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**ROCKY BRANCH WATER WORKS DISTRICT**  
*Farmerville, Louisiana*

**AUDIT REPORT**

As of and for the Two Years Ended December 31, 1997 and 1998.

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. This 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 AUG 23 1999

**ROCKY BRANCH WATER WORKS**

**Component Unit Financial Statements As of and For the Years Ended**

**December 31, 1997/98**

**With Supplemental Information Schedules**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Koddy Branch Water Works  
Farmersville, Louisiana  
June 26, 1998

I have audited the accompanying general purpose financial statements of Koddy Branch Water Works, a component unit of The Union Parish Police Jury, as of and for the year ended December 31, 1997 and 1996, 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 misstatements. 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 aspects, the financial position of the Koddy Branch Water Works as of December 31, 1997 and 1996, and the results of its operations and cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated June 26, 1998, on my consideration of Koddy Branch Water Works internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The financial information listed as supplemental information schedules in the table of

contents is presented for purposes of additional analysis, and is not a required part of the financial statements of Rocky Branch Water Works. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated June 26, 1998, on my consideration of Rocky Branch Water Work's internal control structure and a report dated June 26, 1998, on its compliance with certain provisions of laws, regulations, and grants.



JAMES SELF, CPA  
June 26, 1998

**ROCKY BRANCH WATERWORKS DISTRICT**  
**IBOH PARISH POLICE JURY**  
**FARMERVILLE, LOUISIANA**  
**PROPRIETARY FUND - ENTERPRISE FUND**  
**All Fund Types and Account Groups**  
**Balance Sheet, December 31, 1997**

**ASSETS**

**Current Assets**

Cash	\$	94,281
Accounts Receivable		<u>1,187</u>
Total Current Assets		95,468

**Restricted Assets**

Cash		<u>111,247</u>
Total Restricted Assets		111,247

**Property, Plant and Equipment**

Land		4,000
Water system		355,821
Less accumulated depreciation		<u>(176,854)</u>
Net Property, Plant and Equipment		182,967

**TOTAL ASSETS** \$ 389,682

**LIABILITIES AND FUND EQUITY:**

**LIABILITIES:**

**Current Liabilities (Payable**

**from Current Assets)**

Accounts Payable	\$	(531)
Accrued Expenses		<u>(811)</u>
Total Current Liabilities		(1,342)
(Payable from Current Assets)		

**Current Liabilities (payable from restricted assets)**

Bond Debt		<u>(5,000)</u>
Total Current Liabilities (payable from restricted assets)		(5,000)

**Total Current Liabilities**

**Long-Term Liabilities:**

Long-term Bond Debt		<u>(78,000)</u>
Total Long-Term Liabilities		(78,000)

**TOTAL LIABILITIES** (79,342)

**Fund Equity:**

**Retained Earnings:**

Reserved for Bond Debt		(40,951)
Unreserved		<u>(178,898)</u>

**TOTAL FUND EQUITY** (219,849)

**TOTAL LIABILITIES AND FUND EQUITY** \$ (389,682)

The accompanying notes are an integral part of this statement.

BECKY BRANCH WATERWORKS DISTRICT  
 JUNIOR PUBLIC POLICE 1000  
 FARMERVILLE, LOUISIANA  
 PROPRIETARY FUND - ENTERPRISE FUND  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN RETAINED EARNINGS  
 FOR THE YEAR ENDED DECEMBER 31, 1997/1996

	1997	1996
SERVICE INCOME	(70,500)	(70,500)
NEW INSTALLATIONS		
RECONNECT FEES		(7,500)
TOTAL OPERATING REVENUES:	<u>(70,500)</u>	<u>(78,000)</u>
OPERATING EXPENSES:		
BANK CHARGES	500	800
SALES TAX	2,418	4,404
REP	14,800	13,000
SALARIES	11,800	11,400
REPAIRS	1,024	800
PAVING TAXES	807	1,200
DETS	40	150
UTILITIES	9,150	9,250
RECONNECT FEES	800	875
MATERIAL AND SUPPLIES	5,900	1,100
METER DEPOSIT REFUND	1,800	1,144
INSURANCE	1,511	1,300
OFFICE EXPENSE	297	1,275
LABOR	6,000	1,000
BAD CHECK	1,000	
LABOR	1,000	750
PER DIEM	750	750
NEW METER CONSTRUCTION	1,200	
TRANSFERS	5,000	6,575
TOTAL OPERATING EXPENSES:	<u>66,437</u>	<u>81,967</u>
OPERATING INCOME (LOSS)	(1,114)	(6,500)
NONOPERATING REVENUES (EXPENSES):		
INTEREST INCOME	(8,407)	(500)
INTEREST EXPENSE	1,000	1,200
TOTAL NONOPERATING REVENUES (EXPENSES):	<u>(7,407)</u>	<u>(700)</u>
NET INCOME (LOSS)	(8,521)	(8,200)
RETAINED EARNINGS AT BEGINNING OF YEAR	(20,332)	(20,332)
RETAINED EARNINGS AT END OF YEAR	<u>(28,853)</u>	<u>(28,532)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

