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CAMERON PARISH WATERWORKS
DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
DECEMBER 31, 1997

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 NOV 18 1998

CONTENTS

| | Exhibit | Page |
|---|---------|-------|
| UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY ON THE FINANCIAL STATEMENTS | - | 1 - 2 |
| REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | - | 3 - 4 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS | - | 5 - 6 |
| COMPONENT UNIT FINANCIAL STATEMENTS | | |
| Balance Sheet | A | 8 |
| Statement of Revenues, Expenses, and Changes in Retained Earnings | B | 9 |
| Statement of Revenues, Expenses, and Changes in Retained Earnings (Budget vs. Actual) | C | 10 |
| Statement of Cash Flows | D | 11 |
| Notes to financial statements | - | 12-17 |
| SUPPLEMENTARY INFORMATION | | |
| Schedule 1 - Compensation of Board Members | - | 19 |
| Schedule 2 - Management's Schedule of Prior Year Findings | - | 20 |
| Schedule 3 - Management's Corrective Action Plan | - | 21 |

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

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Leesville, Louisiana 71496-1287

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W. Micheal Elliott, CPA

UNQUALIFIED OPINION ON GENERAL-PURPOSE
FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Cameron Parish Waterworks District No. 2

I have audited the accompanying general-purpose financial statements of the Cameron Parish Waterworks District No. 2, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Cameron Parish Waterworks District No. 2's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Cameron Parish Waterworks District No. 2 as of and for the year ended December 31, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 17, 1998, on my consideration of the Cameron Parish Waterworks District No. 2's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly state, in all material respects, in relation to the basic financial statements taken as a whole.

Elliott & Assr. "APAC"

Leesville, Louisiana
July 17, 1998

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

Board of Commissioners
Cameron Parish Waterworks District No. 2

I have audited the financial statements of the Cameron Parish Waterworks District No. 2 as of and for the year ended December 31, 1997, and have issued my report thereon dated July 17, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Cameron Parish Waterworks District No. 2's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described as follows:

Finding: This audit report is not being issued within the six months of the close of its December 31, 1997 fiscal year-end. This is a violation of LA R.S. #24:513(A)(5)(a).

Management Response: The CPA performing the examination of accounts had an external quality review performed in December 1997. Based on the results of that review, a specific letter of comment suggested that, due to the firm's size, the firm should consider retaining another qualified CPA firm to review all governmental type reports prior to issuance to improve its quality control features.

The firm adopted the recommendation; however, implementation and coordination of the pre-issuance review has delayed the release of certain reports until after the statutory deadline. Future reports beginning with the next fiscal year will be issued within the statutory time frame.

Internal Control Over Compliance

In planning and performing my audit, I considered the Cameron Parish Waterworks District No. 2's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

Elliott & Assoc. "APAC"

Leesville, Louisiana
July 17, 1998

Cameron Parish Waterworks District No. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended December 31, 1997

I have audited the financial statements of Cameron Waterworks District No. 2 as of and for the year ended December 31, 1997, and have issued my report thereon dated July 17, 1998. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 1997 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

*a. Report on Internal Control and Compliance
Material to the Financial Statements*

Internal Control

Material Weaknesses () Yes (X) No
Reportable Conditions () Yes (X) No

Compliance

Compliance Material to Financial
Statements (X) Yes () No

b. Federal Awards

Internal Control

Material Weaknesses () Yes () No (X) N/A
Reportable Conditions () Yes () No (X) N/A

Type of Opinion On Compliance For Major Programs

Unqualified () Qualified ()
Disclaimer () Adverse ()
N/A (X)

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?

() Yes () No (X) N/A

COMPONENT UNIT FINANCIAL STATEMENTS

CAMERON PARISH WATERWORKS DISTRICT NO. 2

BALANCE SHEET

December 31, 1997

ASSETS

Current assets:

| | |
|------------------------------------|----------------|
| Cash and cash equivalents (Note 2) | \$ 284,105 |
| Receivables: | |
| Ad valorem taxes | 119,134 |
| Accounts | 38,139 |
| State revenue sharing | 1,242 |
| Accrued interest | 2,068 |
| Prepaid insurance | <u>3,843</u> |
| Total current assets | <u>448,531</u> |

Restricted assets:

| | |
|-------------------------------------|----------------|
| Cash -- Meter deposit fund (Note 2) | 8,484 |
| Cash -- Construction fund (Note 2) | <u>377,982</u> |
| Total restricted assets | <u>386,466</u> |

