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GRAVITY DRAINAGE DISTRICT NO. 8
OF CALCAHOUN PARISH
CALCAHOUN DISTRICT POLICE JURY
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 1997

Under provisions of state law, this report is a public document. A copy of the report has been distributed to the audited, or reviewed, 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 11 11 98

**SHAWNEE DRAINAGE DISTRICT NO. 4
OF OKLAHOMA TERRITORY
LARRY CHRISTEN, Administrator**

**FINANCIAL REPORT
December 31, 1997**

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SEWAGE DRAINAGE DISTRICT NO. 4
OF CALGARY, ALBERTA

December 12, 1987

COMMISSIONERS

Barbara Foster - President
Jack Chalton - Vice President
Robert Walker - Secretary/Treasurer
PATRICK WAT - BOARD MEMBER
MARILYN BISHOP - BOARD MEMBER

LEGAL COUNSEL

Rich Bryant - District Attorney

McELROY, QUIRK & BURCH

4 Poplaineau Corporate • Certified Public Accountants • Since 1925
500 Maple Street • P.O. Box 8078 • Lake Charles, LA 70602-8078
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Arthur Quirk, Treasurer, CPA
Robert J. Burch, Jr., CPA
James J. Williams, III, CPA
Robert W. Kell, CPA
Teresa F. Smith, CPA, CMA
Tommye Williams, CPA



Cliff E. Quirk, CEO
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Robert J. Burch, III, CPA
William Williams, CPA

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INDEPENDENT AUDITOR'S 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, 1997, 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 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. 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 general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, as of December 31, 1997, 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. 5.

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 1998 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.

McClary, Binkley & Associates

LABE CHARLES, LOUISIANA
May 27, 1998

TOTALS

Memorandum 06/07	
2007	2008
0	0
1,200,000	544,000
3,321,107	3,223,000
1,543,600	1,528,740
54,111	48,000
3,200,000	3,000,000
2,33,200,000	2,14,200,000

0	0
20,000	48,400
140,000	200,000
20,000	20,000
20,000	20,000
200,000	300,000

8,510,715	8,576,180
210,000	210,000
3,800,000	4,000,000
13,800,000	13,800,000

2,33,200,000	2,14,200,000
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CREDIT DRAINAGE DISTRICT NO. 4
OF CALHOUN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TYPE - SPECIAL REVENUE FUND
Years Ended December 31, 1997 AND 1998

	Special Revenue Fund	
	1997	1998
Revenues:		
AD VALOREM TAXES	\$ 1,587,508	\$ 1,555,298
State grants - 80%	83,848	151,855
Local grants:		
City of Lake Charles	-	88,538
Calcasieu Parish Police Jury	81,898	160,243
STATE REVENUE SHARING	80,428	80,428
INTEREST	128,888	180,505
Proceeds from sale of fixed assets	-	508
Miscellaneous	52,325	51,298
Total revenues	\$ 2,883,857	\$ 2,412,265
Expenditures:		
public works:		
drainage and flood control:		
salaries and benefits	452,488	488,651
Per diem Board of Commissioners	18,280	18,280
Specialty Services	322,734	342,310
Materials and supplies	63,181	58,481
Major repairs	28,758	38,484
Intergovernmental charges	54,887	58,882
capital outlay	218,858	293,228
Total expenditures	\$ 1,443,828	\$ 1,343,327
Excess of revenues over expenditures	899,000	1,068,938
Fund balance at beginning of year	\$ 4,828,738	\$ 4,828,282
Fund balance at end of year	\$ 5,727,738	\$ 5,897,220

See Notes to Financial Statements.

