

**FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT**

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

December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/28/10

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

**FINANCIAL REPORT
December 31, 2009**

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

December 31, 2009

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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LESTER LANGLEY, JR.
DANNY L. WILLIAMS
MICHAEL F. CALLOURA
PHILLIP D. ABBSHIRE, JR.
DAPHNE BORDELON-CLARK

REPORT OF INDEPENDENT AUDITORS'

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

We have audited the accompanying financial statements of the governmental activities of Gravity Drainage District No. 2 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of December 31, 2009, which comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Gravity Drainage District No. 2 of Calcasieu Parish, Louisiana. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with 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. 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.

The District has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Gravity Drainage District No. 2 of Calcasieu Parish, Louisiana, as of December 31, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

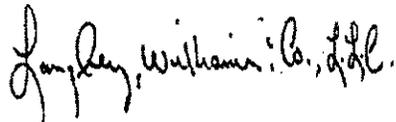
In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that 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

Gravity Drainage District No. 2 of Calcasieu Parish

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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* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management and the 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.

A handwritten signature in black ink, appearing to read "Joseph W. Williams, III, CPA". The signature is written in a cursive style with a large initial "J".

May 24, 2010

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

**STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
December 31, 2009**

<u>ASSETS</u>	
Current assets:	
Cash and deposits	\$ 90,655
Investments	429,699
Taxes receivable, (net of allowance for uncollectibles of \$4,450)	492,021
Total current assets	<u>1,012,375</u>
Noncurrent assets:	
Capital assets, net	<u>72,233</u>
Total assets	1,084,608
 <u>LIABILITIES</u>	
Accounts payable	20,899
 <u>NET ASSETS</u>	
Investment in capital assets	72,233
Unrestricted net assets	991,476
Total net assets	<u>\$ 1,063,709</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, 2009**

	Functions/Programs		Total
	Administration	Drainage	
Expenses:			
Salaries and benefits	\$ 9,043	\$ 180,366	\$ 189,409
Materials and supplies	1,988	58,003	59,991
Operating services	6,767	39,820	46,587
Depreciation	-	20,553	20,553
Total program expenses	\$ 17,798	\$ 298,742	316,540
 General revenues:			
Ad valorem taxes			466,154
State revenue sharing			6,881
Interest income			3,104
Other income			48
Total general revenues			476,187
Change in net assets			159,647
Net assets at beginning of year			904,062
Net assets at end of year			\$ 1,063,709

The accompanying notes are an integral part of this statement.

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

**BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2009**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and deposits	\$ 90,655
Investments	429,699
Taxes receivable, (net of allowance for uncollectibles of \$5,020)	<u>492,021</u>
Total assets	<u><u>\$ 1,012,375</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable	<u>\$ 20,899</u>
Total liabilities	20,899
 Fund balance:	
Fund balance - unreserved	<u>991,476</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,012,375</u></u>

The accompanying notes are an integral part of this statement.

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

**RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
December 31, 2009**

Total fund balances at year end - governmental funds		\$ 991,476
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, not reported in the funds.		
Cost of capital assets at year end	\$ 309,274	
Less - accumulated depreciation at year end:		
Movable property	<u>(237,041)</u>	<u>72,233</u>
Net assets at year end - governmental activities		<u>\$ 1,063,709</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, 2009**

	<u>General Fund</u>
Revenue:	
Ad valorem taxes	\$ 466,154
State revenue sharing	6,881
Total revenues	473,035
Expenditures:	
Public works:	
Drainage and flood control:	
Salaries and benefits	182,909
Per diem (Board of Commissioners)	6,500
Operating services	46,587
Materials and supplies	59,991
Capital Outlay	3,750
Total expenditures	299,737
Excess revenues over expenditures	173,298
Other financing sources:	
Interest income	3,104
Other income	48
Gain on sale of fixed assets	-
Total other financing sources	3,152
Excess of revenues and other financing sources over expenditures	176,450
Fund balance at beginning of year	815,026
Fund balance at end of year	\$ 991,476

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, 2009**

Total net change in fund balance - governmental fund per the statement of revenues, expenditures and changes in fund balance	\$ 176,450
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital asset purchases	3,750
Depreciation expense	<u>(20,553)</u>
Change in net assets of governmental activities	<u>\$ 159,647</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO. 2
Vinton, Louisiana
December 31, 2009
NOTES TO FINANCIAL STATEMENTS

Gravity Drainage District No. 2 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 District 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of the Gravity Drainage District No. 2 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 District's more significant accounting policies are described below.

B. 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. 2 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. 12 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its 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. 2 is a component unit of the Calcasieu Parish Police Jury and 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. 2 of Calcasieu Parish, Louisiana.

