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**WATERWORKS DISTRICT NO. 2 OF  
WARD 4 OF CALCASIEU PARISH, LOUISIANA  
Westlake, Louisiana**

**General Purpose Financial Statements  
August 31, 1998 and 1997**

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

Release Date MAR 17 1999

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Founded in 1978

## **BROUSSARD & COMPANY, APC**

**CERTIFIED PUBLIC ACCOUNTANTS**

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners of Waterworks  
District No. 2 of Ward 4 of Calcasieu Parish, Louisiana  
Westlake, Louisiana

We have audited the general purpose financial statements of Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the years ended August 31, 1998 and 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

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

We did not test for compliance with revenue bond covenants because such information was not available. We were unable to satisfy ourselves about such bond covenants by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to test for revenue bond compliance, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana as of August 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As disclosed in Note 2, the district is delinquent on principal and interest of the bonds outstanding. The bond holder, the Department of Housing and Urban Development (HUD), is aware of the delinquency and monitors the situation on a regular basis. The financial statements do not include any adjustments relating to the amounts and classification of liabilities that might be necessary if HUD enforces action against the district for the delinquent principal and interest.

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To the Board of Commissioners of Waterworks  
District No. 2 of Ward 4 of Calcasieu Parish, Louisiana  
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 1999, on our consideration of Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana's internal control structure and compliance with laws and regulations.

*Broussard & Company*

Lake Charles, Louisiana  
February 24, 1999  
/tlb

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

Balance Sheets  
August 31,

ASSETS

	<u>1998</u>	<u>1997</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 42,105	\$ 34,178
Accounts receivable (net of allowance for doubtful accounts of \$-0- for 1998 and 1997)	27,962	19,903
Grants receivable	-	8,333
Interest receivable	76	76
Prepaid insurance	1,475	4,026
<b>Total Current Assets</b>	<u>71,618</u>	<u>66,516</u>
 <b>RESTRICTED ASSETS</b>		
Cash - meter deposits account	<u>8,260</u>	<u>8,950</u>
 <b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Truck and equipment	41,071	20,186
Distribution system	834,262	834,262
Building and improvements	46,369	46,369
	<u>921,702</u>	<u>900,817</u>
Less: accumulated depreciation	(319,866)	(293,705)
<b>Net Property, Plant, and Equipment</b>	<u>601,836</u>	<u>607,112</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 681,714</u>	 <u>\$ 682,578</u>

The accompanying notes are an integral part of the financial statements

LIABILITIES AND FUND EQUITY

	<u>1998</u>	<u>1997</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,467	\$ 661
Accrued interest payable	36,868	40,287
Sales tax payable	445	445
Payroll taxes payable	2,755	2,076
Accrued vacation payable	2,416	2,416
Other payables	-	1,400
Due to Calcasieu Parish Police Jury	5,015	4,050
Due to Waterworks District No 5	-	339
Current portion of revenue bonds	185,000	170,000
Total Current Liabilities	<u>233,966</u>	<u>221,674</u>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Meter deposits payable	<u>8,260</u>	<u>8,950</u>
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds - net of current portion	<u>170,000</u>	<u>185,000</u>
Total Liabilities	<u>412,226</u>	<u>415,624</u>
<b>FUND EQUITY</b>		
Contributed capital	234,757	248,134
Retained Earnings	34,731	18,820
Total Fund Equity	<u>269,488</u>	<u>266,954</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 681,714</u>	<u>\$ 682,578</u>