**GRAVITY DRAINAGE DISTRICT NO. 4
OF CALHOUN PARISH
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES FROM GRAP SUBSIDIARY BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 1997**

With Comparative Actual Balance For Year Ended December 31, 1996

	1997		1996	
	Budget	Actual	Taxation Favorable (Unfavorable)	Actual
Revenues:				
Ad valorem taxes	\$ 1,104,909	\$ 1,578,822	\$ 473,913	\$ 875,256
State grants-BOFB	-	82,001	82,001	894,571
Local grants:				
city of Lake Charles	-	-	-	39,100
Calcasieu Parish Police Jury	-	49,844	49,844	112,824
State revenue sharing	88,448	191,827	26,809	98,428
INTEREST	224,242	228,844	4,602	177,385
Proceeds from sale of				
fixed assets	128	-	(128)	128
Miscellaneous	488	12,342	11,854	33,282
Total revenues	<u>1,808,102</u>	<u>2,810,838</u>	<u>281,814</u>	<u>1,803,121</u>
Expenditures:				
Salaries and benefits	448,508	445,888	16,619	858,758
for diet	14,208	14,208	-	18,288
operating services	298,747	244,218	24,527	298,048
Materials and supplies	108,424	39,871	68,553	51,482
Major repairs	48,404	18,718	21,686	38,448
Capital outlay:				
Acquisition of land	17,908	3,000	14,908	4,488
Acquisition of equipment	128,768	8,548	120,220	7,718
Acquisition of vehicles	35,708	41,542	(7,834)	4,008
construction	392,967	334,959	248,014	783,548
Intergovernmental:				
Intergovernmental service charges	31,208	31,208	(18,100)	12,885
Total expenditures	<u>1,808,102</u>	<u>1,813,362</u>	<u>484,748</u>	<u>1,861,685</u>
Excess (deficiency) of revenues over expenditures-				
Budget basis	<u>\$</u>	746,734	<u>\$ 286,814</u>	218,118

Continued on next page

GRAVITY BUSINESS DISTRICT NO. 4
OF CHICAGO'S PARKS
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (NON-GAAP ACCOUNTING BASIS) - BUDGET AND ACTUAL
Year Ended December 31, 1997

With comparative Actual Amounts for Year Ended December 31, 1996
(Continued)

	1997		Variance Favorable (Unfavorable)	1996
	Budget	Actual		Actual
Excess (deficiency) of revenues over expenditures - budget basis	\$	544,504	\$	246,324
ADJUSTMENTS TO CONVERT TO GAAP Basis:				
To adjust revenues for accruals		412,781		628,148
To adjust expenditures for accruals		(161,212)		(246,324)
Excess (deficiency) of revenues over expenditures - GAAP basis		896,073		508,148
Fund balance at beginning of year		(1,899,214)		(1,899,214)
Fund balance at end of year		\$ 896,863		\$ 899,214

See Group to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCAVIA PARISH

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Gravity Drainage District No. 4 is a component unit of the Calcasieu Parish Public 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 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 24:557 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 defined 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 Public Jury and has no other direct 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 Grading-Drainage District No. 8 of Columbia 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 purposes 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 industrial revenues. 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.

B. 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.

Incurrence accounting is not used.

NOTES TO FINANCIAL STATEMENTS

E. 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. Amounts 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.

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.

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 \$88,425 and \$69,793 at December 31, 2009 and 2008, 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.

NOTES TO FINANCIAL STATEMENTS

B. 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 programs is modified accrual basis to be applied to property tax revenues. An adjustment 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. Reported collections and collections of the 1987 levy are accrued as receivable and as revenue in the current year (1987). For budget purposes, this year levy of property tax revenue is designated as revenue appropriate in the 1988 budget year.

C. 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 (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 Brandy Brinege 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. Accepted 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 entirely covered by Federal Depositary Insurance or by pledge of securities owned by the financial institution in the District's name.

