

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Year Ended
December 31, 1997
With Supplemental Information Schedules

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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

**BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT
Mimre, Louisiana**

I have audited the accompanying general purpose financial statements of Prairie Road Water District, a component unit of the Ouachita Parish Police Jury, as of December 31, 1997, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the district'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 statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Prairie Road Water District, as of December 31, 1997, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

**BOARD OF COMMISSIONERS
PRAIRIE ROAD WATER DISTRICT**

Monroe, Louisiana

Independent Auditor's Report

December 31, 1997

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

In accordance with Government Auditing Standards, I have also issued a report dated March 24, 1997, on my consideration of Prairie Road Water District's internal control over financial reporting and my tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants.



Caldwell, Louisiana

March 24, 1997

GENERAL PURPOSE FINANCIAL STATEMENTS

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Balance Sheet, December 31, 1997

ASSETS**Current assets:**

Cash	\$31,471
Accounts receivable - water sales	21,249
Accounts receivable - other	142
Inventory	<u>5,085</u>
Total current assets	<u>57,955</u>

Restricted assets - cash:

Bond reserve accounts	176,068
Customer deposit accounts	<u>8,660</u>
Total restricted assets	<u>184,728</u>

Property, plant and equipment (net of accumulated depreciation)

577,457

TOTAL ASSETS

\$780,140

LIABILITIES AND FUND EQUITY**Current liabilities (payable from current assets):**

Accounts payable	\$1,763
Payroll taxes payable	1,261
Sales tax payable	<u>452</u>
Total current liabilities (payable from current assets)	<u>4,476</u>

Current liabilities (payable from restricted assets):

Customer deposits	8,660
Bonds payable	35,000
Accrued interest payable	<u>1,344</u>
Total current liabilities (payable from restricted assets)	<u>44,964</u>

Long-term liabilities - revenue bonds payable

409,212

Total liabilities

456,212

(Continued)

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND
Balance Sheet, etc.

LIABILITIES AND FUND EQUITY (CONTD):

Fund Equity - retained earnings:

Reserved for inventory	\$5,000
Reserved for debt retirement	199,824
Unreserved	175,091
Total fund equity	<u>380,908</u>

TOTAL LIABILITIES AND FUND EQUITY 3783,140

(Continued)

The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Revenues, Expenses, and
Changes in Retained Earnings
For the Year Ended December 31, 1997

OPERATING REVENUES	
Water sales	\$250,032
Connection fees	3,825
Late charges	5,450
Other	1,880
Total operating revenues	<u>261,187</u>
OPERATING EXPENSES	
Bad debt expense	1,008
Commissioner's fees	1,380
Chlorine and chemicals	4,966
Depreciation	25,358
Equipment rental	1,081
Gas and oil	2,427
Insurance	7,510
Insurance - group	1,038
Maintenance and repairs	29,455
Office supplies and expense	3,906
Paper	451
Payroll taxes	6,079
Postage	3,685
Professional fees	7,389
Salaries and wages	80,568
Supplies and parts	14,140
Training and conventions	360
Track repairs	872
Utilities and telephone	19,885
Other operating expenses	1,488
Total operating expenses	<u>233,748</u>
OPERATING INCOME	<u>27,439</u>

(Continued)

PRAIRIE ROAD WATER DISTRICT
 Monroe, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND
 Statement of Revenues, Expenses, and
 Changes in Retained Earnings, etc.

