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# WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH

ST LANDRY, LOUISIANA

## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 1997

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DEC 16 1998

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH

DECEMBER 31, 1997

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT . . . . .	1-2
FINANCIAL STATEMENTS	
COMBINED BALANCE SHEET- ALL FUND TYPES . . . . .	3-4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - 1997	5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - 1996	6
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - 1997	7
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - 1996	8
STATEMENT OF CASH FLOWS - 1997 . . . . .	9
STATEMENT OF CASH FLOWS - 1996 . . . . .	10
NOTES TO FINANCIAL STATEMENTS . . . . .	11-17
ADDITIONAL INFORMATION . . . . .	18
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - 1997 . . . . .	19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - 1996 . . . . .	20
OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING	
STANDARDS AND OMB CIRCULAR A-133 . . . . .	21
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS . . . . .	22-24
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 . . . . .	25-27
SCHEDULE OF FINDINGS AND QUESTIONED COSTS . . . . .	28-29
MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS . . . . .	30
MANAGEMENT LETTER . . . . .	31
MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS . . . . .	32-33
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS . . . . .	34
MANAGEMENT'S CORRECTIVE ACTION PLAN . . . . .	35-37



# Juanita DeVillier Brouillette

Certified Public Accountant

November 17, 1998

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Ward 5 Waterworks District #1 of Evangeline Parish

I have audited the accompanying financial statements of Ward 5 Waterworks District #1 of Evangeline Parish, St Landry, Louisiana as of December 31, 1997 and for each of the two years in the period ended December 31, 1997, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraph, I conducted the 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 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. I believe that the audit provides a reasonable basis for my opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. Ward 5 Waterworks District #1 of Evangeline Parish has included such disclosures in Note 9. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the District's disclosures with respect to the year 2000 issue made in Note 9. Further, I do not provide assurance that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with which the District does business will be 2000 ready.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to examine evidence regarding year 2000

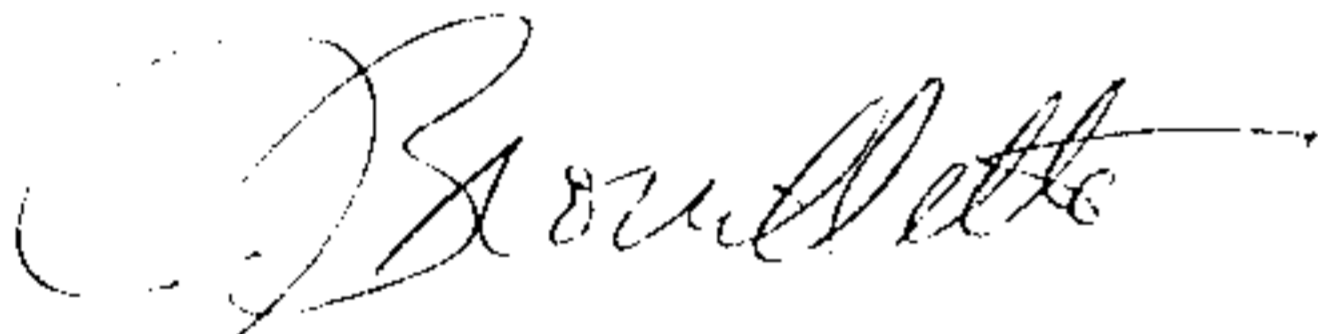
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disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of Ward 5 Waterworks District #1 of Evangeline Parish, as of December 31, 1997, and the results of its operations, and the cash flows of its proprietary fund type for each of the two years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 17, 1998, on my consideration of the Ward 5 Waterworks District #1's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The audit was performed for the purpose of forming an opinion on the financial statements of Ward 5 Waterworks District #1 of Evangeline Parish taken as a whole. The accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Juanita Devillier Brouillette  
Certified Public Accountant

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
 COMBINED BALANCE SHEET - ALL FUND TYPES  
 DECEMBER 31, 1997

	GOVERNMENTAL <u>FUND TYPE</u> CAPITAL PROJECTS <u>FUND</u>	PROPRIETARY <u>FUND TYPE</u> ENTERPRISE <u>FUND</u>	TOTALS (MEMORANDUM) <u>ONLY</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$	\$ 4,921	\$ 4,921
Accounts receivable			
Water sales		5,205	5,205
Grant receivable	<u>2,058</u>	<u>          </u>	<u>2,058</u>
Total Current Assets	<u>\$ 2,058</u>	<u>\$ 10,126</u>	<u>\$ 12,184</u>
<b>RESTRICTED ASSETS</b>			
Meter fund deposits	\$	\$ 975	\$ 975
Water revenue bond funds	<u>          </u>	<u>7,693</u>	<u>7,693</u>
Total Restricted Assets	<u>\$</u>	<u>\$ 8,668</u>	<u>\$ 8,668</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>			
Plant and distribution system	\$	\$1,196,247	\$1,196,247
Less: accumulated depreciation	<u>          </u>	<u>22,430</u>	<u>22,430</u>
Net Depreciable Assets	\$	\$1,173,817	\$1,173,817
Land	<u>          </u>	<u>1,000</u>	<u>1,000</u>
Total Property, Plant, and Equipment	<u>\$</u>	<u>\$1,174,817</u>	<u>\$1,174,817</u>
<b>TOTAL ASSETS</b>	<b>\$ 2,058</b>	<b>\$1,193,611</b>	<b>\$1,195,669</b>
	=====	=====	=====