Balances at December 31, 1993 were as follows:

	<u>Carrying Amount</u>	<u>Book Balance</u>
Demand deposits-interest bearing (category 1)	\$ 260,000	\$ 260,000
Demand deposits-interest bearing (category 2)	1,097,007	1,097,461
Time deposits-interest bearing (category 2)	<u>3,321,107</u>	<u>3,321,387</u>
Total	<u>\$ 4,678,114</u>	<u>\$ 4,678,848</u>

Balances at December 31, 1992 were as follows:

	<u>Carrying Amount</u>	<u>Book Balance</u>
Demand deposits-interest bearing (category 1)	\$ 260,000	\$ 260,000
Demand deposits-interest bearing (category 2)	364,010	364,357
Time deposits-interest bearing (category 2)	<u>3,321,810</u>	<u>3,321,810</u>
Total	<u>\$ 3,945,820</u>	<u>\$ 3,946,167</u>

4. General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 1/1/93</u>	<u>Acquisitions</u>	<u>Disposals</u>	<u>Balance 12/31/93</u>
Land	\$ 370,760	\$ 2,000	\$ -	\$ 372,760
Building and plans	7,247,004	180,504	-	7,427,508
Light equipment	55,310	47,007	-	102,317
Heavy equipment	1,300,171	-	-	1,300,171
Materials and Districts	18,849	-	-	18,849
Contributed capital- heavy equipment	<u>216,100</u>	<u>-</u>	<u>-</u>	<u>216,100</u>
	<u>\$ 9,808,194</u>	<u>\$ 229,511</u>	<u>\$ -</u>	<u>\$ 10,037,705</u>

NOTES TO FINANCIAL STATEMENTS

3. Pension Plan

Substantially all employees are members of the Parochial Employees' Retirement System of Louisiana. Act 286 of 1952 established this retirement system, effective January 1, 1953. A comprehensive revision of the parochial Employees' Retirement system law became effective January 1, 1989. This retirement system is operated by a Board of Trustees, an Administrative Director, an Attorney and a Legal Advisor.

All permanent employees of the District who work at least 16 hours a week shall become members on the date of employment. 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 8.34% of their salary to the plan. The District was required by the same statute to contribute 2.78% of eligible salaries. The contribution requirement for the year ended December 31, 1990 was \$25,400 from the District and \$28,431 from employees based on eligible compensation of \$341,378. 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 Parishes) and remits the money to the system on an annual basis. The cost of operating the system is funded by a portion of the contributions.

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 208 of 1989 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 premium 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, foregoing the future retirement benefit at retirement.

NOTES TO FINANCIAL STATEMENTS

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

6. 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 estimated uncollectible taxes of \$24,243.

7. Contracts Payable

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

Woodring lateral	\$ 156,120
Henderson Bayou	<u>12,267</u>
	<u>\$ 168,387</u>

8. Unreserved Fund Balance Designation

The Board of Commissioners retains 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 replacement ranging from \$100,000 to \$2,000,000 per pump and possibly involving critically short turnaround lateral comprise the major objectives of this contingency designation. Total designations on December 31, 1991 are as follows:

Commitments on construction contracts	\$ 127,118
Property tax revenues designated for subsequent year	1,824,758
Major equipment overhaul and replacement needs	<u>6,181,358</u>
	<u>\$ 8,133,234</u>

NOTES TO FINANCIAL STATEMENTS

9. Commitments

The District is contractually liable to local contractors in the amount of \$127,528 for construction work to be performed which pertains to construction projects identified in Note 8. These obligations will be funded partially by the California State Fund July 1928,2410 and the City of Lake Charles 1928,2451. The District will ultimately pay approximately \$78,666 on the share of the contracts.

10. Budget - GASB Reporting Reconciliation

The accompanying combined statement of Revenues, Expenditures and Changes in Fund Balances-Budget (Non-GAAP Budgetary Basis) and Actual for the special revenue fund, presents comparisons of the legally adopted budget more fully described in Note 11 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 prepare financial statements in conformity with GASB, a reconciliation of resultant basis, timing, perspective, and other differences in the various (interim) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 1991 is presented on that Budgetary comparison statement.

