369	29,031	142,235
Major repairs	25,700	-	25,700	4,668
Capital outlay:				
Acquisition of land	575	1,188	(613)	579
Acquisition of equipment	40,000	500	39,500	4,300
Acquisition of vehicles	-	23,357	(23,357)	23,357
Construction	2,221,358	1,374,909	846,449	767,420
Intergovernmental:				
Intergovernmental service charges	52,100	53,786	(1,686)	52,003
Total expenditures	<u>3,344,214</u>	<u>2,484,476</u>	<u>859,738</u>	<u>1,776,569</u>
Excess (deficiency) of revenues over expenditures- budget basis	(133,553)	62,298	195,851	367,888

(continued on next page)

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended December 31, 1999
With Comparative Actual Amounts for Year Ended December 31, 1998
(Continued)

	1999		1998
	Budget	Actual	Actual
		Variance Favorable (Unfavorable)	
Other sources of funds:			
Appropriation of prior year's fund balance	133,553	-	(133,553)
Excess (deficiency) of revenues and other sources over expenditures- budget basis	\$ -	62,298	\$ 62,298
Adjustments to convert to GAAP basis:			
To adjust revenues for accruals		676,359	110,754
To adjust expenditures for accruals		(148,453)	120,930
Excess (deficiency) of revenues over expenditures- GAAP basis		590,204	599,572
Fund balance at beginning of year		6,495,792	5,896,220
Fund balance at end of year		\$ 7,085,996	\$ 6,495,792

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business

Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury responsible for maintenance of certain natural drainage laterals located in Ward 3, Calcasieu Parish.

2. Summary of Significant Accounting Policies

The accounting policies of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, conform to generally accepted accounting principles as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of the more significant policies:

A. Financial Reporting Entity

The accompanying financial statements include the various activities that are within the control and authority of the Board of Commissioners of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Police Jury and has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana.

NOTES TO FINANCIAL STATEMENTS

B. Fund Accounting

The accounts of the Gravity Drainage District No. 4 of Calcasieu Parish are organized on the basis of funds and account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

GOVERNMENTAL FUNDS

Special Revenue Fund - Special Revenue Funds are used to account for all specific revenue sources that are legally restricted to expenditures for specified purposes.

GENERAL FIXED ASSETS

Account groups are used to establish accounting control and accountability for the District's general fixed assets and general long-term debt. The following is the District's account group:

General Fixed Assets Account Group - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses 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.

The governmental fund is maintained on the modified accrual basis of accounting, utilizing the following practices in recording revenues and expenditures.

NOTES TO FINANCIAL STATEMENTS

Revenues - The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, intergovernmental, and interest revenue. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

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

The preparation of financial statements in conformity with generally accepted accounting principles 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.

D. Budgets and Budgetary Accounting

Annually, the District adopts a revenue and expenditure budget for the general fund. A forecast of revenues and expenditures is made based upon the prior year's expenditures and taking into consideration additional expenditures which can be predetermined and estimated. All budgetary appropriations lapse at the end of each fiscal year.

The budget is adopted on a cash basis method of accounting. Budgetary comparisons presented in this report are on this non-GAAP budgetary basis. Budget amounts are as originally adopted.

Encumbrance accounting is not used.

NOTES TO FINANCIAL STATEMENTS

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

Cash and cash equivalents, which include cash, demand deposits, and U.S. Government agencies having an original maturity of three months or less from the date acquired are stated at amortized cost at December 31, 1999 and 1998. Investments, which include U.S. Government agencies, having an original maturity in excess of three months from the date acquired are stated at amortized cost.

F. Vacation and Sick Leave

Substantially all employees earn five to twenty days of vacation leave each year depending on length of service with the Drainage District. Generally, vacation leave cannot be accumulated. However, vacation leave is allowed to be carried forward for the Superintendent, the Assistant Superintendent and the Office Manager.

All Drainage District employees earn twelve and one-half hours of sick leave per month. Sick leave can be accumulated without limitation. Upon retirement, all unused sick leave is used in the retirement benefit computation as earned service.

NOTES TO FINANCIAL STATEMENTS

Upon resignation, unused sick leave is forfeited and unused vacation leave must be taken and may not be settled in cash. The amount of unused sick leave was \$109,204 and \$96,842 at December 31, 1999 and 1998, respectively. Because these liabilities will not be settled in cash, they are not included in the financial statements.

G. Total Columns on Combined Statements-Overview

Total columns on the combined statements-overview are captioned Memorandum Only to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

H. Ad Valorem Taxes and State Revenue Sharing

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by Calcasieu Parish around October and are actually billed to the taxpayers in November. Billed taxes become delinquent on December 31.

The parish bills and collects its property taxes using the assessed values determined by the Calcasieu Parish Tax Assessor.

Generally accepted accounting principles for government prescribe a modified accrual basis to be applied to property tax revenues. An assessment is made to finance the budget of a particular period and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was provided (budgeted) and for which the collections are reasonably available. Expected collections and collections of the 1999 levy are accrued as receivable and as revenue in the current year (1999). For budget purposes, this 1999 levy of property tax revenue is designated as revenue appropriable in the 1999 budget year.