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

Statements of Revenues, Expenses, and Changes in Retained Earnings  
August 31,

	<u>1998</u>	<u>1997</u>
<b>OPERATING REVENUES</b>		
Water sales and related fees	\$ <u>156,170</u>	\$ <u>147,222</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	35,994	33,913
Maintenance - plant	10,402	20,041
Plant supplies	6,448	5,042
Utilities	8,990	8,731
Chemicals	5,026	3,770
Billing and meter reading fees	3,119	4,192
Truck expense	2,228	931
Telephone	2,384	1,720
Accounting	4,085	3,050
Insurance	6,584	5,587
Payroll taxes	4,259	3,406
Office expense	4,012	4,752
Depreciation	26,161	20,749
Per diem - board members	2,950	2,800
Employee benefits	1,000	3,000
Penalties	679	1,003
Interest expense	19,081	19,081
Other	141	574
<b>Total Operating Expenses</b>	<u>143,543</u>	<u>142,342</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>12,627</u>	<u>4,880</u>
<b>NON OPERATING REVENUES (EXPENSES)</b>		
Miscellaneous income	(2,189)	54
Interest income	429	587
<b>Total Non Operating Revenues (Expenses)</b>	<u>(1,760)</u>	<u>641</u>
<b>NET INCOME (LOSS)</b>	10,867	5,521
Add depreciation on fixed assets acquired by contributed capital which reduces contributed capital	<u>5,044</u>	<u>2,315</u>
<b>INCREASE IN RETAINED EARNINGS</b>	15,911	7,836
<b>RETAINED EARNINGS - SEPTEMBER 1,</b>	<u>18,820</u>	<u>10,984</u>
<b>RETAINED EARNINGS - AUGUST 31,</b>	<u>\$ <u>34,731</u></u>	<u>\$ <u>18,820</u></u>

The accompanying notes are an integral part of the financial statements

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

Statements of Cash Flows  
August 31,

	<u>1998</u>	<u>1997</u>
Cash Flows From Operating Activities:		
Operating Income	\$ 12,627	\$ 4,880
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	26,161	20,749
(Increase) decrease in receivables	(8,059)	2,604
(Increase) decrease in prepaid insurance	2,551	(1,327)
Increase (decrease) in accounts payable	806	(59,293)
Increase (decrease) in other accrued expenses	(4,204)	38,368
Total adjustments	<u>17,255</u>	<u>1,101</u>
Net Cash Provided by Operating Activities	<u>29,882</u>	<u>5,981</u>
Cash Flows From Capital and Related Financing Activities:		
Capital acquisitions	(20,885)	(92,054)
Receipt of capital contributions	<u>-</u>	<u>76,400</u>
Net Cash Used for Capital and Related Financing Activities	<u>(20,885)</u>	<u>(15,654)</u>
Cash Flows From Investing Activities		
Miscellaneous income (expense)	(2,189)	54
Interest income	429	587
Net Cash Provided (Used) for Investing Activities	<u>(1,760)</u>	<u>641</u>
Net Increase (Decrease) in Cash and Equivalents	7,237	(9,032)
Cash and Equivalents at Beginning of Year	<u>43,128</u>	<u>52,160</u>
Cash and Equivalents at End of Year	<u>\$ 50,365</u>	<u>\$ 43,128</u>
Cash and Equivalents		
Unrestricted	\$ 42,105	\$ 34,178
Restricted	8,260	8,950
	<u>\$ 50,365</u>	<u>\$ 43,128</u>
Cash Paid for Interest	<u>\$ 22,500</u>	<u>\$ 30,000</u>

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



WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

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Notes to Financial Statements  
August 31, 1998 and 1997

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*Note 1 - Summary of Significant Accounting Policies*

Waterworks District 2 of Ward 4 of Calcasieu Parish was created by ordinance of the Calcasieu Parish Police Jury in 1965. The district is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accompanying financial statements 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.

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The district has elected not to implement FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

FINANCIAL REPORTING ENTITY

As more fully described in paragraph one above, Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

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

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

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Notes to Financial Statements (Continued)  
August 31, 1998 and 1997

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*Note 1 - Summary of Significant Accounting Policies (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 a voting majority of the district's board members, the district was determined to be a component unit of the Calcasieu 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 the police jury, or the other governmental units that comprise the financial reporting entity.

FUND ACCOUNTING

The accounts of the district are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the balance sheet.

BASIS OF ACCOUNTING

The district uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

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Notes to Financial Statements (Continued)  
August 31, 1998 and 1997

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*Note 1 - Summary of Significant Accounting Policies (Continued)*

PROPERTY, PLANT, AND EQUIPMENT

All fixed assets of the proprietary fund are recorded at historical costs.

Depreciation of all exhaustible property, plant, and equipment is charged as an expense against the operations. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Building and improvements	5 -- 15	years
Plant and distribution system	10 -- 50	years
Furniture, fixtures, and equipment	5 -- 15	years

Depreciation amounted to \$26,161 and \$20,749 for the years ended August 31, 1998 and 1997.

STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, the district considers all investments with an original maturity of three months or less to be cash equivalents.

USE OF 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.