11. Schedule of Commissioners' Compensation

Commissioners:	
Jack Oberling	\$ 3,200
Ernie Foster	3,200
Patrick Key	3,200
Patrick Stedon	3,200
Ernest Walker	<u>3,200</u>
Total	<u>\$ 16,200</u>

Commissioners are compensated at the rate of \$200 per month with the secretary-treasurer, Patrick Key, receiving an additional \$20 monthly.

McELROY, QUIRK & BURCH

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INDEPENDENT AUDITOR'S 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 Board of Directors, as of and for the year ended December 31, 2023, and have issued our report thereon dated May 13, 2024.

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 would 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 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 involving the internal control over financial reporting and its operation that we consider to be reportable conditions— Reportable conditions

Several 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 intentions of management in the financial statements. Reportable conditions are described below:

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. We believe certain steps could be taken to mitigate this condition. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

One of the most critical areas of separation is bank. Certain simple steps may be implemented to improve controls in this area such as:

Management should receive and review the bank statements and associated checks before turning them over to the accounting personnel to prepare the bank reconciliations.

The mailing/distribution of signed checks and related invoices should be the responsibility of an individual other than the individual responsible for preparing the checks and entering the information into the accounting system.

Bank reconciliations were not prepared on a timely basis during the year. Such reconciliations should be prepared monthly and be reviewed by management within the completed reconciliations monthly.

Construction project files are not adequately documented to track progress of the various projects. Such files should include all data and agreements necessary to support and track the project. The project files for all current construction projects should be brought up to date.

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

Management's response:

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 does intend to continue its involvement in the review and approval processes.

During 1977, the Board worked to mitigate the problem regarding bank reconciliations. A replacement bookkeeper/office manager was hired and training was provided to that person concerning policies and procedures relating to the accounting records.

Additionally, the President of the Board stated, regarding each of the above conditions, that monthly reviews and evaluation of the current bookkeeper/office manager and the Director's financial statements have been ongoing during 1978. The Board will continue these reviews and providing training to the bookkeeper/office manager.

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, if any, 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.

We present the following additional comments and suggestions for your consideration:

Year 2000 Issue:

The Year 2000 Issue results from a computer's inability to process year-date data accurately beyond the year 1999. Except in recently introduced year 1990 compliant programs, computer programmers conventionally have abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 99. Thus January 1, 2000, becomes 01/01/00. Unless corrected, this shortcut is expected to create widespread problems when the clock strikes 12:00:01 A.M. on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1999, and process data inaccurately or stop processing altogether.

The Year 2000 Issue is likely to affect computer applications before January 1, 2000, when systems correctly attempt to perform calculations using the year 2000. Furthermore, some software programs use several dates in the year 1999 to mean something other than the date. Examples of such dates are 01/01/99, 09/09/99, and 12/12/99. As systems process information using these dates, they may produce erratic results or stop functioning.

The Year 2000 issue presents another challenge - the algorithms used in some computers for calculating leap years is unable to detect that the year 2000 is a leap year. Therefore, systems that are NOT year 2000 compliant may not register the additional day, and date calculations may be incorrect.

We recommend that you take the necessary actions to immediately begin to identify, notify, and test all systems that may be negatively affected by the Year 2000 issue, particularly mission-critical systems. This program should be executed routinely to ensure completion before mission-critical systems begin to fail. Such failures may be evident before January 1, 2000. If the District fails to take timely and appropriate action, it may experience costly and significant application-program failures that could prevent it from performing its normal processing activities.

Also, the District should implement additional verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party organizations with whom it exchanges data-dependent information. Because these organizations also must become year 2000 compliant, the District also should notify itself that vendors, service providers, bankers, customers, and other third-party organizations will not experience problems relating to the Year 2000 issue that could affect the District's operations or cash flows.

Management's response:

Management has responded that their accounting program has adequately addressed the issue of dates beyond the year 2000. The Board will address other year 2000 issues during 1999 and early 2000.

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.

Mr. Gray, Smith & Leland

Lyle Charbon, Louisiana
May 17, 1998