**ROCKY BRANCH WATERWORKS DISTRICT  
UNION PARISH POLICE JURY  
FARMERVILLE, LOUISIANA**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1997/1996**

Increase (decrease) in Cash and Cash Equivalents

	1997	1996
<b>Cash flows from operating activities:</b>		
Net Income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	20,000	21,414
Amortization	14,000	12,900
<b>Changes in Assets and Liabilities:</b>		
Increase/decrease in accounts receivable	400	
Increase/decrease in payables	(763)	
Total adjustments	33,637	34,314
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>45,117</u>	<u>45,114</u>
<b>Cash flows from investing activities:</b>		
Purchase of Equipment	(5,000)	(18,400)
<b>Net Cash Provided (Used) By Investing Activities</b>	<u>(5,000)</u>	<u>(18,400)</u>
<b>Cash flows from financing activities:</b>		
Payment of Bond Principal	(5,000)	(5,000)
Purchase of Equipment		
<b>Net Cash Provided (Used) For Capital and Related Financing Activities</b>	<u>(5,000)</u>	<u>(5,000)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>35,117</u>	<u>21,714</u>
Cash and Cash Equivalents at Beginning of Year	<u>100,870</u>	<u>102,249</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>135,987</u>	<u>123,963</u>

The accompanying notes are an integral part of this statement.

Supplemental disclosures of cash flow information:

Cash paid during the year for interest:

4,000	3,200
-------	-------

Disclosure of accounting policy:

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**ROCKY BRANCH WATER WORKS DISTRICT  
OF UNION PARISH  
Farmerville, Louisiana**

**Notes To The Financial Statements  
As of and For the Two Years Ended December 31, 2007/06**

**INTRODUCTION**

The Rocky Branch Waterworks District was created by the Union Parish Police Jury, as authorized by Louisiana Revised Statute 33:3811. The waterworks district is governed by a five-member board of commissioners who are residents of and own real estate in the district. The board is appointed by the police jury and is compensated for its responsibility of providing water service to users within the boundaries of the district. The district serves approximately 300 residential and 40 commercial customers. The district has two employees.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying General purpose financial statements of the Rocky Branch Water Works 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 establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

As the governing authority of the parish, for reporting purposes, the Union Parish Police Jury is the financial reporting entity for Union 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 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 Union 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:

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 has the authority to perform the above three steps, the district was determined to be a component unit of the Union 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

The Rocky Branch Water Works District of Union Parish 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.

#### B. 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 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 uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

##### Revenues

Revenues consist of income from users of the sewer line in the district. Billing is done monthly, and the payments are collected and deposited. Interest income is a result of bank accounts bearing interest.

### Expenses

Expenses are reported when the liability occurs. Major expenses are:

	2007	2006
Salaries	13,188	11,518
Repairs	1,004	485

No repairs were capitalized.

### E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and other money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. The district has no investments.

### F. RESTRICTED ASSETS

Certain proceeds of the enterprise fund resources are set aside for specific payments and are classified on the balance sheet as restricted assets because their use is limited by applicable requirements. Restricted assets include the "customer deposits" account, which is used to segregate water customer deposits used to pay any outstanding water bills when customers discontinue service.

### G. FIXED ASSETS

Fixed assets of the district are valued at historical cost and are included on the balance sheet of the fund, net of accumulated depreciation. Construction period interest is immaterial and is not capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of periods from 5 to 40 years.

### H. COMPENSATED ABSENCES

The district does not have a formal leave policy.

**1. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.

**2. FUND EQUITY**

**Contributed Capital**

Grants, reimbursements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is not amortized.

**Reserves**

Reserves represent those portions of fund equity legally segregated for a specific future use.