Fixed assets (Note 4)

| | |
|------------------------------------|------------------|
| Land | 1,000 |
| Buildings | 127,587 |
| Plant | 494,739 |
| Improvements other than buildings | 464,299 |
| Furniture, fixtures, and equipment | 123,082 |
| Less: accumulated depreciation | <u>(731,916)</u> |

| | |
|--|----------------|
| Fixed assets (net of accumulated depreciation) | <u>478,791</u> |
|--|----------------|

| | |
|--------------|--------------------|
| Total assets | <u>\$1,313,788</u> |
|--------------|--------------------|

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

| | |
|---|--------------------|
| Current liabilities: | |
| Accounts payable | \$ 1,445 |
| Salaries payable | 10,839 |
| Deferred revenue | 4,164 |
| Sales taxes payable | 266 |
| Retirement deductions payable | <u>3,361</u> |
| Total current liabilities | <u>20,075</u> |
| Current liabilities payable from restricted assets: | |
| Customer deposits | <u>8,484</u> |
| Total current liabilities payable from restricted assets | <u>8,484</u> |
| Total liabilities | <u>28,559</u> |
| Equity: | |
| Contributed capital (Note 5) | <u>226,646</u> |
| Retained earnings: | |
| Reserved for general construction | 377,982 |
| Unreserved | <u>680,601</u> |
| Total retained earnings | <u>1,058,583</u> |
| Total equity | <u>1,285,229</u> |
| Total liabilities and equity | <u>\$1,313,788</u> |

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Revenues, Expenses and
Changes in Retained Earnings

For the year ended December 31, 1997

| | |
|---|-------------|
| Operating revenues: | |
| Charges for sales and services: | |
| Water sales | \$ 231,341 |
| Installation service | 1,230 |
| Berthing fee | 21,900 |
| Miscellaneous income | 2,059 |
| Total operating revenues | 256,530 |
| Operating expenses: | |
| Current: | |
| Salaries and related benefits | 171,777 |
| Per diem of board members | 3,300 |
| Operation of plant | 126,387 |
| Depreciation | 43,565 |
| Total operating expenses | 345,029 |
| Operating income (loss) | (88,499) |
| Nonoperating revenues (expenses): | |
| Ad valorem tax | 103,557 |
| Interest income | 32,245 |
| State revenue sharing | 4,342 |
| Gain on sale of asset | 2,557 |
| Total nonoperating revenues (expenses) | 142,701 |
| Net income | 54,202 |
| Add depreciation on assets acquired through contributed capital (Note 5) | 20,392 |
| Increase in retained earnings | 74,594 |
| Retained earnings, January 1, 1997 | 983,989 |
| Retained earnings, December 31, 1997 | \$1,058,583 |

The accompanying notes are an integral part of this statement.

CAMERON PARISH WATERWORKS NO. 2
 STATEMENTS OF REVENUES, EXPENSES AND RETAINED EARNINGS
 (BUDGETARY BASIS) AND ACTUAL
 For the Year Ended December 31, 1997

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|---|-------------------|--------------------|---|
| Operating revenues: | | | |
| Water sales | \$ 215,500 | \$ 231,341 | \$ 15,841 |
| Installation | 1,200 | 1,230 | 30 |
| Berthing fee | 21,500 | 21,900 | 400 |
| Miscellaneous income | <u>5,600</u> | <u>2,059</u> | <u>(3,541)</u> |
| Total revenues | <u>243,800</u> | <u>256,530</u> | <u>12,730</u> |
| Operating expenses: | | | |
| Salaries and related benefits | 169,000 | 171,777 | (2,777) |
| Per diem of board members | 3,300 | 3,300 | --- |
| Operation of plant | 136,500 | 126,387 | 10,113 |
| Depreciation | <u>41,000</u> | <u>43,565</u> | <u>(2,565)</u> |
| Total operating expenses | <u>349,800</u> | <u>345,029</u> | <u>4,771</u> |
| Operating Income (loss) | <u>(106,000)</u> | <u>(88,499)</u> | <u>17,501</u> |
| Nonoperating Revenue/ (Expenses): | | | |
| Ad valorem tax | 78,000 | 103,557 | 25,557 |
| Interest income | 14,300 | 32,245 | 17,945 |
| State revenue sharing | 6,200 | 4,342 | (1,858) |
| Gain on sale of asset | <u>---</u> | <u>2,557</u> | <u>2,557</u> |
| Total nonoperating revenues | <u>98,500</u> | <u>142,701</u> | <u>44,201</u> |
| Net income (loss): | (7,500) | 54,202 | 61,702 |
| Add depreciation | <u>20,392</u> | <u>20,392</u> | <u>---</u> |
| Increase (decrease) in retained earnings | 12,892 | 74,594 | 61,702 |
| Ret. Earnings Jan. 1 | <u>983,989</u> | <u>983,989</u> | <u>---</u> |
| Ret. Earnings Dec.31 | <u>\$ 996,881</u> | <u>\$1,058,583</u> | <u>\$ 61,702</u> |

