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GRAVITY DRAINAGE DISTRICT NO. 7
OF CAMERON PARISH
CAMERON PARISH POLICE JURY
CAMERON, LOUISIANA

COMPONENT UNIT FINANCIAL REPORT
FOR THE YEAR ENDED 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 08-30-00

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GUS SCHRAM & CO., Ltd.

A PROFESSIONAL CORPORATION

Certified Public Accountants

Business Consultants

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Gravity Drainage District No. 7
of Cameron Parish
Cameron Parish Police Jury
Cameron, Louisiana

We have audited the accompanying component unit financial statements of the Gravity Drainage District No. 7 of Cameron Parish, a component unit of Cameron Parish Police Jury, as of and for the year ended December 31, 1999, as listed in the table of contents. These financial statements are the responsibility of the District's Board. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Gravity Drainage District No. 7 of Cameron Parish 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 June 23, 2000 on our consideration of Gravity Drainage District No. 7's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information listed as "supplementary information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Gravity Drainage District No. 7 of Cameron Parish. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.

Gus Schram & Co., Ltd.

June 23, 2000

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS
DECEMBER 31, 1999

Statement A

	Governmental Fund Type	Account Group	TOTALS (Memorandum Only) 1999
	General Fund	General Fixed Assets	
ASSETS			
Cash	\$ 67,802	\$	\$ 67,802
Investments	273,175		273,175
Miscellaneous receivable	0		0
Interest receivable	5,081		5,081
Ad valorem taxes receivable	91,252		91,252
Prepaid insurance	2,597		2,597
Building and equipment (Note 3)		420,163	420,163
TOTAL ASSETS	\$ 439,907	\$ 420,163	\$ 860,070
LIABILITIES & FUND EQUITY			
Liabilities:			
Accounts payable	\$ 3,888	\$	\$ 3,888
Payroll taxes payable	193		193
Deductions from ad valorem taxes	3,096		3,096
Deferred revenue	6,428		6,428
Total Liabilities	13,605		13,605
Fund Equity:			
Investment in general fixed assets		420,163	420,163
Fund balance:			
Reserved for prepaid insurance (Note 1)	2,597		2,597
Unreserved - undesignated	423,705		423,705
Total Fund Equity	426,302	420,163	846,465
TOTAL LIABILITIES & FUND EQUITY	\$ 439,907	\$ 420,163	\$ 860,070

"The Accompanying Notes are an Integral Part of this Statement."

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1999

Statement C

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Ad valorem taxes and state revenue sharing	\$ 88,117	\$ 82,043	\$ (6,074)
Interest earnings and misc. income	<u>47,253</u>	<u>48,695</u>	<u>1,442</u>
Total Revenues	135,370	130,738	(4,632)
EXPENDITURES			
Per diem (Board Commissioners)	2,850	2,650	200
Salaries and payroll taxes	36,507	39,328	(2,821)
Operating services	20,855	26,028	(5,173)
Materials & supplies	20,940	19,815	1,125
Travel	4,500	4,531	(31)
Intergovernmental charges	0	0	0
Capital outlay	<u>0</u>	<u>383</u>	<u>(383)</u>
Total Expenditures	<u>85,652</u>	<u>92,734</u>	<u>(7,082)</u>
Excess (deficiency) of revenues expenditures	49,718	38,004	(11,714)
Fund Balance - January 1	<u>409,836</u>	<u>409,836</u>	<u>0</u>
Fund Balance - December 31	<u>\$ 459,554</u>	<u>\$ 447,840</u>	<u>\$ (11,714)</u>

"The Accompanying Notes are an Integral Part of this Statement."

GRAVITY DRAINAGE DISTRICT NO. 7
OF CAMERON PARISH
CAMERON PARISH POLICE JURY

Notes to the Financial Statements
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gravity Drainage District No. 7 of Cameron Parish is a body corporate created by the Cameron Parish Police Jury, as provided by Louisiana Revised Statute 38:1751-1802. The Drainage District is governed by a board of five commissioners who are appointed by the Cameron Parish Police Jury. The Drainage District is authorized to construct, maintain and improve the system of gravity drainage within the District. The District covers 397 square miles and serves an approximate population of 1389.

The Drainage District is a component unit of the Cameron Parish Police Jury, the governing body of the Parish. The District is financially accountable to the Police Jury since the Police Jury appoints a majority of the District's board members. The accompanying financial statements present information only on the funds and account groups maintained by the Drainage District and do not present information on the police jury and the general government services provided by that governmental unit. There are no component units of Gravity Drainage District No. 7.