	GOVERNMENTAL <u>FUND TYPE</u> CAPITAL PROJECTS <u>FUND</u>	PROPRIETARY <u>FUND TYPE</u> ENTERPRISE <u>FUND</u>	TOTALS (MEMORANDUM) <u>ONLY</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)			
Accounts payable	\$ 2,058	\$ _____	\$ 2,058
Total Current Liabilities			
(Payable from Current Assets)	\$ 2,058	\$ -0-	\$ 2,058
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)			
Customer meter deposits	\$ _____	\$ 975	\$ 975
Current portion of water revenue bonds payable	_____	3,400	3,400
Total Current Liabilities			
(Payable from Restricted Assets)	\$ -0-	\$ 4,375	\$ 4,375
LONG-TERM LIABILITIES			
Water revenue bonds payable	\$ _____	\$ 360,014	\$ 360,014
Total Long-Term Liabilities	\$ -0-	\$ 360,014	\$ 360,014
Total Liabilities	\$ 2,058	\$ 364,389	\$ 366,447
EQUITY			
Contributed capital	\$ _____	\$ 831,247	\$ 831,247
Retained earnings- unreserved		( 2,025)	( 2,025)
Fund Balance- unreserved, undesignated	_____ -0-	_____	_____ -0-
Total Equity	\$ -0-	\$ 829,222	\$ 829,222
TOTAL LIABILITIES AND EQUITY	\$ 2,058	\$1,193,611	\$1,195,669
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND TYPE - CAPITAL PROJECTS FUND  
YEAR ENDED DECEMBER 31, 1997

REVENUES - Grant	<u>\$236,702</u>
EXPENDITURES	
Capital Outlay	
Contractors	\$194,612
Engineering fees	16,700
Inspector fees	5,553
Interest	17,771
Miscellaneous	<u>986</u>
Total Expenditures	<u>\$235,622</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 1,080
OTHER FINANCING SOURCES (USES)	
Operating transfer out	<u>( 361)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 719
FUND BALANCE, BEGINNING OF YEAR	<u>( 719)</u>
FUND BALANCE, END OF YEAR	\$ -0-
	=====

The accompanying notes are an integral part of the financial statements.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND TYPE - CAPITAL PROJECTS FUND  
YEAR ENDED DECEMBER 31, 1996

REVENUES	
Grant	\$592,898
Loan Proceeds	<u>364,091</u>
Total Revenues	<u>\$956,989</u>
EXPENDITURES	
Capital Outlay	
Contractors	\$854,725
Engineering fees	66,037
Legal and professional	13,401
Inspector fees	20,288
Interest expense	2,174
Miscellaneous	<u>2,091</u>
Total Expenditures	<u>\$958,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ ( 1,727)
OTHER FINANCING SOURCES (USES)	
Operating transfers in	<u>1,008</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ ( 719)
FUND BALANCE, BEGINNING OF YEAR	<u>-0-</u>
FUND BALANCE, END OF YEAR	\$ ( 719) =====

The accompanying notes are an integral part of the financial statements.



WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE - ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 1997

OPERATING REVENUES		
Water sales	\$38,908	
Miscellaneous	<u>139</u>	
Total Operating Revenues		\$ 39,047
OPERATING EXPENSES		
Depreciation	\$22,430	
Insurance	2,445	
Office expense	1,634	
Repairs and maintenance	637	
Salaries	8,480	
Taxes	1,209	
Utilities	<u>1,336</u>	
Total Operating Expenses		<u>38,171</u>
OPERATING INCOME		\$ 876
NONOPERATING REVENUES AND (EXPENSES)		
Interest income	\$ 168	
Transfer from Capital Projects fund	361	
Interest expense	<u>(11,069)</u>	
Nonoperating expense over revenue		<u>(10,540)</u>
NET INCOME (LOSS)		\$( 9,664)
RETAINED EARNINGS, BEGINNING OF YEAR		<u>7,639</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR		\$( 2,025) =====

The accompanying notes are an integral part of the financial statements.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE - ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 1996

OPERATING REVENUES		
Tap fees	\$ 1,100	
Miscellaneous	<u>1,379</u>	
Total Operating Revenues		\$ 2,479
OPERATING EXPENSES		
Advertising	\$ 1,515	
Insurance	664	
Office expense	1,184	
Rent	800	
Utilities	<u>589</u>	
Total Operating Expenses		<u>4,752</u>
OPERATING INCOME (LOSS)		\$( 2,273)
NONOPERATING REVENUES AND (EXPENSES)		
Interest income	\$ 185	
Transfer to Capital Projects fund	<u>( 1,008)</u>	
Total Nonoperating Expense over Revenue		<u>( 823)</u>
NET INCOME (LOSS)		\$( 3,096)
RETAINED EARNINGS, BEGINNING OF YEAR		<u>10,735</u>
RETAINED EARNINGS, END OF YEAR		\$ 7,639
		=====