NOTES TO FINANCIAL STATEMENTS

3. Cash, Cash Equivalents and Investments

Cash and demand deposits of the District are classified into three categories to give an indication of the level of risk assumed at year end. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the District or its agent in the District's name. Category 2 represents deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 represents deposits uncollateralized including any securities held for the entity but not in the District's name.

The Gravity Drainage District No. 4 maintains demand (cash) through local depository banks which are members of the Federal Reserve System. In accordance with an agreement with the Calcasieu Parish Police Jury, which is approved by the Board, certain funds are invested and managed by that agency.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. Government, obligations issued or guaranteed by an agency established by the U.S. Government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality or school district.

The District's bank demand deposits at year end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the District's name.

Balances at December 31, 1999 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits-interest bearing (category 1)	\$ 100,000	\$ 100,000
Demand deposits-interest bearing (category 2)	<u>25,524</u>	<u>28,210</u>
Total	<u>\$ 125,524</u>	<u>\$ 128,210</u>

NOTES TO FINANCIAL STATEMENTS

Balances at December 31, 1998 were as follows:

	Carrying Amount	Bank Balance
Demand deposits-interest bearing (category 1)	\$ 100,000	\$ 100,000
Demand deposits-interest bearing (category 2)	175,431	181,106
Total	\$ 275,431	\$ 281,106

Following are investments of the District at year end categorized to give an indication of the level of risk assumed by the District. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the name of the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent in the name of the District. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution, or by its trust department or agent but not in the name of the District.

	Reported Amount			Fair Value
	Category			
December 31, 1999	1	2	3	
U.S. Government Agency- cash equivalents	\$ 252,076	\$ -	\$ -	\$ 252,475
U.S. Government Agencies securities	4,665,248	-	-	4,549,995
	\$ 4,917,324	\$ -	\$ -	\$ 4,802,470

	Reported Amount			Fair Value
	Category			
December 31, 1998	1	2	3	
U.S. Government Agency- cash equivalents	\$ 3,161,000	\$ -	\$ -	\$ 3,161,000
U.S. Government Agencies securities	1,500,100	-	-	1,500,100
	\$ 4,661,100	\$ -	\$ -	\$ 4,661,100

NOTES TO FINANCIAL STATEMENTS

4. Grants Receivable

This represents the grants receivable from the following for the indicated construction projects:

Calcasieu Parish Police Jury:	
Antoine Gully (Phase 1)	\$ 6,216
Antoine Gully (Phase 2)	35,103
Lowering pipelines projects	352,007
State of Louisiana:	
Antoine Gully (Phase 2)	<u>167,998</u>
	<u>\$ 561,324</u>

5. General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 1/1/99	Additions	Deletions	Balance 12/31/99
Land	\$ 175,365	\$ 1,188	\$ -	\$ 176,553
Building and plant	8,003,992	1,529,298	-	9,533,290
Light equipment	113,192	500	1,103	112,589
Heavy equipment	1,301,171	23,357	-	1,324,528
Furniture and fixtures	18,848	-	-	18,848
Contributed capital- heavy equipment	<u>216,600</u>	<u>-</u>	<u>-</u>	<u>216,600</u>
	<u>\$ 9,829,168</u>	<u>\$ 1,554,343</u>	<u>\$ 1,103</u>	<u>\$ 11,382,408</u>

6. Retirement Benefits

Defined benefit pension plan:

Plan description:

Substantially all employees are members of the Parochial Employees' Retirement System of Louisiana. Act 205 of 1952 established this retirement system, effective January 1, 1953. A comprehensive revision of the Parochial Employees' Retirement System law became effective January 1, 1980. This retirement system is operated by a Board of Trustees, an Administrative Director, an Actuary and a Legal Advisor.

NOTES TO FINANCIAL STATEMENTS

All permanent employees of the District who work at least 28 hours a week shall become members on the date of employment. Members become entitled to receive retirement benefits after 10 years of creditable service. Eligibility to actually begin receiving benefits is a function of fulfilling the eligibility provisions of age and service.

Members with 10 years of creditable service may retire at age sixty; members with 25 years of service may retire at age fifty-five; members with 30 years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service.

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for this retirement system. DROP is an option for those members who have been eligible for normal retirement for one year. The plan allows the pension benefit that is accrued at that point in time to be calculated and to accumulate with the retirement system while the DROP participant continues to work, freezing the future retirement benefit at retirement.

Funding policy:

The system is funded primarily by employer and employee contributions which are expressed as percentages of payroll. The amount of employee contributions is fixed by law. Covered employees were required by Louisiana state statute to contribute 9.5% of their salary to the plan. The District was required by the same statute to contribute 7.75% of eligible salaries. In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish (excepting Orleans and East Baton Rouge Parish) and remits the money to the system on an annual basis. The cost of operating the system is funded by a portion of the contribution.

