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GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
CALCASIEU PARISH POLICE JURY

COMPONENT UNIT FINANCIAL REPORT

DECEMBER 31, 1995

under provisions of state law, this report is a public document. A copy of the report has been submitted 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 7-31-96

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

FINANCIAL REPORT
December 31, 1995

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GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

December 31, 1995

COMMISSIONERS

Jack Chellette - President
Patrick Hay - Vice President
Elizabeth Byles - Secretary Treasurer
Ernest Walker - Board Member
Abraham Simien - Board Member

LEGAL COUNSEL

Rick Bryant - District Attorney

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 May 31, 1996 on our consideration of the Gravity Drainage District No. 4 of Calcasieu Parish's internal control structure and a report dated May 31, 1996 on its compliance with laws and regulations.

McE Gray, Quirk + Burch

Lake Charles, Louisiana
May 31, 1996

Totals (Memorandum Only)	
1995	1994
\$ 232,718	\$ 262,787
3,218,961	3,218,961
1,048,263	1,004,481
81,935	95,256
33,330	30,328
<u>7,918,680</u>	<u>5,882,206</u>
<u>\$ 12,533,887</u>	<u>\$ 10,494,019</u>

\$ 8,062	\$ 77,536
15,253	18,575
1,014,825	977,762
106,194	31,349
<u>1,144,334</u>	<u>1,105,222</u>
7,702,080	5,882,206
216,600	-
172,390	172,390
<u>3,298,483</u>	<u>3,334,201</u>
<u>11,389,553</u>	<u>9,388,797</u>
<u>\$ 12,533,887</u>	<u>\$ 10,494,019</u>

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TYPE - GENERAL FUND
Years Ended December 31, 1995 and 1994

	General Fund	
	1995	1994
Revenues:		
Ad valorem taxes	\$ 1,001,968	\$ 926,857
State grants - DOTD	1,213,011	82,272
Local grants:		
City of Lake Charles	260,653	44,442
Developers	-	5,000
State revenue sharing	80,428	83,163
Interest	172,516	150,359
Rents	-	3,117
Proceeds from sale of fixed assets	3,548	3,411
Miscellaneous	-	5,759
Total revenues	2,732,124	1,304,380
Expenditures:		
Public works:		
Drainage and flood control:		
Salaries and benefits	437,018	428,389
Per diem (Board of Commissioners)	15,650	15,600
Operating services	392,611	350,059
Materials and supplies	66,257	61,815
Travel and other charges	1,317	674
Intergovernmental charges	31,567	30,948
Capital outlay	1,823,422	613,491
Total expenditures	2,767,842	1,500,976
(Deficiency) of revenues over expenditures	(35,718)	(196,596)
Fund balance at beginning of year	3,506,591	3,703,187
Fund balance at end of year	\$ 3,470,873	\$ 3,506,591

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended December 31, 1995

With Comparative Actual Amounts for Year Ended December 31, 1994

	1995		Variance Favorable (Unfavorable)	1994
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 1,002,521	\$ 1,001,968	\$ (553)	\$ 897,749
State grants-DOTD	1,151,626	1,229,427	77,801	687
Local grants:				
City of Lake Charles	223,505	239,759	16,254	33,244
Developers	-	-	-	5,000
State revenue sharing	80,428	80,428	-	83,163
Interest	238,466	172,516	(65,950)	150,359
Rents	-	-	-	3,117
Proceeds from sale of fixed assets	3,547	3,547	-	3,411
Miscellaneous	-	-	-	7,596
Total revenues	<u>2,700,093</u>	<u>2,727,645</u>	<u>27,552</u>	<u>1,184,326</u>
Expenditures:				
Salaries and benefits	425,600	424,639	961	419,818
Per diem	15,600	15,650	(50)	15,600
Operating services:				
Printing and advertising	1,525	1,231	294	1,430
Utilities	18,000	17,810	190	17,085
Communications	13,000	10,622	2,378	4,041
Rentals	4,000	2,979	1,021	2,236
Maintenance of property and equipment	157,497	150,838	6,659	124,117
Maintenance services	112,300	111,770	530	95,293
Professional services	10,500	9,429	1,071	39,934
Insurance and surety bonds	80,300	71,266	9,034	63,226
Travel, other	1,500	1,317	183	674
Materials and supplies	95,174	82,805	12,369	59,409
Capital outlay, major repairs:				
Acquisition of land	17,000	51,711	(34,711)	71,029
Acquisition of equipment	3,000	-	3,000	169,242
Acquisition of vehicles	35,700	2,054	33,646	4,000
Construction	1,677,123	1,663,462	13,661	327,755