NON-OPERATING REVENUES (Expenses)	
Interest income	\$4,432
Sale of fixed assets	1,000
Interest expense	<u>(23,881)</u>
Total non-operating revenues (expenses)	<u>(18,449)</u>
NET INCOME	849
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>120,683</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$120,908</u>

(Continued)

The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Cash Flows
 For the Year Ended December 31, 1997

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Income	<u>\$29,214</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	15,358
Increase in accounts receivable	(2,962)
Increase in inventory	(189)
Increase in customer deposits	380
Decrease in accounts payable	(4,332)
Total adjustments	<u>18,275</u>
Net cash provided by operating activities	<u>47,489</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Principal and interest on revenue bonds	(67,857)
Acquisition of fixed assets	(18,942)
Sale of fixed assets	3,000
Net cash used by capital financing activities	<u>(83,799)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings on bank deposits	<u>4,432</u>
NET DECREASE IN CASH	<u>(31,878)</u>
CASH AT BEGINNING OF YEAR	<u>248,077</u>
CASH AT END OF YEAR	<u>\$216,199</u>

The accompanying notes are an integral part of this statement.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Prairie Road Water District was created by the Ouachita Parish Police Jury on May 8, 1972, as authorized by Louisiana Revised Statute 33:3813 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board appointed by the police jury to serve indefinite terms of office. The board members receive \$20 for each meeting if they meet every other month, \$15 for each regular monthly meeting, and \$25 for each special board meeting they attend. The district has three full-time employees and three part-time employees. The district serves approximately 791 customers.

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of Prairie Road Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Ouachita Parish Police Jury is the financial reporting entity for Ouachita 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 (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Ouachita Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

FRANK ROAD WATER DISTRICT

Monroe, Louisiana

Notes to the financial statements (Continued)

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 appoints the governing body of the district and has the ability to impose its will on the district, the district was determined to be a component unit of the Ouachita Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

Frank Road Water District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic

PRAIRIE ROAD WATER DISTRICT

Monroe, Louisiana

Notes to the financial statements (Continued)

resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The Enterprise Fund is reported in the accompanying financial statements on the accrual basis of accounting. Revenues, such as water sales and other operating income are recognized when they are earned. Interest on bank deposits is recorded when the interest is credited to the account. All expenses of the district are recognized when they are incurred.

E. CASH

Cash includes amounts in interest-bearing demand deposits. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under the laws of the State of Louisiana, or any other state of the United States, or under the laws of the United States.

F. INVENTORY

Inventories consist of parts and supplies, valued at cost, which approximates market. Cost is determined using the first-in, first-out method. Inventories are recorded using the "purchase method" whereby supplies are charged as expenses when acquired. Inventory on hand at the end of the year is recorded as an asset with a corresponding reservation of retained earnings.

G. RESTRICTED ASSETS

Certain resources of the Enterprise Fund set aside for the repayment of revenue bonds and the refunding of customer deposits are classified as restricted assets on the balance sheet because their use is limited.

H. FIXED ASSETS AND LONG-TERM DEBT

Fixed assets of the district are included on the balance sheet of the enterprise fund and are recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of 20 to 50 years for the wells, water tanks and lines, 20 years for

PRAIRIE ROAD WATER DISTRICT

Monroe, Louisiana

Notes to the financial statements (Continued)

buildings, and 5 to 10 years for equipment. Long-term debt is recognized within the enterprise fund.

1. VACATION AND SICK LEAVE

The district's full-time employees earn from 5 to 15 days of vacation leave per year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time employees earn 5 days of sick leave per year after 90 days continuous employment. Sick leave may not be accumulated. In addition, full-time employees earn 1 fan day per calendar year, after 90 days continuous employment.

2. CASH

At December 31, 1997, the district has cash (bank balances) totaling \$216,199, as follows:

Petty cash	\$200
Interest-bearing demand deposits	<u>215,999</u>
Total	<u>\$216,199</u>

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. Cash (bank balances) at December 31, 1997, are secured as follows:

Bank balances	<u>\$217,634</u>
Federal deposit insurance	\$108,000
Pledged securities (uncollateralized)	<u>344,634</u>
Total	<u>\$644,634</u>

Even though the pledged securities are considered uncollateralized (Category 2) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 30 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Notes to the financial statements (Continued)

3. FIXED ASSETS

A summary of property, plant, and equipment at December 31, 1997, follows:

Wells, tanks, and lines	\$890,869
Buildings	38,568
Vehicle and other equipment	<u>45,008</u>
	\$974,445
Less accumulated depreciation	<u>(377,088)</u>
Property, plant and equipment, net	<u>\$597,357</u>

4. PENSION PLAN

The employees of Prairie Road Water District are members of the Social Security System. In addition to the employee contributions withheld at 7.65 per cent of gross salary, the district contributes an equal amount to the Social Security System. The district does not guarantee the benefits granted by the Social Security System.

