

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT**

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
CALCASIEU PARISH POLICE JURY**

December 31, 2013

GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
Vinton, Louisiana

FINANCIAL REPORT
December 31, 2013

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**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH**

December 31, 2013

COMMISSIONERS

**Harry Aucoin - President
Freddie Carrier- Commissioner
John LaGrone - Commissioner
Gene Sonnier - Commissioner
Donald Stinson - Commissioner**

LEGAL COUNSEL

Robert S. Kleinschmidt, Jr.

ENGINEER

John Lowery



Langley, Williams & Company, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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DAPHNE BORDELON BERKEN

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Gravity Drainage District No. 2 of Calcasieu Parish
Vinton, Louisiana

We have audited the accompanying financial statements of Gravity Drainage District No. 2 of Ward Seven, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2013 and related notes to the financial statements, which collectively comprise of the Gravity Drainage's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Gravity Drainage District No. 2 of Calcasieu Parish of as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Gravity Drainage has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financials statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, on our consideration of the Gravity Drainage's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gravity Drainage's internal control over financial reporting and compliance.

This report is intended solely for the information and use of management, and Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Lake Charles, Louisiana
April 15, 2014

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH**

**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2013**

ASSETS

Cash and cash equivalents	\$ 145,179
Investments	882,551
Ad valorem tax receivable, net of allowance for doubtful accounts of \$5,593	548,181
Capital assets, net of accumulated depreciation	<u>167,497</u>
 Total assets	 <u>1,743,408</u>

LIABILITIES

Accounts payable	3,250
Payroll taxes payable	1,161
Pension fund deduction payable	<u>16,815</u>
 Total liabilities	 <u>21,226</u>

NET POSITION

Investment in capital assets	167,497
Unrestricted	<u>1,554,685</u>
 Total net position	 <u>\$ 1,722,182</u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH**

**STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2013**

Activities	Expenses	Program Revenues Capital Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Administration	\$ 21,578	\$ -	\$ (21,578)
Drainage	414,959	-	(414,959)
Total program expenses	\$ 436,537	\$ -	(436,537)
General revenues:			
Ad valorem taxes			532,486
Miscellaneous income			1,322
State revenue sharing			6,743
Interest income			632
Investment earnings			461
		Total general revenues	541,644
		Change in net position	105,107
		Net position at beginning of year	1,617,075
		Net position at end of year	\$ 1,722,182

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
GOVERNMENTAL FUND
BALANCE SHEET
December 31, 2013**

		<u>General Fund</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$	145,179
Investments		882,551
Ad valorem tax receivable, net of allowance for doubtful accounts of \$5,593		<u>548,181</u>
Total assets	\$	<u><u>1,575,911</u></u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$	3,250
Payroll taxes payable		1,161
Pension fund deduction payable		<u>16,815</u>
Total liabilities		21,226
Fund balance:		
Unassigned		<u>1,554,685</u>
Total liabilities and fund balance	\$	<u><u>1,575,911</u></u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH**

**RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
December 31, 2013**

FUND BALANCE OF GOVERNMENTAL FUNDS		\$ 1,554,685
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, not reported in the funds.		
Cost of capital assets	\$ 362,426	
Less - accumulated depreciation	<u>(194,929)</u>	<u>167,497</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 1,722,182</u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended December 31, 2013**

	<u>General Fund</u>
Revenue:	
Ad valorem taxes	\$ 532,486
Interest income	632
Investment earnings	461
Miscellaneous revenue	1,322
State revenue sharing	6,743
Total revenues	541,644
Expenditures:	
Current:	
Administration	21,578
Drainage and flood control:	
Salaries and benefits	221,085
Materials and supplies	119,910
Operating services	38,155
Capital Outlay	6,156
Total expenditures	406,884
Excess revenues over expenditures	134,760
Fund balance at beginning of year	1,419,925
Fund balance at end of year	\$ 1,554,685

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH**

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
- GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013**

Total net change in fund balance - governmental fund		\$ 134,760
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures		
However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset purchases	6,156	
Depreciation expense	<u>(35,809)</u>	<u>(29,653)</u>
Change in net position of governmental activities		<u>\$ 105,107</u>

The accompanying notes are an integral part of this statement.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
December 31, 2013
NOTES TO FINANCIAL STATEMENTS**

Gravity Drainage District No. 2 ("Gravity Drainage") is a component unit of the Calcasieu Parish Police Jury and is responsible for maintenance of certain natural drainage laterals located in Ward 7, Calcasieu Parish. The Gravity Drainage is authorized by R.S. 38:1751 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana. The Drainage Board is comprised of 5 members who are appointed by the Calcasieu Parish Police Jury for terms of four years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Gravity Drainage have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Gravity Drainage's more significant accounting policies are described below.

REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship, the Gravity Drainage was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Gravity Drainage and do not present information on the police jury, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
December 31, 2013
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The Gravity Drainage’s basic financial statements include both government-wide and fund financial statements.

