



SEVENTH DRAINAGE DISTRICT NO. 4
OF ORLEANS PARISH
CALLED FOR DURING POLICE JURY
COMPOUND UNIT FINANCIAL REPORT
DECEMBER 31, 1966

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the Sheriff, or clerk, and other appropriate parish 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 3/11/80

GRAVITY BILLING DISTRICT NO. 4
OF CALDWELL PARISH
Lake Charles, Louisiana

FINANCIAL REPORT
DECEMBER 31, 1999

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HEALTH CHAIRMAN DISTRICT NO. 4
OF CALIFORNIA PAROLE

December 31, 1988

COMMISSIONERS

Burtich Hay - President
Ernest Walker - Vice President
Jack Chedoke - Secretary/Treasurer
Dennis Fisher - Board Member
Kirkham Simms - Board Member

LEGAL COUNSEL

Rick Bryant - District Attorney

MCELROY, QUIRK & BURCH

(A PROFESSIONAL CORPORATION)
(REGISTERED PUBLIC ACCOUNTANTS)

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
STATE OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 507
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MEMBER OF THE
TRIALS AND COSTS
FOR DEFENDANT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Grandy Drainage District No. 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of December 31, 1998, and for the year then ended. These general purpose financial statements are the responsibility of Grandy 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 audit in accordance with generally accepted auditing standards and Government Auditing Standards. These 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 involves assessing, 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Grandy Drainage District No. 4 of Calcasieu Parish, Louisiana, as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements for Gravity Drainage DISTRICT NO. 4.

In accordance with Government Auditing standards, we have also issued a report dated June 27, 1997 on our consideration of the Gravity Drainage District No. 4 of Calcasieu Parish's internal control structure and a report dated June 27, 1997 on its compliance with laws and regulations.

McClary, Smith & Smith

Lake Charles, Louisiana
June 27, 1997

CITY OF CHICAGO
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1998

ASSETS	Governmental <u>Fund Type</u> Special Revenue <u>Fund</u>	General Fund <u>Assets</u>
Cash	\$ 144,000	\$ -
Certificates of deposit, at cost	3,212,000	-
Receivables (net of allowance for uncollectibles of \$13,087)	1,628,748	-
Grants receivable	48,000	-
Prepaid expenses	-	-
Land, building, equipment and improvements	-	8,892,180
Total assets	<u>\$ 5,032,748</u>	<u>\$ 8,892,180</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 48,804	\$ -
Contracts payable	280,878	-
Other current liabilities	21,438	-
Total liabilities	<u>351,120</u>	<u>-</u>
Fund equity:		
Investment in general fund assets	-	8,878,180
Contributed capital	-	218,000
Fund balance:		
Unreserved:		
Designated (Note 05)	8,000,514	-
Total fund equity	<u>8,000,514</u>	<u>9,096,180</u>
Total liabilities and fund equity	<u>\$ 8,358,180</u>	<u>\$ 9,096,180</u>

See Notes to Financial Statements.

Totals	
(Memorandum Only)	
1996	1995
\$ 544,000	\$ 230,700
3,201,000	3,210,200
1,820,740	1,940,200
60,000	61,000
-	11,000
<u>5,625,740</u>	<u>7,410,000</u>
<u>\$ 10,221,500</u>	<u>\$ 10,521,500</u>

\$ 40,000	\$ 0,000
300,000	300,000
<u>21,000</u>	<u>1,000</u>
<u>100,000</u>	<u>125,000</u>
2,470,000	1,700,000
240,000	200,000
<u>4,300,000</u>	<u>4,400,000</u>
<u>10,000,000</u>	<u>10,410,000</u>
<u>\$ 14,200,000</u>	<u>\$ 14,810,000</u>

CITY OF CALHOUN DRAINAGE DISTRICT NO. 4
OF CALHOUN PARISH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TYPE - SPECIAL REVENUE FUND
Years Ended December 31, 1979 and 1978