A. FUND ACCOUNTING

The accounts of the Drainage District are organized on the basis of funds and account groups, 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:

General Fund

The General Fund is the general operating fund of the Drainage District. It is used to account for all financial resources, except those required to be accounted for in other funds.

B. FIXED ASSETS

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

Fixed assets are valued at historical cost. Public domain general fixed assets (or infrastructure assets) are not capitalized and therefore are not included in the totals for General Fixed Assets Account Group.

The account group is not a "fund". It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement of the General Fund presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the General Fund. The General Fund uses the following practices in recording revenues and expenditures:

Revenues/Property Taxes/Deferred Revenue

Revenues are recognized under the modified accrual basis of accounting when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. Both ad valorem taxes and interest income are susceptible to accrual. Ad valorem taxes are recorded in the year the taxes are assessed. Interest income on interest bearing demand deposits is recorded when the interest is measurable and available. (See Note 1-I for additional information regarding ad valorem taxes).

Expenditures

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

D. BUDGETARY ACCOUNTING

Even though the District is not subject to the Louisiana Local Budget Act (Attorney General Opinion 89-456), annually, the Drainage 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. Formal budgetary integration is not employed as a management control device during the year for the General Fund; however, monthly budget comparisons are made a part of interim reporting. Appropriations do lapse at year end. (Note - the District does not utilize encumbrance accounting). The proposed 1999 budget was adopted by resolution on December 28, 1998 and amended on December 27, 1999 and January 20, 2000. The final amended budget amounts were approved in the same manner as the original budget and are utilized in this report. Actual expenditures were more than budgeted amounts by \$11,714.

Budgetary - GAAP Reporting Reconciliation

The accompanying Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non GAAP Budgetary Basis) and Actual - General Fund presents comparisons of the adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ 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 below:

Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 38,004
Adjustments:	
To adjust revenues for property tax, miscellaneous and interest revenue accruals	3,355
To adjust expenditures for expense accruals and prepaid insurance	<u>7,248</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 34,111</u>

E. CASH

Cash includes amounts in interest bearing demand deposit accounts. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, certificates of deposit, or securities issued or guaranteed by the U.S. government or its agencies. (See Note 2 for additional cash disclosures.)

Deposits in excess of federally insured amounts are required by statute to be protected by collateral securities of at least equal market value. The types of securities authorized by statute include U.S. Treasury and U.S. government agency obligations, general obligations of any state of the U.S., and general obligation bonds of Louisiana local governments.

F. VACATION AND SICK LEAVE AND PENSION PLAN

The District has not adopted any policy relating to vacation and sick leave and does not contribute to a pension plan; therefore, no accrual has been made in these financial statements. Currently, there are no full-time employees.

G. ESTIMATES

The preparation of the component unit financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

H. FUND EQUITY

Reserves represent those portions of fund equity not appropriate for expenditures or legally segregated for a specific future use. Gravity Drainage District No. 7 has reserved \$2,597 of fund balance for prepaid insurance.

I. LEVIED TAXES

Ad valorem taxes are assessed on a calendar year basis (levied in October), become due on November 15 of each year, and become delinquent on December 31. The lien date is the date in which the tax assessor files the tax roll with the Clerk of Court, which is the same date as the levy date. The taxes are generally collected in December of the current year and January and February of the ensuing year. The property tax receivable of \$91,252 is net of an estimate of uncollectible amounts of \$3,920. Deferred revenue in the amount of \$6,428 was recorded for the portion of the 1999 tax levy not considered available (collected after February, 2000). Management believes any credit risk related to this receivable is minimal.

Ad valorem taxes are levied on the assessed value as of the prior January 1 for all real estate, merchandise, and movable property located in the Parish. Assessed values are established by the Cameron Parish Assessor and the Louisiana Tax Commission at a per cent of actual value, as specified by Louisiana law. An assessment of all property is required to be completed no less than every four years. The authorized and levied ad valorem tax is 3.40 millage.

J. TOTAL COLUMNS ON STATEMENTS - OVERVIEW

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

2. CASH AND INVESTMENTS/CONCENTRATION OF CREDIT RISK

At December 31, 1999, the District has the following balances:

	<u>Bank Balances</u>	<u>Book Balances</u>
Checking/Money Market Accounts	\$ 67,936	\$ 67,802
Certificates of Deposit	<u>273,175</u>	<u>273,175</u>
Totals	<u>\$ 341,111</u>	<u>\$ 340,977</u>

Category 1 represents deposits that are insured or collateralized with securities held by an independent third party bank in the name of the District.