The accompanying notes are an integral part of the financial statements.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE - ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 1997

OPERATING ACTIVITIES	
Net income (loss)	\$ ( 9,664)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation	22,430
Changes in operating assets and liabilities:	
Accounts receivable	(5,205)
Customers' meter deposits	<u>    975</u>
Net Cash Provided By Operating Activities	8,536
NONCAPITAL FINANCING ACTIVITIES	-0-
CAPITAL FINANCING ACTIVITIES	
Contributed capital - Federal Grant	829,600
Contributed capital - Capital Projects Fund	647
Loan Proceeds	366,000
Loan payments	<u>(2,585)</u>
Net Cash Provided By Capital Financing Activities	1,193,662
INVESTING ACTIVITIES	
Construction of fixed assets	<u>(1,196,247)</u>
INCREASE IN CASH	5,951
CASH, BEGINNING OF YEAR	<u>    7,638</u>
CASH, END OF YEAR	\$ 13,589
	=====

The accompanying notes are an integral part of the financial statements.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE - ENTERPRISE FUND  
YEAR ENDED DECEMBER 31, 1996

OPERATING ACTIVITIES	
Net income (loss)	\$ ( 3,096)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	<u>1,908</u>
Net Cash Used For Operating Activities	( 1,188)
NONCAPITAL FINANCING ACTIVITIES	
	-0-
CAPITAL FINANCING ACTIVITIES	
INVESTING ACTIVITIES	
	<u>          </u>
INCREASE (DECREASE) IN CASH	( 1,188)
CASH, BEGINNING OF YEAR	<u>8,826</u>
CASH, END OF YEAR	\$ 7,638 =====

The accompanying notes are an integral part of the financial statements.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
NOTES TO FINANCIAL STATEMENTS  
TWO YEARS ENDED DECEMBER 31, 1997

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Ward 5 Waterworks District #1 of Evangeline Parish (hereafter referred to as the 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 establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

Ward 5 Waterworks District #1 of Evangeline Parish was created by an ordinance of the Evangeline Parish Police Jury on March 9, 1992. The District provides water to rural residential and agricultural customers in the northeast portion of Evangeline Parish.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. Generally, component units are legally separate organizations for which the elected officials or appointed board members of the primary government are financially accountable. Some of the criteria considered under "legally separate organization" are the capacity for the organization to have its own name, the right for the organization to sue and be sued in its own name without recourse to the primary government, and the right to buy, sell, lease, and mortgage property in its own name. Some of the criteria used to consider "financially accountable" include appointment of the voting majority of the organization's governing body, ability for the primary government to impose its will on the organization, whether the organization has the potential to provide specific financial benefits to, or improve specific financial burdens on the primary government, and fiscal dependence of the organization. Based on the application of these criteria, only the operating activities of the Ward 5 Waterworks District #1 are included in these financial statements.

The Ward 5 Waterworks District #1 operates autonomously from the other Parish agencies. Therefore, the District reports as an independent reporting entity. This report includes all funds which are controlled by or dependent upon the District.

Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
NOTES TO FINANCIAL STATEMENTS  
TWO YEARS ENDED DECEMBER 31, 1997

financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The District's funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for construction of property, plant, and equipment.

The District's operating account is considered a proprietary fund. Proprietary funds are used to account for activity similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Where goods or services are provided to outside parties, such as customers receiving water, the proprietary fund is considered an enterprise fund.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities 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 (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Cash

Cash includes amounts in demand deposits and interest-bearing savings accounts with a maturity date within three months of the date acquired by the District. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market savings accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
NOTES TO FINANCIAL STATEMENTS  
TWO YEARS ENDED DECEMBER 31, 1997

Accounts Receivable, Bad Debts

Amounts due from customers are recognized as bad debts as they are considered uncollectible. Minimum losses are sustained since the customer's meter deposit is applied to any unpaid balance. In the opinion of management, all receivables were collectible and an allowance for doubtful accounts was not considered necessary.

Restricted Assets

Certain proceeds related to customers' meter deposits and water revenue bond funds are classified as restricted assets on the balance sheet because their use is limited by applicable laws and regulations. The meter fund is used to account for customers' meter deposits received from and returned to customers. The water revenue bond funds are used to account for transfers from regular operations as required under the bond agreement.

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost when purchased or constructed. Donations of property, plant, and equipment are recorded as contributed capital at their estimated fair value.

The District capitalizes interest as a component of the cost of property, plant, and equipment constructed for its own use. Capitalization stops when the asset is substantially complete and ready for its intended use.

Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Customer Deposits

Customer deposits represent refundable deposits received from customers to guarantee payment of their water bills.