	Special Revenue Fund	
	1979	1978
Revenues:		
Ad valorem taxes	\$ 1,509,399	\$ 1,533,369
State grants - 8000	214,895	1,213,211
Local grants:		
City of Lake Charles	89,518	260,453
Calcasieu Parish Police Jury	188,245	-
State revenue sharing	80,438	80,438
Insurance	127,345	272,229
Proceeds from sale of fixed assets	189	2,249
Miscellaneous	21,222	-
Total revenues	<u>\$ 2,313,289</u>	<u>\$ 3,359,159</u>
Expenditures:		
Public works:		
Drainage and flood control:		
Salaries and benefits	456,453	424,763
Car dien (Board of Commissioners)	14,268	15,459
Operating services	283,338	379,729
Materials and supplies	28,440	78,821
Miscellaneous	35,489	-
Intergovernmental charges	80,842	21,167
Capital outlay	<u>889,328</u>	<u>1,821,121</u>
Total expenditures	<u>\$ 1,813,157</u>	<u>\$ 2,752,959</u>
Excess (deficiency) of revenues over expenditures	500,132	606,200
Fund balance at beginning of year	4,899,382	3,526,351
Prior period adjustment (note 1)	-	-1,814,825
Revised fund balance at beginning of year	<u>4,899,382</u>	<u>1,711,526</u>
Fund balance at end of year	<u>\$ 5,400,514</u>	<u>\$ 2,317,726</u>

See NOTES to Financial Statements.

CITY OF CALHOUN FIRE DEPARTMENT
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES FROM SAME FISCAL YEAR - BUDGET AND ACTUAL
Year Ended December 31, 1994

With Comparative Actual Amounts for Year Ended December 31, 1993

	1994		1993	
	Budget	Actual	Budget Reversible (Unfavorable)	Actual
Revenues:				
Ad valorem taxes	\$ 1,808,501	\$ 875,233	\$ 187,288	\$ 1,801,988
State grants-1970	965,154	994,971	79,817	1,026,427
Local grants:				
City of Lake Charles	90,338	90,338	-	249,758
Calhoun Parish Police Jury	47,678	132,624	84,946	-
State Revenue Sharing	80,438	88,428	-	88,428
Bakewell	328,242	187,185	(128,957)	171,538
Proceeds from sale of fixed assets	308	308	-	1,847
Miscellaneous	1,888	21,282	19,394	-
Total revenues	<u>3,813,337</u>	<u>3,889,329</u>	<u>124,288</u>	<u>3,727,648</u>
Expenditures:				
Salaries and benefits	432,288	492,750	(28,224)	428,288
Gasoline	34,268	34,880	-	15,858
Operating services:				
Printing and advertising	1,588	1,852	(182)	1,231
Utilities	38,888	28,884	3,088	37,828
Communications	8,888	38,282	(12,222)	18,422
Rentals	8,888	218	3,888	2,778
Environmental expense	8,788	878	8,188	8,778
Maintenance of property and equipment	124,547	85,278	48,188	144,288
Maintenance services	128,888	188,812	18,881	128,281
Professional services	38,188	22,228	(12,222)	5,428
Insurance and surety bonds	78,888	82,812	12,888	71,268
Travel, other	1,888	1,888	58	1,217
Materials and supplies	188,324	58,422	82,222	82,885
Major repairs	22,888	29,884	(8,452)	-
Capital outlay:				
Acquisition of land	58,888	8,888	38,488	5,712
Acquisition of equipment	128,878	7,218	128,788	-
Acquisition of vehicles	28,788	4,228	31,788	2,884
Construction	787,288	782,842	(18,287)	1,882,882

(continued on next page)

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCIFIED PARKS
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (NON-GRAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended December 31, 1996

With Comparative Actual Amounts for Year Ended December 31, 1995
(Continued)

	1996		Variance	1995	
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual
Expenditures 100011:					
Intragovernmental:					
Intergovernmental service charges:					
Total expenditures	22,880	22,880	00	22,880	22,877
Total expenditures	2,227,277	2,487,893	260,616	2,449,219	2,449,219
Excess (deficiency) of revenues over expenditures - budget basis	\$-----	228,219	\$228,219	228,219	228,219
Adjustments to convert to GRAP basis (Note 12)		274,814			(274,814)
Excess (deficiency) of revenues over expenditures - GRAP basis		503,033			(50,595)
Fund balance at beginning of year		4,488,882			4,586,591
Prior period adjustments (Note 1)		-----			2,026,825
Revised fund balance at beginning of year		4,488,882			4,613,416
Fund balance at end of year		\$4,223,214			\$4,432,216

See notes to Financial Statements.