C. FUND ACCOUNTING

The Gravity Drainage District No. 2 uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate fiscal and accounting entity with a self-balancing set of accounts.

The district maintains one fund to account for its operations which it has classified as a general fund. General funds are used to account for all revenue sources that are legally restricted to expenditures for specific purpose.

GRAVITY DRAINAGE DISTRICT NO. 2
Vinton, Louisiana
December 31, 2009
NOTES TO FINANCIAL STATEMENTS

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, the following practices are utilized in recording revenues and expenditures:

Revenues - The governmental fund type uses a current financial resources measurement focus and is accounted for using the modified accrual basis of accounting. The revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Those revenues susceptible to accrual are property taxes, intergovernmental, and interest revenue. 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 accounting principles generally accepted in the United States of America 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.

E. BUDGETS AND BUDGETARY ACCOUNTING

Annually, the District adopts a revenue and expenditure budget for its general fund. A forecast of revenues and expenditures is made based upon the prior year's revenues and expenditures and taking into consideration additional expenditures which can be predetermined and estimated. All budgetary appropriations lapse at the end of each fiscal year.

GRAVITY DRAINAGE DISTRICT NO. 2
Vinton, Louisiana
December 31, 2009
NOTES TO FINANCIAL STATEMENTS

E. BUDGETS AND BUDGETARY ACCOUNTING (Continued)

The budget is adopted on a GAAP basis method of accounting. Budgetary comparisons presented in this report are on this GAAP budgetary basis. Budget amounts are as originally adopted, adjusted for subsequent amendments.

Encumbrance accounting is not used.

F. CASH AND DEPOSITS

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

G. ACCOUNTS RECEIVABLE

Uncollectible amounts due for ad valorem taxes are recognized as uncollectible using the allowance method. The allowance for uncollectible accounts at December 31, 2009, was \$5,020.

H. INVESTMENTS

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District 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 District 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 District 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.

I. CAPITAL ASSETS

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$300.

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.

GRAVITY DRAINAGE DISTRICT NO. 2
Vinton, Louisiana
December 31, 2009
NOTES TO FINANCIAL STATEMENTS

J. 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 District. Vacation leave cannot be accumulated; therefore no liability has been accrued.

All District 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.

2. CASH AND DEPOSITS

At December 31, 2009, the District has cash and deposits (book balances) totaling \$90,655. All cash and deposits are held in demand deposit accounts.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. 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, 2009, the district has \$92,956 in collected bank balances. These deposits are secured from risk by \$250,000 of federal deposit insurance and zero of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

3. INVESTMENTS

Deposits held by LAMP at December 31, 2009, consist of \$429,699 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

GRAVITY DRAINAGE DISTRICT NO. 2
Vinton, Louisiana
December 31, 2009
NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS- (Continued)

(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, 2009, the weighted-average yield on the deposits at LAMP was 0.38% and the weighted-average maturity was less than 60 days. LAMP is rated AAAM with Standard & Pools.

4. AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by Calcasieu Parish in October and are billed to the taxpayers in November. Billed taxes become delinquent after December 31. The parish bills and collects its property taxes using the assessed values determined by the Calcasieu Parish Tax Assessor.

Property taxes are considered measurable each year following the filing of the tax rolls by the Assessor with the Louisiana Tax Commission. Accordingly, the entire tax roll less an estimate for uncollectible taxes it recorded as taxes receivable in the current budgeted year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

For the year ended December 31, 2009, taxes of 10 mills were levied on property with assessed valuations totaling approximately \$48,901,825. Total taxes levied were \$483,889.

During the year, the tax assessor made adjustments to previous year taxpayer valuations and wrote off a total of \$16,763 worth of taxes. This amount was net against current year ad valorem taxes along with \$570 that management deemed necessary to adjust their allowance for uncollectible.

GRAVITY DRAINAGE DISTRICT NO. 2
Vinton, Louisiana
December 31, 2009
NOTES TO FINANCIAL STATEMENTS

4. AD VALOREM TAXES- (Continued)

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.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	<u>Balance 1/1/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/09</u>
Governmental activities:				
Equipment	\$ 305,524	\$ 3,750	\$ -	\$ 309,274
Total at historical cost	<u>305,524</u>	<u>3,750</u>	<u>-</u>	<u>309,274</u>
Less accumulated depreciation:				
Equipment	216,489	20,552	-	237,041
Total accumulated depreciation	<u>216,489</u>	<u>20,552</u>	<u>-</u>	<u>237,041</u>
Governmental activities capital assets, net	<u>\$ 89,035</u>	<u>\$ (16,802)</u>	<u>\$ -</u>	<u>\$ 72,233</u>

Depreciation expense as of December 31, 2009 was \$20,553.