The financial institution's balance at year end was fully covered by either FDIC insurance or pledged collateral, classified as category 1.

The certificates of deposit, which are held by the District, are stated at cost, which approximates fair value. Since the certificates are not sold on a secondary market, the face value of the certificates is representative of its fair value.

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in General Fixed Assets follows:

	<u>Balance</u> <u>1/01/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/99</u>
Building and improvements	\$ 75,056	\$ -0-	\$ -0-	\$ 75,056
Equipment	340,894	383	-0-	341,277
Furniture and fixtures	<u>3,830</u>	<u>-0-</u>	<u>-0-</u>	<u>3,830</u>
General Fixed Assets	<u>\$419,780</u>	<u>\$ 383</u>	<u>\$ -0-</u>	<u>\$420,163</u>

4. INSURANCE

The District participates in the Insurance and Trust Fund established by the Cameron Parish Police Jury (an entity other than a public entity risk pool) for purposes of obtaining better rates on the District's property insurance, general liability insurance, errors and omissions insurance

and workers' compensation insurance. The Police Jury (as an oversight entity) purchases commercial insurance for all of the above risks. The coverage obtained is similar to prior years and the District has not been required to fund any excess amounts for settlements exceeding insurance coverage. The Cameron Parish Police Jury has also denoted that they did not incur any claim in excess of insurance coverage. For the 1999-2000 policy period, the District contributed approximately \$2,800 to the Insurance and Trust Fund. The payment should constitute the majority of the responsibility of the District. The District does have a separate insurance policy on specific equipment items with a premium of \$5,000.

5. LITIGATION/CONTINGENT LIABILITIES

The attorney for the District has confirmed that there is no litigation pending against the District at December 31, 1999. No accrual of liabilities is provided, accordingly.

The District is subject to certain federal, state and local regulations relating to environmental compliance issues. There is a risk that the District could be found to be in noncompliance with these regulations. Should this occur, it may be subject to fines and mandatory remedial actions which may be material to the financial statements. Management has no knowledge of any compliance problems as of the date of the balance sheet.

6. INTERGOVERNMENTAL REVENUE

On April 9, 1999, the District entered into an agreement (Louisiana Agreement Number: 68-7217-9-10) with the United States Department of Agriculture, Natural Resources Conservation Service, called NRCS. The agreement involved clean-up efforts following 1998's Hurricane Frances. Project #CAM-105-99 was for debris removal at the Holly Beach Canal at Calcasieu Canal. Project #CAM-106-99 was for debris and sediment removal at Bayou Trahan and Bayou Erbeling. Under the agreement, NRCS reimbursed the District for seventy five percent (75%) of the \$31,725.00 total estimated cost of the projects. Reimbursement in the amount of \$23,793.75 was received in August, 1999. Actual total expenditures associated with the project were \$40,249.53. There is no provision in the agreement for the District to request reimbursement for actual costs in excess of the estimated costs. The expenditures are included in various line items within the District's Statement of Revenues, Expenditures and Changes in Fund Balance.

It is noted that the net differential between the actual and estimated costs of this project is the mathematical error that caused the District's unfavorable budget variance in respect to expenditures in excess of the five percent (5%) limitation.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
DECEMBER 31, 1999

PER DIEM PAID TO BOARD MEMBERS

Per Diem and other compensation paid to the Board of Commissioners for the year ended December 31, 1999 are as follows:

Rogerest Romero	\$ 650
Carroll Trahan	650
Ivan Barentine	450
Magnus McGee	500
Curtis Trahan	<u>400</u>
Total	<u>\$2,650</u>



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

Board of Commissioners
Gravity Drainage District No. 7
of Cameron Parish
Cameron, Louisiana

We have audited the component unit financial statements of Gravity Drainage District No. 7 of Cameron Parish as of and for the year ended December 31, 1999, and have issued our report thereon dated June 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 7's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gravity Drainage District No. 7's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Gravity Drainage District No. 7's ability to record, process, summarize and report financial data consistent with the assertions of management in the component unit financial statements. The reportable condition noted are described below.

Lack of Segregation of Duties

Condition: There is a lack of segregation of duties over financial activity.

Criteria: An effective internal control is dependent to a great extent on segregation of responsibilities for initiating, evaluating, and approving transactions from those for detail accounting and other related functions.