The accompanying notes are an integral part of this statement.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Cash Flows

For the year ended December 31, 1997

| | |
|---|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating income | \$ (88,499) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 43,565 |
| Changes in assets and liabilities: | |
| Accounts receivable | (16,171) |
| Other current assets | (594) |
| Accounts payable | (3,424) |
| Other current liabilities | 10,769 |
| Deferred revenue | 762 |
| Customer deposits | 358 |
| Retirement deductions payable | 1,495 |
| Net cash provided by operating activities | (51,739) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Ad valorem taxes | 80,918 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | |
| State revenue sharing | 4,275 |
| Acquisition of property, plant and equipment | (19,756) |
| Proceeds from sale of asset | 3,502 |
| Net cash provided by capital financing activities | (11,979) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | 31,881 |
| Increase in cash | 49,081 |
| CASH, BEGINNING OF YEAR | 621,490 |
| CASH, END OF YEAR | \$670,571 |
| CLASSIFIED AS | |
| Current Assets | \$284,105 |
| Restricted Assets | 386,466 |
| Totals | \$670,571 |

The accompanying notes are an integral part of this statement.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements

December 31, 1997

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cameron Parish Police Jury is a political subdivision of the State of Louisiana. Cameron Parish Police Jury is the reporting entity for Cameron Parish as defined by NCGA Statement 3, (Defining the Governmental Reporting Entity).

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governments. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

Cameron Parish Waterworks District No. 2 "District" is a component unit of Cameron Parish Police Jury as defined by GASB codification Section 2100. The District was created by the Cameron Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The District is governed by a board of five commissioners appointed by the Cameron Parish Police Jury, who are responsible for providing water service within the boundaries of the district.

A. FUND ACCOUNTING

Cameron Parish Waterworks District No. 2 is organized and operated on a fund basis as a Proprietary Fund Type-Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and ad valorem taxes.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity, (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

C. BUDGETARY PRACTICE

The Cameron Parish Waterworks District No. 2 utilizes the following budgetary practice:

Annually the District adopts a budget for the Enterprise Fund as a management device for control of revenues and expenses. The budget is amended at various times during the year as the need arises. A comparison of revenues and expenses is not included with the accompanying statements.

D. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash, demand deposits, interest earning demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana, or United States bonds, treasury bills and notes, or certificates.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. ACCOUNTS RECEIVABLE WRITE-OFF METHOD

The District has adopted a write off policy wherein any account that is deemed uncollectible is written off directly when the account's collection efforts have been deemed unsuccessful.

F. FIXED ASSETS

The fixed assets of the waterworks district are accounted for on the balance sheet of the Enterprise Fund. The fixed assets of the District as shown on the balance sheet are recorded at historical cost. Depreciation is computed by the straight line method based on the estimated useful life of the individual assets.

G. VACATION AND SICK LEAVE

The Cameron Parish Waterworks District No. 2 has the following policy related to vacation and sick leave:

Employees of the District accrue from 5 to 25 days annual leave each year depending on length of service. Upon resignation or retirement, unused annual leave is forfeited. In addition, employees of the District accrue from 12 to 18 days of sick leave each year depending on length of service. Upon resignation or retirement, unused sick leave is forfeited.

NOTE 2--CASH AND CASH EQUIVALENTS COLLATERAL

At December 31, 1997, the carrying amount of the District's cash and investments was \$670,571 and the bank balance was \$675,022. Of the bank balance, \$200,000 was covered by federal depository insurance, and \$475,022 was covered by collateral held in the District's name by the pledging banks' safekeeping agents.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

NOTE 3--RECEIVABLES

Receivables at December 31, 1997 consist of the following:

| | |
|--------------------------|------------------|
| Ad valorem taxes | \$119,134 |
| Accounts | 38,139 |
| State revenue sharing | 1,242 |
| Accrued interest | <u>2,068</u> |
| Net total receivables | <u>\$160,583</u> |

The amount included in the ad valorem receivable on the balance sheet is for ad valorem taxes which attach as an enforceable lien on property as of January 1 of each year. Taxes are levied to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The District utilizes the Cameron Parish Tax Collector/Sheriff to bill and collect its property taxes using the assessed values determined by the tax assessor of Cameron Parish.