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

Notes to Financial Statements (Continued)  
August 31, 1998 and 1997

*Note 2 - Bonds Payable*

Waterworks District 2 of Ward 4 of Calcasieu Parish issued \$355,000 of Revenue Bonds on September 1, 1970 that were purchased by the Department of Housing and Urban Development. The interest rate on the bonds is 5.375%. The annual requirements to amortize the bonds as of August 31, 1998, including interest of \$154,568, are as follows:

Year Ending August 31,	
1999	\$ 245,583
2000	23,975
2001	23,975
2002	23,975
2003	23,975
2004 - 2010	168,085

There was no principal reduction on the outstanding bonds for the years ended August 31, 1998 and 1997. No principal payments maturing since the original bond issue have not been paid and are included in current liabilities, as well as the current installment due. Delinquent principal payable is \$170,000 for the year ended August 31, 1998. The bond holder, the Department of Housing and Urban Development, is aware of the delinquency and regularly monitors the progress made by the district in attempting to pay the delinquent principal and interest. No other action has been taken regarding the delinquent principal and interest.

When feasible, the district intends to apply surplus earnings to the delinquent principal outstanding.

*Note 3 - Meeting Expense*

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expense for meetings during the current year is as follows:

Alvin Simmons	\$ 600
Vera Mercier	650
Raymond Malveaux	650
Edgar Mouton, Jr.	450
Leroy Blunt	<u>600</u>
Total	<u>\$ 2,950</u>

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

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Notes to Financial Statements (Continued)  
August 31, 1998 and 1997

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*Note 4 - Contributed Capital*

Contributed capital at August 31, 1998 consists of the following contributions related to a water line extension project.

State of Louisiana - Emergency Project Funds	\$ 78,000
Chateau Charles Hotel & Suites	35,553
Cooperative Endeavor Agreement	<u>136,667</u>
	250,220
Less Depreciation on Fixed Assets Acquired by Contributed Capital	( <u>15,463</u> )
Contributed Capital - August 31, 1998	<u>\$ 234,757</u>

*Note 5 - Prior Year Balances*

Certain prior year amounts have been reclassified to conform with current year presentation. Such reclassifications had no effect on previously reported net income and retained earnings.



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## **BROUSSARD & COMPANY, APC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**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*  
Waterworks District 2 of Ward 4  
of Calcasieu Parish, Louisiana  
Westlake, Louisiana

We have audited the general purpose financial statements of the Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana, as of and for the year ended August 30, 1998, and have issued our report thereon dated February 24, 1999. We conducted our 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 Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana's general purpose financial statements are free of material misstatement, we 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, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana, in a separate letter dated February 24, 1999.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item B-1.

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Board of Commissioners  
Waterworks District 2 of Ward 4  
of Calcasieu Parish, Louisiana

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition noted in the accompanying schedule of findings and questioned costs as item B-1 to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana, in a separate letter dated February 24, 1999.

This report is intended for the information of the management of Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Broussard & Company*

February 24, 1999  
/tlb

WATERWORKS DISTRICT 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

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Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 1998

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**A. Summary of Independent Auditor's Results:**

1. Qualified opinion on general purpose financial statements.
2. Reportable conditions in internal control - Refer to B-1.
3. No instances of noncompliance noted.

**B. GAGAS Findings:**

1. A proper segregation of duties is not feasible due to the small number of people involved in the district's day-to-day operations.



WATERWORKS DISTRICT 2 OF WARD 4 OF CALCASIEU PARISH  
Westlake, Louisiana

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Summary of Prior Year Findings  
For the Year Ended August 31, 1998

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The following findings were mentioned in the prior year audit and are mentioned again in the current year.

Finding

A more accurate accounting of receipts and deposits was suggested.

Corrective Action Plan

No action has been taken

Finding

A "master" security deposit list was not maintained by the district.

Corrective Action Plan

No action has been taken

Finding

Vendor files were not maintained in an efficient manner.

Corrective Action Plan

Invoices are now sorted and filed by general ledger account numbers.

Finding

Federal payroll reports and tax deposits were not filed in a timely manner.

Corrective Action Plan

Payroll deposits are now made on all payroll dates and reports are being timely filed. However, the audit for the year ended August 31, 1998, again noted untimely payroll tax deposits resulting in penalties of approximately \$679. The penalties were incurred prior to the District implementing suggested auditor recommendations.



Founded in 1978

**BROUSSARD & COMPANY, APC**  
CERTIFIED PUBLIC ACCOUNTANTS

February 24, 1999

Board of Commissioners  
Waterworks District 2 of Ward 4  
of Calcasieu Parish, Louisiana  
Westlake, Louisiana

Gentlemen:

In planning and performing our audit of the financial statements of Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana, for the year ended August 31, 1998, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some matters that may be opportunities for improving operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated February 24, 1999, on the financial statements of Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana.