Contributed Capital

Contributed capital is recorded on the balance sheet when amounts are received through capital grants or through contributions from developers and customers.

Totals - Memorandum Only Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
 NOTES TO FINANCIAL STATEMENTS  
 TWO YEARS ENDED DECEMBER 31, 1997

these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**2. CASH**

At December 31, 1997 cash consisted of the following:

	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>
Cash in bank	\$13,589	\$4,921	\$8,668

Cash in bank is stated at cost, which approximates market. Under state law, 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 or exceed the amount on deposit with the fiscal agent. At December 31, 1997 cash in bank is secured by federal deposit insurance.

**3. ACCOUNTS RECEIVABLE**

Receivables arising from water service furnished to members consist of uncollected billings rendered customers on monthly cycle billings. At December 31, 1997, these receivables were \$5,205.



WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
 NOTES TO FINANCIAL STATEMENTS  
 TWO YEARS ENDED DECEMBER 31, 1997

4. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at December 31, 1997:

	ESTIMATED <u>LIFE</u>	<u>AMOUNT</u>
Land		\$ 1,000
Plant and distribution system	40 years	<u>1,196,247</u>
Less:		1,197,247
Accumulated depreciation		<u>22,430</u>
		\$1,174,817

Depreciation expense for 1996 and 1997 was \$0 and \$22,430 respectively.

Property, plant, and equipment serves as collateral for the bonds payable.

5. BONDS PAYABLE

Bonds payable at December 31, 1997, consisted of the following:

	INTEREST <u>RATE</u>	MATURITY <u>DATE</u>	<u>AMOUNT</u>
United States Department of Agriculture	4.50%	March 21, 2036	\$363,414

All property, plant, and equipment of the District serves as collateral for the bonds.

Aggregate maturities of principal amounts of bonds payable of the District, based upon terms in effect at December 31, 1997, are as follows:

<u>YEAR</u>	<u>AMOUNT</u>
1998	\$ 3,400
1999	3,559
2000	3,725
2001	3,899
2002	4,080
2003-2029	<u>344,751</u>
	\$363,414

The District follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. In 1996, total interest incurred was \$2,174, which was all capitalized. In 1997, total interest incurred was \$28,840, of which \$17,771 was capitalized and \$11,069 was charged to operations. The capitalization rate used to determine the amount of interest eligible for capitalization was 4.50%.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
 NOTES TO FINANCIAL STATEMENTS  
 TWO YEARS ENDED DECEMBER 31, 1997

**6. RESTRICTED ASSETS**

At December 31, 1997, restricted assets consisted of the following:

Restricted for customer deposits for water service	\$	975
Restricted in accordance with United States Department of Agriculture bond covenants. These funds may be used to finance emergency repairs, system improvements, and debt service.		772
Restricted for payment of bond principal and interest in accordance with the United States Department of Agriculture bonds.		4,992
Restricted for payment of principal and interest on the bonds in event of default, in accordance with the United States Department of Agriculture bond agreement.		<u>1,929</u>
	\$	8,668

**7. CONTRIBUTED CAPITAL**

Changes in contributed capital during the year are as follows:

Balance, beginning of year	\$	1,000
Plus: Contribution from Federal Grant		829,600
Contribution from Operations		<u>647</u>
Balance, end of year	\$	831,247
		=====

**8. DEFICIT FUND EQUITY**

At December 31, 1997 the following individual fund deficit retained earnings existed:

Proprietary Fund Type- Enterprise Fund	\$2,025
--	---------

The deficit in unreserved retained earnings is attributable to depreciation of property, plant, and equipment acquired with contributed capital.

**9. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
 NOTES TO FINANCIAL STATEMENTS  
 TWO YEARS ENDED DECEMBER 31, 1997

District's operations as early as 1999.

The District has no computer systems, but they have not completed an inventory of other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the District's operations. It is unknown as of December 31, 1997, what effects, if any, failing to remediate any such systems will have upon the District's operations.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

**10. NOTE TO STATEMENT OF CASH FLOWS**

Interest paid during 1996 amounted to \$2,174, all of which was capitalized. In 1997, total interest incurred was \$28,840, of which \$17,771 was capitalized and \$11,069 was charged to operating expense.

There were no material non-cash investing or financing activities during the two year period ending December 31, 1997 that affected recognized assets and liabilities.