SEWERAGE DISTRICT NO. 4
OF CALCASIEU PARISH

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business

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

2. Summary of Significant Accounting Policies

The accounting policies of Sewerage 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 28:517 and to the guidelines 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 Sewerage 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. 18 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 of the ability to impose will by the primary government, or to 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 Sewerage District No. 4 is a component unit of the Calcasieu Parish Police Jury and has no other financial or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Sewerage District No. 4 of Calcasieu Parish, Louisiana.

NOTES TO FINANCIAL STATEMENTS

B. Fund Accounting

The accounts of the Growth Drainage District No. 4 of Calumet Parish 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 listed 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 basis 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 revenues. Grant revenues is recognized when program expenditures are incurred in accordance with program guidelines. Such revenues 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.

B. Prior Period Adjustment

During prior years, property tax revenue was recognized on income using the cash basis of reporting. Effective January 1, 1998, unrecorded fund balance was increased and deferred income was decreased \$1,814,828 in order to recognize the effect on fund balance of this revenue source using the modified accrual basis of accounting. At December 31, 1998 and 1999, property tax revenue of \$1,408,937 and \$1,814,828, respectively, included in fund balance, was designated for subsequent years' use.

C. Budgets and Budgetary Accounting

Annually, the District adopts a revenue and expenditures 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.

NOTES TO FINANCIAL STATEMENTS

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

Encumbrance accounting is not used.

F. Certificates of Deposit

Monies are invested in certificates of deposit and secured up to the current limit of \$100,000 per account through Federal Deposit Insurance. Accounts above the federal insurance limit are "collateralized" by "pledged" securities as required by Louisiana statute.

Certificates of deposit are stated at cost, which also equals fair market value.

G. Vacation and Sick Leave

Substantially all employees earn five to twenty days of vacation leave each year depending on length of service with the Denham 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 Denham 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.

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 \$48,793 and \$78,754 at December 31, 1996 and 1995, respectively. Because these liabilities will not be settled in cash, they are not included in the financial statements.

H. Total Columns on Combined Statements-Overview

Total columns on the combined statements-overview are prepared Memoranda 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.

NOTES TO FINANCIAL STATEMENTS

1. 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 revenues 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. Reported collections and collections of the 1996 levy are accrued as receivables and as revenues in the current year (1996). For budget purposes, this 1996 levy of property tax revenue is designated as revenue appropriate to the 1997 budget year.

2. Cash and Certificates of Deposit

Cash and certificates of deposit 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 (insurance of FDIC) or collateralized with securities held by the District or the 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 Shreveport District No. 4 maintains demand (cash) and time deposits (certificates of deposit) through local depository banks which are members of the Federal Reserve System.

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.

NOTES TO FINANCIAL STATEMENTS

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

Balance at December 31, 1996 were as follows:

	<u>Carrying Amount</u>	<u>Book Balance</u>
Demand deposits-interest bearing Category II	\$ 348,810	\$ 348,817
Time deposits-interest bearing Category II	<u>1,221,810</u>	<u>1,221,029</u>
Total	<u>\$ 1,570,620</u>	<u>\$ 1,569,846</u>

Balance at December 31, 1995 were as follows:

	<u>Carrying Amount</u>	<u>Book Balance</u>
Demand deposits-interest bearing Category II	\$ 327,100	\$ 327,100
Time Deposits-interest bearing Category II	<u>1,218,791</u>	<u>1,218,791</u>
Total	<u>\$ 1,545,891</u>	<u>\$ 1,545,891</u>

4. Grants Receivable - 208,628

This amount consists of amounts due from the State of Louisiana (100,428) and the Calcasieu Parish Police Jury (108,200) for their share of amounts paid to date for work completed on the Atchoula Gully (Phases 1 and 2) and the Chalstrap Wetland projects.

NOTES TO FINANCIAL STATEMENTS

3. General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 12/31/86	Additions	Deletions	Balance 12/31/87
Land	\$ 173,788	-	-	\$ 173,788
Building and plant	2,177,422	578,189	-	2,755,611
Light equipments	31,422	11,750	8,000	35,172
Heavy equipments	1,081,171	-	-	1,081,171
Furniture and fixtures	28,488	-	-	28,488
Contributed capital- heavy equipment	218,422	-	-	218,422
	<u>\$ 3,710,691</u>	<u>\$ 589,939</u>	<u>\$ 8,000</u>	<u>\$ 4,302,630</u>

4. Pension Plan

Substantially all employees are members of the Parishial Employees' Retirement System of Louisiana. In addition to employee payroll deductions of 8.82% of gross pay, the drainage district remits 3.58% of gross pay to fund the retirement system. The drainage district does not guarantee benefits granted by the retirement system.