Basis of Accounting/Measurement Focus

The accounts of the Gravity Drainage are organized on the basis of funds, 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

A. Government-Wide Financial Statements

The Gravity Drainage’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Gravity Drainage accompanied by a total column. Fiduciary activities of the Gravity Drainage are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Gravity Drainage’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Gravity Drainage are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

B. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Gravity Drainage has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
December 31, 2013
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Basis of Accounting/Measurement Focus – (Continued)

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Gravity Drainage, are property tax, intergovernmental revenues, rebates, and grants. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The General Fund is the Gravity Drainage's operating fund. It accounts for all financial resources of the Gravity Drainage.

When both restricted and unrestricted resources are available for use, it is the Gravity Drainage's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits with an original maturity of three months or less.

ACCOUNTS RECEIVABLE

Accounts receivable consists of ad valorem taxes totaling \$553,774 as of December 31, 2013. Uncollectible amounts due for ad valorem taxes are recognized as uncollectible using the allowance method. The allowance for uncollectible accounts at December 31, 2013, was \$5,593.

INVESTMENTS

Louisiana state statutes, as stipulated in R.S. 33:2955, authorize the Gravity Drainage to invest in United States bonds, treasury notes, or certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the Gravity Drainage to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. In addition the Gravity Drainage is authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by the initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

Investments, which include U.S. Government agencies and deposits in LAMP, are stated at fair market value.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
December 31, 2013
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of light and heavy equipment are 3 to 15 years.

VACATION AND SICK LEAVE

Substantially all employees earn ten to twenty-five days of vacation leave each year depending on length of service with the Gravity Drainage. Vacation leave cannot be accumulated; therefore no liability has been accrued.

All Gravity Drainage employees earn twelve days of sick time per year with a maximum of eighteen days accumulated. Upon retirement, the maximum number of days compensated will be eighteen days, as earned service.

Upon resignation, unused sick leave is forfeited and unused vacation leave must be taken and may not be settled in cash. Because these liabilities will not be settled in cash, they are not included in the financial statements.

BUDGETS

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund with a legally adopted budget. For further information regarding the Gravity Drainage's budget process see Note 8.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank accounts and short-term investments. At December 31, 2013, the Gravity Drainage has cash and cash equivalents (book balances) totaling \$145,179.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure the Gravity Drainage's deposits may not be returned. Deposits are exposed to custodial credit risk if they are either (a) uninsured and uncollateralized or (b) uninsured and collateralized with securities held by the pledging financial institution or its trust department/agent but not in the name of the Gravity Drainage. The Gravity Drainage's cash and investment policy, as well as state law, require that deposits be fully secured by federal deposit insurance or the pledge of securities owned by the bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount of deposit with the bank.

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2013, the Gravity Drainage has \$142,983 in deposits (collected bank balances) that were secured from risk by \$250,000 of federal deposit insurance. These deposits were fully secured by federal deposit insurance and therefore, not exposed to custodial credit risk.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
December 31, 2013
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INVESTMENTS

Deposits held by LAMP at December 31, 2013, consist of \$882,551 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Statement No. 3, the investment in LAMP is not categorized in the three risk categories provided by GASB Statement No. 3 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the state of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA – R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "investment grade (A-1P-1) commercial paper domestic United States corporations".

Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

At December 31, 2013, the weighted-average yield on the deposits at LAMP was 0.06% and the weighted-average maturity was less than 90 days. LAMP is rated AAAM with Standard & Poors.

NOTE 4 - AD VALOREM TAXES

Accounting principles generally accepted in the United State of America for government prescribe a modified accrual basis to be applied to property tax revenues. An assessment is made to finance the budget of a particular period and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was provided (budgeted) and for which the collections are reasonably available. Expected collections and collections of the 2013 levy are accrued as receivable and as revenue in the current year (2013). For budget purposes, property taxes collected in 2013 are designated as revenue appropriable in the 2013 budget year.

For the year ended December 31, 2013, taxes of 9.96 mills were levied on property with assessed valuations totaling approximately \$53,876,730. Total taxes levied for the year ended December 31, 2013 were \$536,612.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
December 31, 2013
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - AD VALOREM TAXES – (Continued)

During the year, the tax assessor made adjustments to previous year taxpayer valuations and wrote off a total of \$1,662 worth of taxes. This amount was net against current year ad valorem taxes along with \$57 that management deemed necessary to adjust their allowance for uncollectible.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Balance 1/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/13</u>
Governmental activities:				
Leasehold improvements	\$ -	\$ 6,156	\$ -	\$ 6,156
Equipment	<u>356,271</u>	<u>-</u>	<u>-</u>	<u>356,271</u>
Total at historical cost	<u>356,271</u>	<u>6,156</u>	<u>-</u>	<u>362,427</u>
Less accumulated depreciation:				
Leasehold improvements	-	342	-	342
Equipment	<u>159,120</u>	<u>35,467</u>	<u>-</u>	<u>194,587</u>
Total accumulated depreciation	<u>159,120</u>	<u>35,809</u>	<u>-</u>	<u>194,929</u>
Governmental activities capital assets, net	<u><u>\$ 197,151</u></u>	<u><u>\$ (29,653)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 167,498</u></u>