(continued on next page)

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
Year Ended December 31, 1995
With Comparative Actual Amounts for Year Ended December 31, 1994
(Continued)

	1995		Variance	1994
	Budget	Actual	Favorable (Unfavorable)	Actual
Expenditures (cont):				
Intergovernmental:				
Intergovernmental service charges	32,274	31,567	707	30,920
Total expenditures	<u>2,700,093</u>	<u>2,649,150</u>	<u>50,943</u>	<u>1,445,809</u>
Excess (deficiency) of revenues over expenditures	-	78,495	78,495	(261,483)
Adjustments to convert to GAAP basis	<u>-</u>	<u>(114,213)</u>	<u>(114,213)</u>	<u>64,887</u>
Excess (deficiency) of revenues over expenditures	-	(35,718)	(35,718)	(196,596)
Fund balance at beginning of year	<u>3,506,591</u>	<u>3,506,591</u>	<u>-</u>	<u>3,703,187</u>
Fund balance at end of year	<u>\$ 3,506,591</u>	<u>\$ 3,470,873</u>	<u>\$ 35,718</u>	<u>\$ 3,506,591</u>

See Notes to Financial Statements.

GRAVITY DRAINAGE DISTRICT NO. 4
OF CALCASIEU PARISH

NOTES TO FINANCIAL STATEMENTS

(1) Nature of Business

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

(2) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Commissioners. Control by or dependence on the District was determined on the basis of the taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

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

The Gravity Drainage District No. 4 of Calcasieu Parish is a component unit of the Calcasieu Parish Police Jury.

B. Fund Accounting

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

NOTES TO FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial resources, except those required to be accounted for in other funds.

C. General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance 1/1/95	Additions	Deletions	Balance 12/31/95
Land	\$ 156,699	\$ 16,087	\$ -	\$ 172,786
Building and plant	4,730,372	1,447,080	-	6,177,452
Light equipment	33,317	2,054	(3,548)	31,823
Heavy equipment	942,970	358,201	-	1,301,171
Furniture and fixtures	18,848	-	-	18,848
Contributed capital- heavy equipment	-	216,600	-	216,600
	<u>\$ 5,882,206</u>	<u>\$ 2,040,022</u>	<u>\$ (3,548)</u>	<u>\$ 7,918,680</u>

D. 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.

Revenues - Revenues are recognized when they become measurable and available as net current assets. Gross receipts are considered measurable when collected and are recognized as income at that time.

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

Those revenues susceptible to accrual are property taxes and interest revenue.

NOTES TO FINANCIAL STATEMENTS

E. 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.

F. Investments

Monies are invested in a certificate 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.

Investments 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 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 \$79,754 and \$82,560 at December 31, 1995 and 1994, respectively. Because these liabilities will not be settled in cash, they are not included in the financial statements.

NOTES TO FINANCIAL STATEMENTS

H. 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.

I. 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 of the following year.

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

Generally accepted accounting principles for government prescribe a modified accrual basis to be applied to property tax revenues. An assessment is made to finance the budget of a particular period and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was provided (budgeted) and for which the collections are reasonably available. Since the collections for a budget year are usually complete early in the year, the entire levy is considered "available". Thus, expected collections and collections of the 1995 levy are accrued as receivable and as "deferred" revenue in the current year (1995). State revenue sharing is treated in the same manner as ad valorem taxes except that the collections are not always made within a reasonable time period in the "budget" year and, therefore, is not always reported as a receivable and a "deferred" revenue.

(3) Cash and Investments

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

NOTES TO FINANCIAL STATEMENTS

Cash:

The Gravity Drainage District No. 4 maintains demand and time deposits 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.