**11. BOARD OF COMMISSIONERS**

The District is governed by a board of five commissioners appointed by the Evangeline Parish Police Jury. Commissioners appointed to serve during 1996 and 1997 received no compensation for their services. These commissioners were:

<u>COMMISSIONER</u>	<u>TERM SERVED</u>	<u>COMPENSATION</u>
Alfred C. Deville	January 1996 - December 1997	NONE
Fredrick Fontenot	January 1996 - March 1996	NONE
Carl Foreman	January 1996 - December 1997	NONE
Henry Kelly	January 1997 - December 1997	NONE
James Lormand	April 1996 - March 1997	NONE
Wesley McIntosh	April 1997 - December 1997	NONE
Farron O'Quin	January 1996 - December 1996	NONE
Calvin Ortego	January 1996 - December 1997	NONE

**ADDITIONAL INFORMATION**

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 1997

<u>FEDERAL AGENCY AND PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>IDENTIFYING NUMBER</u>	<u>TOTAL FEDERAL AWARD</u>	<u>FEDERAL AWARD EXPENDED OR OUTSTANDING LOAN BALANCE</u>
U.S. Department of Agriculture Rural Utilities Service Water and Waste Disposal Systems for Rural Communities		22-020- 0025909701-		
Current Expenditures	10.760		\$829,600	\$235,983
Loan balance outstanding at year end	10.760	95.01		<u>363,414</u>
				\$599,397

See independent auditor's report.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED DECEMBER 31, 1996

<u>FEDERAL AGENCY AND PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>IDENTIFYING NUMBER</u>	<u>TOTAL FEDERAL AWARD</u>	<u>FEDERAL AWARD EXPENDED OR OUTSTANDING LOAN BALANCE</u>
U.S. Department of Agriculture Rural Utilities Service Water and Waste Disposal Systems for Rural Communities		22-020- 0025909701-		
Current Expenditures	10.760		\$829,600	\$591,708
Loan balance outstanding at year end	10.760	95.01		<u>366,000</u>
				\$957,708

See independent auditor's report.

OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND OMB CIRCULAR A-133

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





# Juanita DeVillier Brouillette

Certified Public Accountant

November 17, 1998

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  
Ward 5 Waterworks District #1 of Evangeline Parish

I have audited the financial statements of the Ward 5 Waterworks District #1 of Evangeline Parish as of and for each of the two years in the period ended December 31, 1997, and have issued my report thereon dated November 17, 1998, which was qualified because insufficient audit evidence exists to support the District's disclosures with respect to the year 2000 issue. I conducted the 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 Corporation'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 our 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 in the accompanying schedule of findings and questioned costs as item 97-1. I also noted certain immaterial instances of noncompliance that I have reported to management of the District in a separate letter dated November 17, 1998.

#### Internal Control Over Financial Reporting

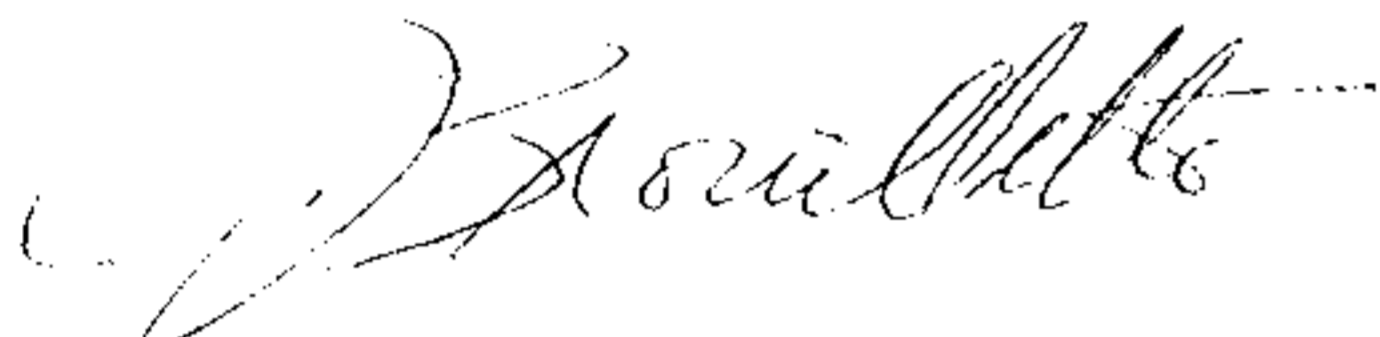
In planning and performing our audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control

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MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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 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. However I noted other matters involving the internal control over financial reporting that I have reported to management of the District in a separate letter dated November 17, 1998.

This report is intended for the information of the Board of Commissioners, management, Louisiana Legislative Auditor, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.



Juanita Devillier Brouillette  
Certified Public Accountant

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO THE MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133



# Juanita DeVillier Brouillette

Certified Public Accountant

November 17, 1998

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO THE MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners  
Ward 5 Waterworks District #1 of Evangeline Parish

Compliance

I have audited the compliance of Ward 5 Waterworks District #1 of Evangeline Parish with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for each of the two years in the period ended December 31, 1997. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted the audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Ward 5 Waterworks District #1 of Evangeline Parish complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the each of the two years in the period ended December 31, 1997. However, I noted certain immaterial instances of noncompliance that I have