**3. CASH AND CASH EQUIVALENTS**

At December 31, 1997, the district has cash and cash equivalents (book balances) totaling \$216,026 as follows:

Demand Deposits	94,081
Time Deposits	<u>121,945</u>
TOTAL	<u>216,026</u>

These deposits are stated at cost, which approximates market. Under state law, time deposits 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, 1997, the district has \$216,026 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$100,000 of pledged securities held by the custodial bank in the name of Whitney National Bank. The remaining balance of 16,026 is not secured by the pledge of securities and is a violation of state law.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 38:2229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

Rocky Branch Water District  
 Of Union Parish  
 Farmerville, Louisiana  
 Notes to the Financial Statements (continued)

**3. RECEIVABLES**

The following is a summary of receivables at December 31, 1997:

<u>Class of Receivable</u>	<u>Current Assets</u>	<u>Total</u>
Accounts Receivable	1,167	1,167

Management has determined that the amounts of the receivables that are uncollectible are immaterial; therefore, no provision for uncollectible receivables has been included in these financial statements.

**4. FIXED ASSETS**

A summary of fixed assets at December 31, 1997, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	4,500	0	4,500
Water System	245,923	178,653	138,870
<b>TOTAL</b>	<u>250,423</u>	<u>178,653</u>	<u>181,370</u>

**5. PENSION PLAN**

The district has no pension plan, except social security benefits resulting from salary withholding and employer mandated payments.

**6. LONG-TERM LIABILITIES**

The following is a summary of long-term transactions during the year:

Long-Term liability payable at January 1, 1995 (including current portion)	85,000
Payments during 1996	5,000
1997	5,000
Long-Term liability payable at December 31, 1997 (including current portion)	75,000
Less current portion	5,000
Long-Term liability payable at December 31, 1997	<u>70,000</u>

The long-term liability at December 31, 1997, and 1996, consists of a note payable to the United States Department of Agriculture, Farmers Home Administration, under the Water and Waste Disposal Systems for Rural Communities Loan Program (CFDA 10.418). The original loan was dated May 1,

Rocky Branch Water District  
 Of Union Parish  
 Farmerville, Louisiana  
 Notes to the Financial Statements (continued)

1995, in the amount of \$152,000 with an interest rate of five per cent. The loan agreement requires the district to establish and maintain:

1. An amortization account with monthly deposits of 1/12 of the annual principal and interest payment to pay promptly and fully the principal and interest on the loan as it becomes due and payable.
2. A reserve account with monthly deposits of 5 percent of the required monthly amortization account deposit. The monthly deposits must continue until there has been accumulated the sum of \$9,600 in the reserve account. The purpose of the reserve account is to pay the principal and interest on the loan on default of the amortization account.
3. A depreciation and contingencies account with monthly deposits of \$10 with no maximum amount established to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the district property.

At December 31, 1996, and 1997, the reserve balances for the amortization account, reserve account, and depreciation and contingencies account are as follows:

	1996	1997
Amortization Account	8,274	11,076
-Reserve Account	8,627	13,184
Depreciation & Contingencies Account	21,899	22,163
TOTAL	38,800	46,423

The annual requirements to amortize all long-term debt outstanding as of December 31, 1997, are as follows:

	Principal	Interest	Total
1998	4,750	4,000	8,750
1999	4,750	3,750	8,500
2000	4,500	3,500	8,000
2001	4,500	3,250	7,750
2002	4,500	3,000	7,500
Thereafter	\$2,000	17,885	19,885
TOTAL	35,000	35,385	70,385

**3. OTHER POST-EMPLOYMENT BENEFITS**

None.

**8. RELATED PARTY TRANSACTIONS**

None.

**9. LITIGATION AND CLAIMS**

None.

**10. SUBSEQUENT EVENTS**

None.

**11. OTHER SUPPORT**

None.

## SUPPLEMENTARY INFORMATION

**ROCKY BRANCH WATER WORKS DISTRICT**  
**Rocky Branch, Louisiana**

**Supplemental Information Schedule**  
**As of and For The Two Years Ended December 31, 1997 and 1996**

**COMPENSATION PAID TO BOARD MEMBERS**

The following schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 24 of the 1979 Session of the Louisiana Legislature.