The District's contributions to the Parochial Employees' Retirement System of Louisiana for each of the years ending December 31, 1999, 1998 and 1997 are presented below. These contributions are equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

	1999	1998	1997
Employer's contribution	\$ 31,355	\$ 27,604	\$ 25,603
Employees' contribution	38,435	33,988	32,603
	\$ 69,790	\$ 61,592	\$ 58,206

The Drainage District does not guarantee any benefits granted by the retirement system.

7. Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Tax revenue is shown net of the change in estimated uncollectible taxes of \$586.

8. Contracts Payable

This represents the amount due to contractors relating to the following construction projects:

Antoine Gully (Phase 2)	\$ 33,993
Lowering pipelines projects	147,423
	\$ 181,416

9. Unreserved Fund Balance Designation

The Board of Commissioners continue their policy of designating fund balance to provide a contingency reserve of resources to respond to major equipment overhaul and replacement needs. The various pump systems of the District (with unit replacements ranging from \$100,000 to \$2,000,000 per pump and possibly involving critically short turnaround times) comprise the major objectives of this contingency designation. Total designations at December 31, 1999 are as follows:

Commitments on construction contracts	\$ 2,871,000
Property tax revenue designated for subsequent year	1,652,000
Major equipment overhaul and replacement needs	2,563,140
	\$ 7,086,140

NOTES TO FINANCIAL STATEMENTS

10. Commitments and contingencies

The District is contractually liable to local contractors in the amount of \$2,990,000 for construction work to be performed which pertains to construction projects. These obligations will be funded partially by the Calcasieu Parish Police Jury and the State of Louisiana - DOTD in the estimated amounts of \$400,000 and \$2,100,000, respectively. The District will ultimately pay approximately \$490,000 as its share of the contracts.

11. Budget - GAAP Reporting Reconciliation

The accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP Budgetary Basis) and Actual for the special revenue fund, presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis (cash basis of accounting) differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basic, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 1999 is presented on that budgetary comparison statement.

12. Schedule of Commissioners' Compensation

Commissioner:	
Jack Chelette	\$ 3,120
Denise Foster	3,720
Patrick Hay	3,120
Ernest Walker	2,860
Lowell Guillory	<u>3,120</u>
Total	<u>\$ 15,940</u>

Commissioners are compensated at the rate of \$260 per month with the secretary-treasurer, Denise Foster, receiving an additional \$50 monthly.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Gravity Drainage District No. 4
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the general purpose financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana (District), a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 15, 2000.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported herein under *Government Auditing Standards* for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Gravity Drainage District No. 4 of Calcasieu Parish's 1999 financial statements.

The District failed to comply with LA Revised Statute 39:1310 which requires budget amendments when total actual revenues and other sources exceed or fail to meet total budgeted revenues and other sources by five percent or more. For the year ended December 31, 1999, Special Revenue Fund budgeted revenues exceeded actual

revenues by 20%. LA Revised Statute 39:1310 also requires budget amendments when total actual expenditures and other uses exceed or fail to meet total budget expenditures and other uses by five percent or more. For the year ended December 31, 1999, Special Revenue Fund budgeted expenditures exceeded actual expenditures by 25%.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters, as described below, involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Segregation of Duties

Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control. Effective internal control requires adequate segregation of duties among the entity's personnel. Without proper segregation of duties, errors within the financial records or fraud could go undetected.

To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

The reportable condition related to segregation of duties was also reported as a result of the prior year's audit.

Management's responses:

Management has responded that it does not believe that it is cost effective to employ adequate personnel to achieve an adequate level of segregation of responsibilities. Management has implemented supervision and review procedures such as review and approval of supporting documents related to expenditures and periodic review of bank reconciliations.

Controls Over Compliance

For the year ended December 31, 1999, Special Revenue Fund budgeted revenues exceeded actual revenues by 20%. The Special Revenue Fund budgeted expenditures exceeded actual expenditures by 25%. LA Revised Statute 39:1310 requires budget amendments when total actual revenues and other sources or expenditures and other uses exceed or fail to meet total budget revenues and other sources or expenditures and other uses by five percent or more.

We recommend budget to actual comparisons be monitored monthly and the Board amend the budget at the time the actual and projected revenues and/or expenditures reach a variance of more than 5% of the budget amounts.

Management's response:

The budget to actual comparisons will be more carefully monitored and appropriate steps will be taken to comply with LA Revised Statute 39:310.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered the reportable conditions reported above to be material weaknesses.

We present the following follow-up comments concerning the matters reported in our prior year's report on internal control over financial reporting:

Prior Year Audit Findings

Reportable conditions:

Inadequate segregation of duties. This matter has been discussed above.

Failure to comply with LA Revised Statute 39:1310 related to budget amendments. This matter has been discussed above.

This report is intended for the information of management and other state and Parish audit agencies. However, this report is a matter of public record, and its distribution is not limited.

McElroy, Quail & Burch

Lake Charles, Louisiana
May 15, 2000