5. Bad Debt

Receivable 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. The revenue is shown net of estimated uncollectible taxes of \$23,887.

6. Contract Payable

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

Mocking Lateral	\$ 181,888
Antoine Gulch	20,888
Chalkley Retain	7,918
Reservoir Basin	<u>49,412</u>
	<u>\$ 260,106</u>

NOTES TO FINANCIAL STATEMENTS

9. Unreserved Fund Balance Designation

The Board of Commissioners continues 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, 1994 are as follows:

COMMITMENTS ON CONSTRUCTION CONTRACTS	\$ 487,407
Property tax revenue designated for subsequent year	1,479,507
Major equipment overhaul and replacement needs	<u>2,822,500</u>
	<u>\$ 4,789,414</u>

10. COMMITMENTS

The District is contractually liable to local contractors in the amount of \$483,426 for construction work to be performed which pertains to construction projects identified in Note 8 and estimated engineering fees of \$25,888. These obligations will be funded partially by the State of Louisiana (DOTD), the Calcasieu Parish Police Jury, and the City of Lake Charles. Of these construction commitments, the state will pay approximately \$420,300, while the City of Lake Charles will assume approximately \$51,000 and the Calcasieu Parish Police Jury approximately \$45,888. The District will ultimately pay approximately \$188,321 as its share of the contracts.

11. Budget - GAAP Reporting Reconciliation

The accompanying combined statement of revenues, expenditures and changes in fund balance-budget line-item budgetary basis and actual for the general fund, presents comparisons of the legally adopted budget. 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 revealed basis, 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, 1994 is presented below:

NOTES TO FINANCIAL STATEMENTS

Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 228,118
Adjustments:	
To adjust revenues for accruals	100,148
To adjust for expense accruals	<u>(200,148)</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ 128,118</u>

12. Schedule of Commissioners' Compensation

COMMISSIONERS:

Elizabeth Sykes	\$ 1,800
Jack Chellette	1,700
Benita Fawcett	1,500
Patrick Ray	1,100
Abraham Sincan	1,100
Ernest Miller	<u>1,100</u>
Total	<u>\$ 10,800</u>

Commissioners are compensated at the rate of \$200 per month with the Secretary-Treasurer receiving an additional \$50 monthly.

McELROY, QUIRE & BURCH

A PROFESSIONAL CORPORATION
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MEMPHIS
ARMED SERVICES UNIT OF
CERTIFIED PUBLIC ACCOUNTANTS
MEMPHIS OFFICE
MEMPHIS PUBLIC ACCOUNTANTS

MEMPHIS OFFICE
LAKESHORE BUILDING
MEMPHIS

MEMBERSHIP NO. 11
FEDERAL TAXPAYER IDENTIFICATION
NUMBER 58-0000

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE 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, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 1980, and have issued our report thereon dated June 27, 1987.

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 general purpose financial statements are free of material misstatement.

The management of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, decisions and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, for the year ended December 31, 1980, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Because of the entity's size and the limited number of accounting personnel, it is not feasible to segregate duties to achieve effective internal accounting control. Management of the District has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties. Management has attempted to mitigate this weakness by its supervision and review procedures.

Bank reconciliations were not prepared on a timely basis during the year. Such reconciliations should be prepared monthly and we recommend management review the completed reconciliations monthly.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure element does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described above are material weaknesses. These conditions were considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana for the year ended December 31, 1980.

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

McClary, Davis & Lewis

Lake Charles, Louisiana

June 27, 1997

MCELROY, QUIRK & BURCH

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MEMBER OF THE
FEDERAL REGISTER
EXCISE 10-61-0

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS 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, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated June 17, 1997.

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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, is the responsibility of Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance during the year ended December 31, 1976 that are required to be reported under Government Auditing Standards. However, the District did not comply with the requirement that the audited financial statements and reports on internal control structure and on compliance be submitted to the Louisiana Legislative Auditor not later than June 30, 1977.

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

Mc Elroy, Davis & Lott

Lake Charles, Louisiana
June 27, 1977