*Schedule of Compensation Paid Board Members as of and for the Years Ended  
December 31, 1997 and 1996*

		<u>1997</u>	<u>1996</u>
Jerry Farrer	\$	150.00	148.00
Wayne Barrowell		150.00	148.00
J.C. Almarcraft, (President)		150.00	148.00
Phillip Smith		150.00	148.00
Steve Smith		150.00	148.00
	\$	<u>750.00</u>	<u>740.00</u>



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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 ACCOUNTING STANDARDS**

Board of Directors  
Rocky Branch Water Works  
Farmersville, Louisiana  
June 26, 1998

I have audited the general purpose financial statements of the Rocky Branch Water Works, a component unit of the Union Parish Police Jury, as of and for the year ended December 31, 1997 and have issued my report thereon dated June 26, 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 Rocky Branch Water Works, Farmersville, La., general purpose 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 instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying schedule of findings and questioned cost as items #1 and 2.

#### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Rocky Branch Water Works, Farmersville, La.'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 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 matters involving the internal control over financial reporting and its operation which I have reported to management in a separate letter dated June 26, 1998.

This report is intended for the information of the Rocky Branch Water Works' management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

*Jessie S. Sell, CPA*

Jessie S. Sell, CPA  
Monroe, Louisiana  
June 26, 1998

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**COMMUNICATION OF REPORTABLE CONDITIONS TO MANAGEMENT**

Chief of District  
Rocky Branch Water Works  
Cameronville, Louisiana  
June 26, 1998

In planning and performing my audit of the general purpose financial statements of Rocky Branch Water Works for the year ended December 31, 1997, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assistance on the internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters relating to weaknesses relating to significant deficiencies in the design or operation of the internal control that, in my judgment, could adversely affect Rocky Branch Water Works ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

The Rocky Branch Water Works District does not have adequate segregation of duties, which has been noted as not cost beneficial.

The Rocky Branch Water Works was not in compliance with the state law, which requires for adequate provision of pledge of accuracy for its cash and cash equivalents. This failure was due to the Rocky Branch Water Works not being aware of this deficiency. As of June 26, 1998, this has been corrected.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of Rocky Branch Water Works management, and others within the administration and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

*Jimmie Self, CPA*

Jimmie Self, CPA  
Monroe, Louisiana  
June 26, 1998

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**Management Recommendation**

Board of Directors  
Rocky Branch Water Works  
Farmerville, Louisiana  
June 28, 1998

The prior year audit findings:

Corrected, except for inadequate segregation of duties, which has been noted as not used - beneficial to correct.

During my audit, the following came to my attention:

- (1) The Rocky Branch Water Works, because it is cost-prohibitive cannot solve the problem of inadequate segregation of duties.
- (2) The Rocky Branch Water Works was not in compliance with the law pertaining to security deposits. This is not a financial statement effect, but a compliance violation.

Recommendations:

- (1) Due to inadequate segregation of duties, 2 members of the Board should sign all checks. Also no person should sign a check made payable to him or her.
- (2) The District should correct this deficiency and review its bank balances more frequently to ascertain they have adequate security deposits.

JAMIE SELF, CPA  
A Professional Actor  
2888 Carrson St  
Memphis, Louisiana  
Phone (318) 323-8666

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 1997

I have audited the financial statements of Ernie David Kelly, Actor, as of and for the year ended December 31, 1997, and have issued my report thereon dated 12-31-97. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. My audit of the financial statements as of December 31, 1997 resulted in an unqualified opinion (qualified, adverse, disclaimer).

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

Compliance

Compliance Material to Financial Statements  Yes  No

b. Federal Awards 2-18

Internal Control

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

Type of Opinion On Compliance Unqualified  Qualified   
For Major Programs Disclaimer  Adverse

Are there findings required to be reported in accordance with Circular A-133, Section 310(b)(7)

Yes  No

c. Identification of Major Programs:

CFDA Number (s)

Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ \_\_\_\_\_

Is the audit a 'low-risk' audit, as defined by OMB Circular A-133?  Yes  No

### Section I Financial Statement Findings — 1 —

**1001-A, (DESCRIPTIVE CAPTION)** (This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of government auditing standards. Auditors should refer to those paragraphs, as well as the reports content section of Chapter 1 of Government Auditing Standards for additional guidance on preparing this section of the schedule. If there are no findings, state that no matters were reported.)