6. ACCOUNTS PAYABLE

Accounts payable totaling \$20,899 as of December 31, 2009 consists of the following

Payroll taxes	\$ 3,493
Accounts payable	2,346
Pension payable	<u>15,060</u>
Total	<u>\$ 20,899</u>

GRAVITY DRAINAGE DISTRICT NO. 2
Vinton, Louisiana
December 31, 2009
NOTES TO FINANCIAL STATEMENTS

7. EMPLOYEE BENEFIT PLAN

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

8. 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 the change in estimated uncollectible taxes of \$5,020.

9. SCHEDULE OF COMMISSIONERS' COMPENSATION

Comissioner:	
Harry Aucoin	\$ 1,200
John LaGrone	1,100
Donald Stinson	800
Freddie Carrier	1,000
Gene Sonnier	<u>2,400</u>
Total	<u>\$ 6,500</u>

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

10. SUBSEQUENT EVENTS

Management of the Company is not aware of any subsequent events through May 24, 2010, 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, 2009.

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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenue:				
Ad valorem taxes	\$ 366,000	\$ 398,000	\$ 466,154	\$ 68,154
Miscellaneous revenue	-	-	-	-
State revenue sharing	6,900	6,900	6,881	(19)
Total revenues	<u>372,900</u>	<u>404,900</u>	<u>473,035</u>	<u>68,135</u>
Expenditures:				
Public works:				
Drainage and flood control:				
Salaries and benefits	182,900	184,900	182,909	1,991
Per diem (Board of Commissioners)	7,200	7,200	6,500	700
Operating services	34,045	37,355	46,587	(9,232)
Materials and supplies	49,000	64,000	59,991	4,009
Capital outlay	-	-	3,750	(3,750)
Total expenditures	<u>273,145</u>	<u>293,455</u>	<u>299,737</u>	<u>(6,282)</u>
Excess of revenue over expenditures	99,755	111,445	173,298	61,853
Other financing sources:				
Interest income	-	-	3,104	3,104
Other income	-	-	48	48
Total other financing sources	<u>-</u>	<u>-</u>	<u>3,152</u>	<u>3,152</u>
Excess of revenues and other financing sources over expenditures	99,755	111,445	176,450	65,005
Fund balance at beginning of year	<u>815,026</u>	<u>815,026</u>	<u>815,026</u>	<u>-</u>
Fund balance at end of year	<u>\$ 914,781</u>	<u>\$ 926,471</u>	<u>\$ 991,476</u>	<u>\$ 65,005</u>

Other Supplemental Information



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

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DANNY L. WILLIAMS
MICHAEL F. CALLOURA
PHILLIP D. ABBSHIRE, JR.
DAPHNE BORDELON-CLARK

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Gravity Drainage District No. 2 of Calcasieu Parish as of and for the year ended December 31, 2009, and have issued our report thereon dated May 24, 2010. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Gravity Drainage District No. 2 of Calcasieu Parish's financial statement that is more than inconsequential will not be prevented or detected by internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs identified as 09-01(IC) and 09-02(IC), to be significant deficiencies in internal control over financial reporting.

Gravity Drainage District No. 2 of Calcasieu Parish
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by internal control.

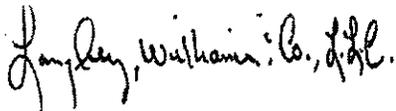
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and could not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 09-01(IC) and 09-02(IC) to be material weaknesses.

Compliance and Other Matters

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 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Gravity Drainage District No. 2 of Calcasieu Parish, the District's management, and the Legislative Auditor of the State of Louisiana, 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.



May 24, 2010

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

**Summary Schedule of Current and Prior Year Audit
Findings and Corrective Action Plan
Year Ended December 31, 2009**

Section I - Summary of Audit Results

Financial Statements

Type of auditors' report issued **Unqualified**

Internal control over financial reporting:

- **Significant deficiencies identified?** **Yes**
- **Significant deficiencies identified that are not considered to be material weaknesses?** **No**

Noncompliance material to financial statements noted? **No**

Gravity Drainage District No. 2 of Ward Seven
Vinton, Louisiana

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

For the Year Ended December 31, 2009

Fiscal Year Finding Initially Occurred	Ref. No.	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
Current year (12/31/09)						
Internal Control:						
09-01 (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
09-02 (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 determined 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 matters involving compliance to be reported.

Prior year (12/31/08)

Compliance: There were no matters involving compliance to be reported.

Internal Control: Same as current year.