Effect: When internal control is limited by a lack of segregation of duties there is always a possibility that transactions could be processed that would negatively affect the entity.

Cause: Because of the entity's size, it is not feasible to segregate duties to achieve effective internal accounting control.

Recommendation: We recommend that the District's Board of Directors continue to take an active interest in the monitoring and approving of all daily activities.

Management's Response: Management concurs with the above recommendation.

A material weakness is a reportable 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 component unit 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. We note that the reportable condition described above is a material weakness.

Review of Budget Amendment Process

Condition: The District's expenses closed 1999 with an unfavorable variance of more than five percent (5%) of the budget amount.

Criteria: Although the District is not subject to the Louisiana Local Budget Act (as discussed in Note 1- D), the five percent (5%) unfavorable variance limitation imposed by the Act is considered a useful measuring and monitoring tool. The District does impose a formal budget process on itself and typically amends its budgets to accommodate this variance limitation.

Effect: When internal control is limited by a correct budget amount there is always a possibility that decisions could be made or transactions processed that would negatively affect the entity.

Cause: We note that this budget monitoring process is of importance as an internal control to the District. This variance appears to be the result of an oversight only.

Recommendation: We recommend that the District's Board of Directors reconcile their proposed budget amendments to the accounting books.

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Management's Response: The amended 1999 budget was prepared in conjunction with the 2000 budget. Non-recurring 1999 revenues and expenditures were removed to determine the 2000 budget amount; a mathematical error was made when adding these non-recurring items back to the amended 1999 budget causing the 1999 unfavorable budget variance in excess of five percent (5%). A reconciliation to book amounts will be reviewed in conjunction with budget proposals. This will be monitored more closely.

This report is intended for the information of the Board of Commissioners of Gravity Drainage District No. 7 of Cameron Parish and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Gus Schram & Co., Ltd.

Lake Charles, Louisiana
June 23, 2000

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
SCHEDULE OF CURRENT YEAR FINDINGS
DECEMBER 31, 1999

SECTION I SUMMARY OF AUDITORS' REPORTS/RESULTS

- A. The type of report issued on the financial statements was an unqualified opinion.
- B. Report on Internal Control and Compliance Material to the Financial Statements
- Internal Control Material Weaknesses Yes No
Internal Control Reportable Conditions Yes No
- Compliance Material to Financial Statements Yes No
- C. Federal Awards
- Not Applicable

SECTION II FINANCIAL STATEMENT FINDINGS

- 99-1 Internal Control - See page 14 - Reportable condition and material weakness for Lack of Segregation of Duties is reported directly on Report on Compliance and Internal Control over Financial Reporting.
- 99-2 Budget Amendment Process - See page 14 - Reportable compliance finding for Budget Amendment Process is reported directly on Report on Compliance and Internal Control over Financial Reporting.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 1999

There were no prior year findings except the continued reporting of lack of segregation of duties.

In addition to the continued reporting of lack of segregation of duties, there were two other prior year findings.

Review of Budget Amendment Process

Finding: Budget amendments for 1998 did not include all amounts associated with payroll expenditures. This resulted in a 5% unfavorable budget variance.

Recommendation: We recommend that the Board monitor this area more closely.

Current Status: The District has included appropriate amounts associated with payroll in their 1999 and 2000 budget process.

Year 2000 Issues

The District has experienced no known difficulties associated with Year 2000 issues as of June 23, 2000.

GRAVITY DRAINAGE DISTRICT NO. 7
CAMERON PARISH, LOUISIANA
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR CURRENT YEAR AUDIT FINDINGS (UNAUDITED)
DECEMBER 31, 1999

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Lack of Segregation of Duties (99-1)

The District does not have any full time employees, not in the field or in the office. A part-time Executive Secretary is the only office employee. It is not economically feasible to hire additional office staff. The Board of Commissioners' position is to take an active role in the financial matters of the District. In addition, the Executive Secretary is bonded and can not write and sign checks over \$1,000.

Budget Amendment Process (99-2)

The amended 1999 budget was prepared in conjunction with the 2000 budget. Non-recurring 1999 revenues and expenditures were removed to determine the 2000 budget amount; a mathematical error was made when adding these non-recurring items back to the amended 1999 budget causing the 1999 unfavorable budget variance in excess of five percent (5%). A reconciliation to book amounts will be reviewed in conjunction with budget proposals. This will be monitored more closely.