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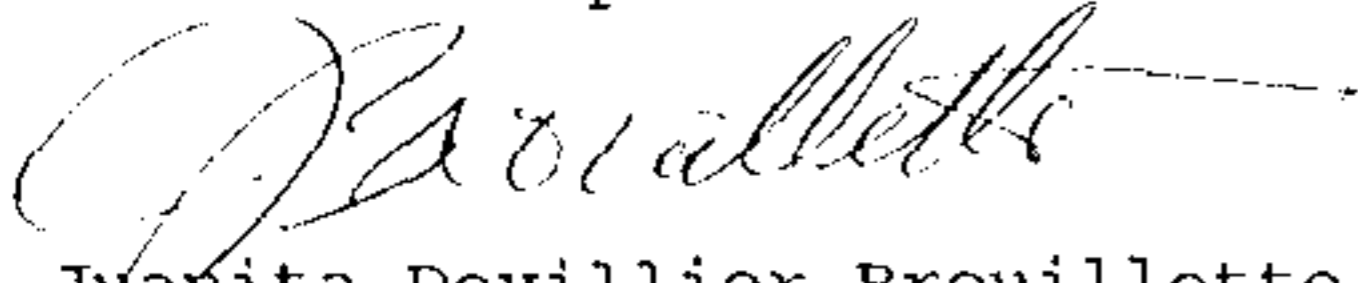
reported to the management of the District in a separate letter dated November 17, 1998.

Internal Control Over Compliance

The management of Ward 5 Waterworks District #1 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, Louisiana Legislative Auditor, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.



Juanita Devillier Brouillette  
Certified Public Accountant

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
TWO YEARS ENDED DECEMBER 31, 1997

PART I - SUMMARY OF AUDITOR'S RESULTS

1. I issued a qualified opinion on the financial statements of Ward 5 Waterworks District #1 of Evangeline Parish due to the year 2000 issue as explained in the notes to financial statements.
2. My tests of internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* disclosed no reportable conditions.
3. My tests of compliance based on an audit of financial statements performed in accordance with *Government Auditing Standards* disclosed one material instance of noncompliance that is required to be reported under *Government Auditing Standards*, as noted at finding 97-1.
4. I noted no matters involving the internal control over compliance and its operations that I considered to be material weaknesses required to be reported in accordance with OMB Circular A-133.
5. I issued an unqualified opinion on the District's compliance with requirements applicable to its major program in accordance with OMB Circular A-133.
6. My audit disclosed no audit findings which I am required to report under Section 510(a) of OMB Circular A-133.
7. I identified the following program of the District as a major program:

CFDA #10.760 - Water and Waste Disposal Systems for Rural Communities
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of OMB Circular A-133, was \$300,000.
9. Ward 5 Waterworks District #1 of Evangeline Parish did not qualify as a low risk auditee under Section 530 of OMB Circular A-133.

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

97-1 COMPLIANCE WITH STATE LAW - TIMELY SUBMISSION OF AUDIT  
*Condition:* According to Louisiana Law, all audit reports of governmental entities must be submitted to the Legislative Auditor within six months of the entity's fiscal year end. The audit report is being submitted after the statutory deadline of June 30, 1998, therefore, the District has failed to comply with this state law. Although the management of the District provided all information to the auditor in a timely manner,

the auditor, a sole practitioner, was unable to complete the audit by the statutory deadline due to personal medical problems during the period of the audit work.  
*Management's Response:* See Management's Corrective Action Plan.

**PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS





# Juanita DeVillier Brouillette

Certified Public Accountant

November 17, 1998

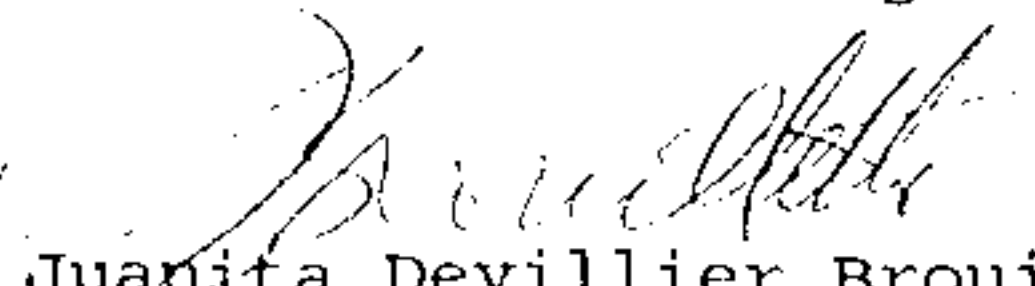
Board of Commissioners  
Ward 5 Waterworks District #1  
of Evangeline Parish

In planning and performing my audit of the financial statements of Ward 5 Waterworks District #1 of Evangeline Parish, as of and for each of the two years in the period ended December 31, 1997, I considered the District's internal control over financial reporting to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. As part of obtaining reasonable assurance about whether the District'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 statements 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.

However, during the audit I became aware of matters that are opportunities for strengthening internal controls, operating efficiency, and possible compliance with laws, regulations, and grants. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. A separate report dated November 17, 1998, contains my report on compliance with requirements applicable to major programs. This letter does not affect my report dated November 17, 1998, on the financial statements of the Ward 5 Waterworks District #1 of Evangeline Parish.