Depreciation expense as of December 31, 2013 was charged to governmental activities as follows:

Governmental activities	
Administration	\$ -
Drainage	<u>35,809</u>
Total depreciation - Governmental activities	<u><u>\$ 35,809</u></u>

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Gravity Drainage has health and dental insurance coverage through the Calcasieu Parish Police Jury. Employees of the Gravity Drainage are paid in full and families of employees are deducted from employee's payroll checks.

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH
December 31, 2013
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - SCHEDULE OF COMMISSIONERS' COMPENSATION

Comissioner:	
Harry Aucoin	\$ 1,200
John LaGrone	1,200
Donald Stinson	900
Freddie Carrier	900
Gene Sonnier	<u>2,400</u>
 Total	 <u>\$ 6,600</u>

Commissioners are compensated at the rate of \$100 per meeting attended and \$200 a meeting for the Secretary.

NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The appropriated budget is prepared by fund and function. The proposed budget is presented to the Gravity Drainage's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from, or change appropriations, but may not change form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

Expenditures may not legally exceed budgeted appropriations by more than five percent.

Encumbrance accounting is not used.

NOTE 9 - RISK MANAGEMENT

The Gravity Drainage is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Gravity Drainage maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Gravity Drainage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 - SUBSEQUENT EVENTS

The Gravity Drainage is not aware of any subsequent events through April 15, 2014, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2013.

Required Supplemental Information

**GRAVITY DRAINAGE DISTRICT NO. 2
OF CALCASIEU PARISH**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE (GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL - GENERAL FUND
Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenue:				
Ad valorem taxes	\$ 500,000	\$ 517,000	\$ 532,486	\$ 15,486
State revenue sharing	4,500	4,500	6,743	2,243
Miscellaneous income	-	-	1,322	1,322
Interest income	-	-	632	632
Investment earnings	-	-	461	461
Total revenues	<u>504,500</u>	<u>521,500</u>	<u>541,644</u>	<u>20,144</u>
Expenditures:				
Current:				
Administration	23,650	23,950	21,578	2,372
Drainage and flood control:				
Salaries and benefits	236,700	237,700	221,085	16,615
Operating services	16,500	22,100	38,155	(16,055)
Materials and supplies	140,000	149,600	119,910	29,690
Capital outlay	-	-	6,156	(6,156)
Total expenditures	<u>416,850</u>	<u>433,350</u>	<u>406,884</u>	<u>26,466</u>
Excess of revenue over expenditures	87,650	88,150	134,760	46,610
Other financing sources:				
Proceeds from sale of fixed assets	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	87,650	88,150	134,760	46,610
Fund balance at beginning of year	<u>1,419,925</u>	<u>1,419,925</u>	<u>1,419,925</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,507,575</u>	<u>\$ 1,508,075</u>	<u>\$ 1,554,685</u>	<u>\$ 46,610</u>

The accompanying notes are an integral part of this statement.

Other Supplemental Information



Langley, Williams & Company, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Gravity Drainage District No. 2 of Calcasieu Parish
Vinton, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Gravity Drainage District No. 2 of Calcasieu Parish, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise of the Gravity Drainage's basic financial statements and have issued our report thereon dated April 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Gravity Drainage's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gravity Drainage's internal control. Accordingly, we do not express an opinion on the effectiveness of the Gravity Drainage's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. The deficiencies are identified as 13-01(IC) and 13-02(IC).

Compliance and Other Matters

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

Gravity Drainage District No. 2 of Calcasieu Parish Response to Findings

The Gravity Drainage's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Gravity Drainage's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Gravity Drainage's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Gravity Drainage's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lake Charles, Louisiana
April 15, 2014

Gravity Drainage District No. 2 of Calcasieu Parish
Vinton, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan

For the Year Ended December 31, 2013

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
Current year (12/31/13)						
Internal Control:						
13- 01 (IC)	Unknown	Gravity Drainage District No. 2 did not have adequate segregation of duties within the accounting system.	No	The District's management has determined that it is not cost effective to achieve complete segregation of duties in the accounting department. They have, however, segregated as many duties as possible. No plan is considered necessary.	Mary Vice	NA
13- 02 (IC)	2007	Gravity Drainage District No. 2 does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including related notes.	No	The District's management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with (GAAP) and determine that it is in the best interest of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Mary Vice	NA
Compliance:						
		There were no matter involving compliance to be reported.				
Prior year (12/31/12)						
Internal Control:						
		Same as current year.				
Compliance:						
		There were no matter involving compliance to be reported.				