The findings should include a reference number, as indicated above. It is suggested that the reference number include, at least parenthetical, the first year the finding was included in the report. Also, the findings should include a descriptive caption. The finding number and descriptive caption will enable identification of the finding throughout the report and in future reports. Audit findings which relate to both the financial statements and federal awards should be reported in both Section I and Section III. However, the reporting in one section may be in summary form, with reference to a detailed reporting in the other section – the reference number and caption facilitate this approach. For example, a material weakness in internal control that affects an entity as a whole, including its federal awards, would generally be reported in detail in this section. Section III would then include the reference to the finding through the identification number and descriptive caption.

Each finding should fully describe the: criteria or specific requirement, condition found, effect, cause, qualified costs, and recommendations.

It is suggested that management be required to complete a Management Corrective Action Plan. As an alternative, the auditor may include management's response in the finding. However, the response must detail the specific actions taken by management or those specific actions intended to be taken by management.

### Section III Federal Award Findings and Questioned Costs — 0 —

**1001-B, (DESCRIPTIVE CAPTION)** (This section identifies the audit findings required to be reported by Circular A-133, Section 3.10(a) (e.g., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs). Where practical, findings should be organized by federal agency or pass-through entity.

Identify each finding with a reference number and descriptive caption. If there are no findings, state that no matters were reported. Audit findings which relate to both the financial statements and federal awards should be reported in both Section I and Section III. However, the reporting

In one section may be in summary with reference by number and caption to the other section. Each finding should fully describe the criteria or specific requirement, condition found, effect, cause, questioned costs, and recommendations.

It is suggested that management be required to complete a Management Corrective Action Plan. As an alternative, the auditor may include management's response in the finding. However, the response must detail the specific actions taken by management or those specific actions intended to be taken by management.

**SCHEDULE OF PRIOR YEAR FINDINGS**  
For the Year Ended 12-31-1977

<b>SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
1996-1 (Descriptive Caption) A brief summary of the recommendation.	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to current year finding.
1996-2 (Descriptive Caption) A brief summary of the recommendation.	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to current year finding.
<b>SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
1996-3 (Descriptive Caption) A brief summary of the recommendation. <i>ALSO SEE THE SUMMARY OF FINDINGS IN THE MANAGEMENT LETTER</i>	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to current year finding. (This narrative should include whether or not a Management Decision has been issued by a federal or pass-through agency.)
<b>SECTION III MANAGEMENT LETTER</b>	
(Descriptive Caption) A brief summary of the recommendation.	Resolved, Partially Resolved, Management Disagreement, Unresolved and referenced to current year finding.

If no findings have been reported under a specific section, the schedule should so state.



**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
For the Year Ended 12-31-97

<b>SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT</b>	
<p><b>1987-1 (Descriptive Caption)</b> A brief summary of the recommendation.</p> <p><i>Job description suggestion of business. Based on previous contract from Liberty.</i></p>	<p>Management should clearly state the actions taken to date, or their intended actions. The actions should be listed in detail. Those responsible should be identified and completion dates for each step should be listed. Should management suggest an alternative remedy, that resolution should be listed in detail and it should be stated whether or not the auditor agrees with the alternative solution. Management should state whether the federal grantor or pass-through entity has been contacted concerning resolution of the matter.</p>
<b>SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
<p><b>1987-3 (Descriptive Caption)</b> A brief summary of the recommendation.</p> <p><i>Not sufficient photos of assets. If this has already been covered by item 10, presentment because</i></p>	<p>Management should clearly state the actions taken to date, or their intended actions. The actions should be listed in detail. Those responsible should be identified and completion dates for each step should be listed. Should management suggest an alternative remedy, that resolution should be listed in detail and it should be stated whether or not the auditor agrees with the alternative solution. Management should state whether the federal grantor or pass-through entity has been contacted concerning resolution of the matter.</p>
<b>SECTION III MANAGEMENT LETTER</b>	
<p><b>1987-2 (Descriptive Caption)</b> A brief summary of the recommendation.</p> <p><i>— — —</i></p>	<p>Management should clearly state the actions taken to date, or their intended actions. The actions should be listed in detail. Those responsible should be identified and completion dates for each step should be listed. Should management suggest an alternative remedy, that resolution should be listed in detail and it should be stated whether or not the auditor agrees with the alternative solution. Management should state whether the federal grantor or pass-through entity has been contacted concerning resolution of the matter.</p>

Note: If all findings are reflected on a Schedule of Questioned Cost and Findings, this schedule can be organized and referenced to that schedule.