5. LONG-TERM DEBT

At December 31, 1997, the district has three outstanding issues of long-term revenue bonds. The purpose of the bonds was to provide financing for the construction of the water system and extensions and improvements to the system. The issue dated December 1, 1972 was for \$325,000. It was originally purchased by the United States Department of Housing and Urban Development but was subsequently sold to the General Electric Credit Corporation. The issue bears interest at 5.625 per cent per annum and the principal is to be repaid in annual payments ranging from \$8,000 to \$41,000 through December 1, 2012.

In 1983 the district sold two additional issues of revenue bonds to the United States Department of Agriculture, Farmers Home Administration, a \$250,000 issue bearing interest at 9.5 per cent and a \$50,000 issue bearing interest at 9.125 per cent. The combined principal payments for the two issues range from \$27,000 to \$51,000 through December 28, 2000. All long-term debt is to be repaid solely from the income and revenues derived from the operation of the water system.

The following is a summary of revenue bonds payable transactions for the year ended December 31, 1997:

PRAIRIE ROAD WATER DISTRICT

Monroe, Louisiana

Notes to the financial statements (Continued)

Revenue bonds payable at January 1, 1997	\$476,851
Reductions	<u>(32,000)</u>
Revenue bonds payable at December 31, 1997	<u>\$444,851</u>

The annual requirements to amortize all bonds outstanding at December 31, 1997, including interest of \$252,632, are as follows:

<u>Year</u>	
1998	\$75,820
1999	75,366
2000	75,366
2001	75,969
2002	77,003
2003-2007	163,366
2008-2012	<u>138,294</u>
Total	<u>\$697,484</u>

6. RESERVED/RETAINED EARNINGS

The bond covenant for the 1972 water revenue bonds discussed in note 5 above, requires the district to establish the following reserve accounts:

- A. A "Revenue Bond and Interest Sinking Fund". The district must transfer into this fund each month, one-twelfth of the next maturing installment of principal and interest on the outstanding bonds. The fund is used to pay interest on the bonds and to retire the bonds as they mature.
- B. A "Revenue Bond Reserve Fund". The district must transfer into this fund \$183 each month until \$21,900 has been accumulated in this fund. Such amounts may be used solely for the payment of principal and interest which would otherwise be in default.
- C. A "Replacement and Extension Fund". The district must transfer \$92 per month into this fund until \$5,500 has been accumulated. Money in this fund is to be used for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and corrections of the system and to eliminate deficiencies in the Revenue Bond and Interest Sinking Fund and the Revenue Bond Reserve Fund.

PLAIRIE ROAD WATER DISTRICT

Monroe, Louisiana

Notes to the financial statements (Continued)

The bond covenants with the United States Department of Agriculture, Farmers Home Administration for the 1983 revenue bonds discussed in note 5 above, require the district to establish the following reserve accounts:

- A. A "Water Revenue Bond and Interest Sinking Fund". The district must transfer into this fund, each month, one-twelfth of the principal and interest due on the next principal and interest payment date. This fund is used to pay bond principal and interest as they become due.
- B. A "Water Reserve Fund". The district must transfer into this fund, each month, an amount equal to 5 per cent of the amount to be paid into the Water Revenue Bond and Interest Sinking Fund each month until \$26,809 has been accumulated therein. Such amounts may be used only for the payment of matured bonds and interest when sufficient funds are not available in the Water Revenue Bond and Interest Sinking Fund.
- C. A "Water Depreciation and Contingency Fund". The district must transfer \$428 into this fund each month. The deposits in this fund may be used for annual or extraordinary maintenance, repairs, replacements, and extensions and for the cost of improvements to the system. Money in this fund may also be used to pay principal and interest on bonds falling due at any time there is not sufficient funds in the other reserve funds.