I will review the status of these comments and recommendations during the next audit engagement. I have already discussed these items with management personnel, and I will be pleased to discuss them with you in detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Ward 5 Waterworks District #1 of Evangeline Parish, its management, and others within the entity.

  
Juanita DeVillier Brouillette  
Certified Public Accountant

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MEMORANDUM OF OTHER COMMENTS AND RECOMMENDATIONS

FINDING 97-2           LEGAL COMPLIANCE WITH FEDERAL GRANT AND LOAN PROVISIONS -  
                          NONAPPROVAL OF GRANT/ LOAN EXPENDITURES

*Condition:* According to the provisions of the federal grant and loan for construction of the water system, all expenditures from grant/ loan monies must have specific approval of USDA- Rural Development. Certain expenditures were made without specific approval by USDA as follows:

1996 - \$2,027 legal fees, \$138 State Bond Commission fees, \$805 payroll taxes, and \$1,024 inspector fees.

1997 - \$383 payroll taxes and \$1,653 inspector fees.

*Management's Response:* See Management's Corrective Action Plan.

FINDING 97-3           LEGAL COMPLIANCE WITH WATER REVENUE BOND PROVISIONS -  
                          MONTHLY LOAN PAYMENTS

*Condition:* According to the provisions of the water revenue bond agreement for construction of the water system, monthly transfers must be made from the operating account to the Revenue Note account in the amount of the monthly payment of bond principle and interest. The monthly bond payment to USDA is then to be paid from the Revenue Note account. The District is making the monthly bond payments from their operating account rather than the required revenue note account.

*Recommendation:* I recommend that the District begin making monthly transfers to the revenue note account, and then making bond payments out of this account.

*Management's Response:* See Management's Corrective Action Plan.

FINDING 97-4           LEGAL COMPLIANCE WITH PUBLIC RECORDS LAW -  
                          WRITTEN MINUTES

*Condition:* According to LA Revised Statute 42:7.1, the District is required to keep written minutes of all of their open meetings. For the two year period ended December 31, 1997, written minutes were not available for all open meetings.

*Recommendation:* I recommend that, in the future, the District take precautions to assure that all minutes of meetings are properly recorded, available for reference, and be kept in a secure location.

*Management's Response:* See Management's Corrective Action Plan.

FINDING 97-5           LEGAL COMPLIANCE WITH SANITARY CODE -  
                          CERTIFICATION OF SYSTEM OPERATOR/ MONITOR

*Condition:* According to LA Sanitary Code, RS 40:1141, the operator or monitor of any water distribution system must be properly certified. The District has no proof of certification of its system operator/ monitor.

*Recommendation:* I recommend that the District take the proper measures to assure that the system operator/ monitor is certified, and obtain proof of certification.

*Management's Response:* See Management's Corrective Action Plan.

FINDING 97-6           MONTHLY TRANSFER TO RESERVE FUND

*Condition:* The bond agreement requires that the District make monthly deposits from

the operating account to the reserve fund in the amount of \$84. The monthly deposit to this account is currently \$83.

*Recommendation:* Although interest earnings on this account exceed the \$1 monthly deposit shortfall, I recommend that the District transfer the correct amount into the reserve fund each month.

*Management's Response:* See Management's Corrective Action Plan.

FINDING 97-7 STORAGE OF FINANCIAL RECORDS

*Condition:* The financial records are presently being housed at the personal residence of the office manager.

*Recommendation:* I recommend that the District study the feasibility of providing secure storage for these records, at a location that is accessible to the District commissioners as well as the office manager.

*Management's Response:* See Management's Corrective Action Plan.

FINDING 97-8 YEAR 2000 ISSUE

*Condition:* The year 2000 issue is the result of shortcomings in electronic equipment that may adversely affect the District's operations as early as 1999.

*Recommendation:* I recommend that the District prepare a complete inventory of its operating equipment, identify any electronic equipment necessary to conducting the District's operations and develop a remediation plan for any such equipment.

*Management's Response:* See Management's Corrective Action Plan.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
MANAGEMENT'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
TWO YEARS ENDED DECEMBER 31, 1997

THERE ARE NO PRIOR AUDIT FINDINGS.

WARD 5 WATERWORKS DISTRICT #1 OF EVANGELINE PARISH  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
TWO YEARS ENDED DECEMBER 31, 1997

The Ward 5 Waterworks District #1 of Evangeline Parish respectfully submits the following corrective action plan for the two year period ended December 31, 1997.

Independent Public Accounting Firm: Juanita Devillier Brouillette, CPA  
Post Office Box 153  
Bunkie, Louisiana 71322

Audit period: January 1, 1996 through December 31, 1997

The findings from the Schedule of Findings and Questioned costs and the November 17, 1998 Memorandum of Other Comments and Recommendations are discussed below. The findings are numbered consistently with the numbers assigned in the schedule and memorandum.