For the year ended December 31, 1997, taxes of 5.02 mills were levied on property with assessed valuation totaling \$20,703,077 and were dedicated to the General Fund.

Taxes were levied upon a total assessed valuation of \$20,703,077. The total amount levied was \$104,551. Furthermore, collections of delinquent taxes and other adjustments resulted in total collections of \$103,557.

Note 4--CHANGES IN FIXED ASSETS

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the various classes of assets.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

Note 4--CHANGES IN FIXED ASSETS (Continued)

The following is a summary of changes in fixed assets as of December 31, 1997:

| | <u>Land</u> | <u>Buildings</u> | <u>Plant</u> | <u>Improvements other than buildings</u> | <u>Furniture, fixtures,& equipment</u> | <u>Total</u> |
|--------------------------------------|----------------|------------------|------------------|--|--|-------------------|
| Balance 12/31/96 | \$1,000 | \$127,587 | \$494,739 | \$464,299 | \$115,925 | \$1,203,550 |
| Additions | --- | --- | --- | --- | 19,756 | 19,756 |
| Deletions | --- | --- | --- | --- | (12,599) | (12,599) |
| Balance 12/31/97 | 1,000 | 127,587 | 494,739 | 464,299 | 123,082 | 1,210,707 |
| Less: Accumulated depreciation | --- | (101,685) | (292,508) | (250,674) | (87,050) | (731,916) |
| Net fixed assets 12/31/97 | <u>\$1,000</u> | <u>\$ 33,991</u> | <u>\$214,178</u> | <u>\$222,806</u> | <u>\$ 31,569</u> | <u>\$ 503,544</u> |

The following estimated useful lives are used to compute depreciation:

| | |
|---------------------------------------|------------|
| Buildings | 45 years |
| Improvements other than buildings | 45 years |
| Furniture, fixtures, and equipment | 3-10 years |

NOTE 5--CONTRIBUTED CAPITAL

Changes during 1997 in the contributed capital account (shown net) are as follows:

| | |
|---|-------------------|
| Balance 12/31/96 | \$ 247,038 |
| Depreciation of assets acquired by contributed capital | ___(20,392) |
| Balance 12/31/97 | <u>\$ 226,646</u> |

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

NOTE 6--LITIGATION

The District has filed a suit against North American Ship Agencies, Inc., et al, on June 11, 1998, seeking to recover damages in the sum of \$27,169 for damages caused by the defendants to cluster piles and the dock facility owned by Waterworks District No. 2. At this time the suit is pending and not all of the defendants have made appearances in the suit that is estimated to be in litigation for at least one year. A determination of the final outcome cannot be determined at this time therefore, there has been no related adjustment in the financial statements.

SUPPLEMENTARY INFORMATION

CAMERON PARISH WATERWORKS DISTRICT NO. 2

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the year ended December 31, 1997

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 session of the Legislature.

As provided by Louisiana Revised Statute 33:4564, the board members received \$60 per diem for attendance at meetings of the board in 1997.

| | <u>Number</u> <u>Attended</u> | <u>Amount</u> |
|------------------|----------------------------------|----------------|
| Alton Schexnider | 9 | \$ 540 |
| Donald Broussard | 11 | 660 |
| Gerald Labove | 10 | 600 |
| Richard Erickson | 12 | 720 |
| Darrell Duhon | 13 | 540 |
| Totals | | <u>\$3,300</u> |

See independent auditor's report.

Cameron Parish Waterworks District No. 2
SCHEDULE OF PRIOR YEAR FINDINGS

For the Fiscal Year Ended December 31, 1997

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

There were no prior year findings relating to internal control and compliance material to the financial statements.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

There were no prior year findings relating to internal control and compliance material to federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter with prior year audit report.

See independent auditor's report.

Cameron Parish Waterworks District No. 2
MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Fiscal Year Ended December 31, 1997

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENT

1997.1 The Board will more closely will closely monitor the timely completion of the December 31, 1998 audit by June 30, 1999 and require the auditor to complete it in a timely fashion.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS

N/A

SECTION III MANAGEMENT LETTER

N/A

See independent auditor's report.