At December 31, 1997 the district has \$176,068, in restricted accounts to meet reserve requirements. Of that amount, \$38,244, is offset by current liabilities, with the remaining \$137,824, reported as a reserve of retained earnings on Statement A. The following is a summary of transactions in the bond reserve accounts for the year ended December 31, 1997:

	1972	1983	Total
	Issue	Issue	
Bond reserve accounts at January 1, 1997	\$82,809	\$95,161	\$177,970
Deposits	17,460	49,512	66,972
Interest earnings	1,464	1,911	3,375
Extraordinary repairs		(5,194)	(5,194)
Bond and interest payments	(21,557)	(46,301)	(67,858)
Bond reserve accounts at December 31, 1997	<u>\$79,176</u>	<u>\$95,089</u>	<u>\$174,265</u>

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
Notes to the financial statements (Continued)

3. LITIGATION AND CLAIMS

At December 31, 1997, the district is the defendant in one lawsuit. In the opinion of legal counsel for the district, any liability resulting from an unfavorable outcome would be adequately covered by the district's insurance. The district maintains commercial insurance coverage through the Ouachita Parish Police Jury to reduce the risk of loss resulting from property damage or liability claims. There were no significant reductions in insurance coverage during the year ended December 31, 1997. There were no costs resulting from claims or judgments during the year ended December 31, 1997.

SUPPLEMENTAL INFORMATION SCHEDULES

PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULES
For the Year Ended December 31, 1987

PER DIEM PAID COMMISSIONERS

The schedule of per diem paid to commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:5819, the commissioners receive \$25 for each regular board meeting they attend if the board meets monthly. If the board meets every other month, the commissioners are paid \$50 for each meeting they attend. If a special meeting is called the commissioners are paid \$25 for each special board meeting they attend.

PRIOR AUDIT FINDINGS

The follow-up and corrective action taken on all prior audit findings is presented in the summary schedule of prior audit findings (Schedule 2).

CURRENT AUDIT FINDINGS

The corrective action plan for current year audit findings is presented in Schedule 3.

FRAIRIE ROAD WATER DISTRICT
Monroe, LouisianaSchedule of Per Diem Field Commissioners
For the Year Ended December 31, 1993

Dorth E. Blaise	9275
James Johnson	250
Cleo Moore	275
Robert Price	275
Tommy Price	225
	<hr/>
Total	<u>\$1,300</u>

FRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 1997

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken
Management Letter	12/31/96	Allegation of Possible Violation of Article VII, Section 14 of the Louisiana Constitution	Yes

PRAIRIE ROAD WATER DISTRICT
Monroe, LouisianaCorrective Action Plan
For Current Year Audit Findings
For the Year Ended December 31, 1997

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
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There were no audit findings for the year ended December 31, 1997.

**Independent Auditor's Report
Required by Government Auditing Standards**

The following independent auditor's reports on compliance and internal control over financial reporting are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

M. Carlen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's 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
PRAIRIE ROAD WATER DISTRICT
Monroe, Louisiana**

I have audited the financial statements of Prairie Road Water District, as of December 31, 1997, and for the year then ended, and have issued my report thereon dated March 24, 1997. I conducted my audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether Prairie Road Water District's general purpose financial statements are free of material misstatement, I performed tests of the district's compliance with certain provisions of laws, regulations, and contracts, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Prairie Road Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose 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 over financial reporting 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

BOARD OF COMMISSIONERS
FRAIRIE ROAD WATER DISTRICT

Monroe, Louisiana

Independent Auditor's Report
on Compliance and on
Internal Control, etc.,
December 31, 1997

amounts that would be material in relation to the general purpose 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 the board of commissioners and management of Frairie Road Water District, and other interested state and federal agencies and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Chilton, Louisiana

March 24, 1997