REPORTABLE CONDITIONS

97-1 COMPLIANCE WITH STATE LAW - TIMELY SUBMISSION OF AUDIT

*Condition:* According to Louisiana Law, all audit reports of governmental entities must be submitted to the Legislative Auditor within six months of the entity's fiscal year end. The audit report is being submitted after the statutory deadline of June 30, 1998, therefore, the District has failed to comply with this state law. Although the management of the District provided all information to the auditor in a timely manner, the auditor, a sole practitioner, was unable to complete the audit by the statutory deadline due to personal medical problems during the period of the audit work.

*Management's Response:* We provided all information requested to assure timely completion of the audit, and cooperated fully with the auditor. We feel that the circumstances were beyond our control, and that we acted prudently, and in the best interest of the District in the administration of the audit.

OTHER COMMENTS AND RECOMMENDATIONS

FINDING 97-2 LEGAL COMPLIANCE WITH FEDERAL GRANT AND LOAN PROVISIONS -  
NONAPPROVAL OF GRANT/ LOAN EXPENDITURES

*Condition:* According to the provisions of the federal grant and loan for construction of the water system, all expenditures from grant/ loan monies must have specific approval of USDA- Rural Development. Certain expenditures were made without specific approval by USDA as follows:

1996 - \$2,027 legal fees, \$138 State Bond Commission fees, \$805 payroll taxes, and \$1,024 inspector fees.

1997 - \$383 payroll taxes and \$1,653 inspector fees.

*Management's Response:* The intent of the District was to comply with all aspects of

the grant/ loan provisions. The legal fees paid were part of an approved payment to a bankrupt contractor. These fees were deducted from the payment to the contractor's bonding company, and based on an agreement between the attorney and the bonding company, therefore we thought that they were approved. The other amounts were assumed to be approved also. We certainly intended to have all disbursements approved by USDA. Payroll taxes were assumed to be part of inspector fees, and as such, we assumed that taxes related to approved inspector fees were also approved.

FINDING 97-3           LEGAL COMPLIANCE WITH WATER REVENUE BOND PROVISIONS -  
                          MONTHLY LOAN PAYMENTS

*Condition:* According to the provisions of the water revenue bond agreement for construction of the water system, monthly transfers must be made from the operating account to the Revenue Note account in the amount of the monthly payment of bond principle and interest. The monthly bond payment to USDA is then to be paid from the Revenue Note account. The District is making the monthly bond payments from their operating account rather than the required revenue note account.

*Recommendation:* I recommend that the District begin making monthly transfers to the revenue note account, and then making bond payments out of this account.

**Management's Response:** We relied on verbal approval from USDA that we could pay the monthly payments from the operating account. However, we will begin making monthly transfers, and making monthly bond payments from the correct account.

FINDING 97-4           LEGAL COMPLIANCE WITH PUBLIC RECORDS LAW -  
                          WRITTEN MINUTES

*Condition:* According to LA Revised Statute 42:7.1, the District is required to keep written minutes of all of their open meetings. For the two year period ended December 31, 1997, written minutes were not available for all open meetings.

*Recommendation:* I recommend that, in the future, the District take precautions to assure that all minutes of meetings are properly recorded, available for reference, and be kept in a secure location.

**Management's Response:** We are studying the feasibility of moving the District's records to a central location, and will be more diligent in storing these records.

FINDING 97-5           LEGAL COMPLIANCE WITH SANITARY CODE -  
                          CERTIFICATION OF SYSTEM OPERATOR/ MONITOR

*Condition:* According to LA Sanitary Code, RS 40:1141, the operator or monitor of any water distribution system must be properly certified. The District has no proof of certification of its system operator/ monitor.

*Recommendation:* I recommend that the District take the proper measures to assure that the system operator/ monitor is certified, and obtain proof of certification.

**Management's Response:** We are currently in the process of securing certification for our operator, and will be more diligent in the future to assure that this certification is maintained by our operator.

FINDING 97-6           MONTHLY TRANSFER TO RESERVE FUND

*Condition:* The bond agreement requires that the District make monthly deposits from the operating account to the reserve fund in the amount of \$84. The monthly deposit to

this account is currently \$83.

*Recommendation:* Although interest earnings on this account exceed the \$1 monthly deposit shortfall, I recommend that the District transfer the correct amount into the reserve fund each month

*Management's Response:* We will begin depositing the proper amount into this account.

FINDING 97-7 STORAGE OF FINANCIAL RECORDS

*Condition:* The financial records are presently being housed at the personal residence of the office manager.

*Recommendation:* I recommend that the District study the feasibility of providing secure storage for these records, at a location that is accessible to the District commissioners as well as the office manager.

*Management's Response:* We are studying the feasibility of moving the District's records to a central location, and will be more diligent in storing these records.

FINDING 97-8 YEAR 2000 ISSUE

*Condition:* The year 2000 issue is the result of shortcomings in electronic equipment that may adversely affect the District's operations as early as 1999.

*Recommendation:* I recommend that the District prepare a complete inventory of its operating equipment, identify any electronic equipment necessary to conducting the District's operations and develop a remediation plan for any such equipment.

*Management's Response:* We agree with the recommendation and will begin this process by the end of the current year.