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

Balances at December 31, 1995 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits-interest bearing (category 1)	\$ 237,718	\$ 379,340
Time deposits-interest bearing (category 1)	<u>3,218,961</u>	<u>3,218,961</u>
Total	<u>\$ 3,456,679</u>	<u>\$ 3,598,301</u>

Balances at December 31, 1994 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits-interest bearing (category 1)	\$ 262,787	\$ 315,299
Time deposits-interest bearing (category 1)	<u>3,218,961</u>	<u>3,218,961</u>
Total	<u>\$ 3,481,748</u>	<u>\$ 3,534,260</u>

NOTES TO FINANCIAL STATEMENTS

(4) Grants Receivable - \$81,935

This account consists of amounts due from the State of Louisiana (DOTD) and the City of Lake Charles for their share of amounts paid to date for work completed on the Woodring Street Pumping Station, Phase B.

(5) Pension Plan

Substantially all employees are members of the Parochial Employees' Retirement System of Louisiana. In addition to employee payroll deductions of 9.50% of gross pay, the drainage district remits 8.75% of gross pay to fund the retirement system. The Drainage District does not guarantee benefits granted 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 \$15,454.

(7) Retainage Payable - \$106,194

This represents the amount due to contractors for retainage relating to Woodring Lateral-Phase "B".

(8) Unreserved Fund Balance Designation

The Board of Commissioners continue their policy of designating fund balance to provide a contingency reserve of resources to respond to major equipment overhaul and replacement needs. The various pump systems of the District (with unit replacements ranging from \$100,000 to \$2,000,000 per pump and possibly involving critically short turnaround times) comprise the major objectives of this contingency designation. Total designations at December 31, 1995 are \$3,298,483.

NOTES TO FINANCIAL STATEMENTS

(9) Commitments

The District is contractually liable to a local contractor in the amount of \$194,860 for construction work to be performed which pertains to flood control improvements at the Woodring Pump Station and estimated engineering fees of \$11,692. This obligation will be funded partially by the State of Louisiana (DOTD) and the City of Lake Charles. The state will pay 74.9% of the construction or \$145,950, while the City of Lake Charles will assume 12.55% of the construction and 50% of the engineering or \$30,301. The District will ultimately pay \$255,823 as its share of the contract.

(10) Reserved Fund Balance

The general fund "restricted purpose" reservation of fund equity was set up in 1986 to report the residual equity transferred from debt service funds and to control the application of the funds to purposes consistent with the original bond purposes (construction and/or maintenance of drainage systems in the district and sub-district originally authorized).

(11) Budget - GAAP Reporting Reconciliation

The accompanying combined statement of revenues, expenditures and changes in fund balance-budget (non-GAAP budgetary basis) and actual for the general fund, presents comparisons of the legally adopted budget. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basic, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 1995 is presented below:

Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (budgetary basis)	\$ 78,495
Adjustments:	
To adjust revenues for accruals	14,019
To adjust for expense accruals	<u>(128,232)</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)	<u>\$ (35,718)</u>

NOTES TO FINANCIAL STATEMENTS

(12) Schedule of Commissioners' Compensation

Commissioner:

Elizabeth Byles	\$ 3,170
Jack Chellette	3,120
Patrick Hay	3,120
Abraham Simien	3,120
Ernest Walker	<u>3,120</u>
Total	<u>\$ 15,650</u>

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

(13) Commitments and Contingencies

On December 7, 1993, the Board agreed to enter into a joint service agreement with the District Attorney's office to provide paralegal services at a cost of \$2,000 per year for 1994, 1995 and 1996.

MCELROY, QUIRK & BURCH

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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, 1995, and have issued our report thereon dated May 31, 1996.

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, estimates 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, 1995, 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 operations, 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.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements 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 condition described above is a material weakness. 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, 1995.

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

McElroy, Quirk & Burch

Lake Charles, Louisiana
May 31, 1996

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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, 1995, and have issued our report thereon dated May 31, 1996.

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 indicate that, with respect to the items tested, the Gravity Drainage District No. 4 of Calcasieu Parish, Louisiana, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

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

McElroy, Junk & Bunch

Lake Charles, Louisiana
May 31, 1995