We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, if necessary.

*Broussard & Company*

February 24, 1999  
/dkb

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## MEMORANDUM

### VACATION

We suggest, where feasible, employees be required to take annual vacation leave. Required annual vacation leave will allow for periodic separation of duties.

### SALES TAX REFUND

Based upon the results of our testwork performed, it appears the District continues to remit sales tax on water consumption to the State of Louisiana, at a rate of 4%. Effective July 1, 1997, the sales tax on sales of water utility services was reduced to 3%. A review of the District's "Utility Billing Registers" appears to indicate the District is properly taxing water consumption at 3%.

We suggest the District consider amending prior months sales tax reports. We estimate the potential overpayment to be \$1,000 to 1,500.

### WATER CONSUMPTION LEDGERS

We noted where the "Utility Billing Register" was not available for the month of September, 1997. We also noted apparent errors in the reported gallons consumed per the "Utility Billing Register". For example, the April consumption was reported at 301,600 gallons when normal consumption runs 4 to 5 million gallons. We suggest management review monthly reports for reasonableness of consumption and billing totals. We also strongly recommend that all manual adjustments to water receivable balances be approved in writing by management.

### BOARD MINUTES

We noted that monthly board minutes were not signed by the District's secretary. In order to ensure the minutes reflect a complete and accurate reporting of all events we suggest all minutes be signed by the District's secretary.

### SECURITY DEPOSIT MASTER LIST

We noted that a "master" list of security deposits was not available. We suggest the District direct efforts to accumulate a comprehensive meter deposit master list.

### CASH RECEIPTS REPORT

We noted that the District does not prepare a journal or recap of monthly deposits. We recommend a monthly recap detailing deposits by source and nature be prepared.

**WATERWORKS DISTRICT # 2 OF WARD #4 OF  
CALCASIEU PARISH, LOUISIANA  
1141 WATER TOWER ROAD  
WESTLAKE, LA 70669-9659**

February 24, 1999

Legislative Auditor  
State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Re: Financial Statement Audit for FYE 08/31/98

Dear Sir:

In response to the management letter issued by our auditor's, Broussard & Company CPAs, APC, we offer the following:

1. Vacation Mandates

Where feasible, we will work with local agencies in an effort to secure part-time help in order to implement mandatory vacation policies.

2. Sales Tax Refund

We will request the assistance of our auditor's, Broussard & Company, CPAs, APC, in order to amend erroneously filed sales tax returns.

3. Water Consumption Ledgers

Because we have just recently begun reading and billing our water consumption (outsourced in past), we are still developing policies and procedures. As requested by our auditors, we will ensure all monthly billing and usage summary reports are maintained. Additionally, we will work to develop an authorization process for manual accounts receivable adjustments due to meter reading errors.

4. Board Minutes

Effective immediately, all approved board minutes will be signed by the District's secretary

5. Security Deposit Master List

We will work with our auditors in an effort to develop a comprehensive security deposit ledger.

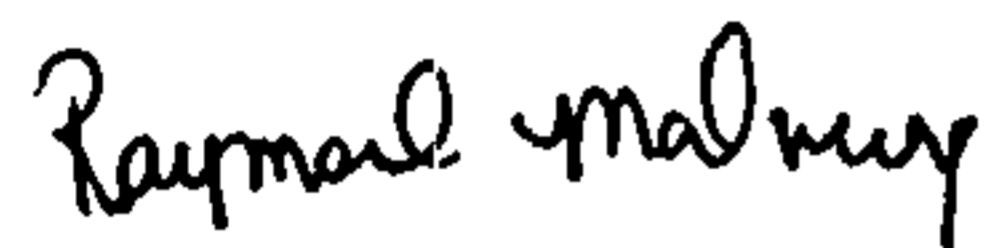
Legislative Auditor  
State of Louisiana  
February 24, 1999  
Page 2

6. Cash Receipts Recap

We will work with our auditors in an effort to effectively account for all of the District's receipts.

In the event further information is needed, please feel free to contact our office.

Sincerely,

A handwritten signature in black ink that reads "Raymond Malveaux". The signature is written in a cursive, slightly slanted style.

RAYMOND MALVEAUX, PRESIDENT