

MEMORANDUM

RECEIPTS AND DEPOSITS

In order to provide a more accurate accounting of receipts and deposits, we are recommending that a monthly recap of all deposits be prepared (see attached example). We also recommend that all funds be deposited in the operating checking account and then transferred, if necessary, into the savings account.

SECURITY DEPOSITS

In prior years we had recommended that a "master" list of security deposits be prepared. We are again recommending that a list be accumulated and maintained. For control purposes, it is very important that this problem be given a high priority. We have an example of a record that could be used on your computer that should help your personnel maintain these records.

FILED OF PAID INVOICES

It is very difficult for our auditors to analyze certain financial statement accounts due to the fact that the District's invoices are not filed by vendor on an annual basis. It should not be very difficult or costly for the District to file paid invoices by vendor and maintain the files on an annual basis.

PAYROLL PREPARATION

We noted numerous errors in payroll preparation during the year under audit. In most instances, the errors resulted in under-withholding of FICA taxes by the employees. Also, the state unemployment claims were not filed correctly. Federal payroll reports and tax deposits were not filed timely. These problems resulted in an additional cost to the District of over \$1,800.00. We are recommending that the District have us assist the Office Manager in preparing the payroll and payroll reports.

WATER CONSUMPTION

On a positive note, the District made a profit for the first time in a long while and also had less water consumption.

COPY

**BROUSSARD & COMPANY, APC**CERTIFIED PUBLIC ACCOUNTANTS
HEALTH CARE CONSULTANTS

RECEIVED

SECURITY SERVICES

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January 30, 1998

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Board of Commissioners
Waterworks District No. 2 of Ward 4
of Calcasieu Parish, Louisiana
Waukena, Louisiana

In planning and performing our audit of the financial statements of Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana for the year ended August 31, 1997, we considered the Board's 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 several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 30, 1998, on the financial statements of Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Board personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

BROUSSARD & COMPANY, CPA'S, APC

gfb

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BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED
ON A FINANCIAL STATEMENT AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Waterworks District No. 2 of Ward 4
of Calcasieu Parish, Louisiana
Molitor, Louisiana

We have audited the financial statements of Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended August 31, 1999, and have issued our report thereon dated January 30, 1999.

We conducted our audit 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 financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana complied in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana had not complied, in all material respects, with those provisions.

This report is intended for the information of management and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Broussard & Company

Molitor, Louisiana
January 30, 1999
/s/

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Board of Commissioners
Scherborns District No. 3 of Ward 8
of Calcasieu Parish, Louisiana

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the objectives of management in the general purpose financial statements.

A proper appropriation of duties is not feasible due to the small number of people involved in the District's day to day operations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure 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, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the use of management and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report which, upon acceptance of state and federal audit agencies, is a matter of public record.

Brannon J. Coffey

Deidre, Louisiana
January 30, 1998
1998



BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED
IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Board of Commissioners
Waterworks District 3 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, Louisiana

We have audited the general purpose financial statements of Waterworks District No. 3 of Ward 4 of Calcasieu Parish, Louisiana, as of and for the year ended August 31, 1997, and have issued our report thereon dated January 20, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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.

The management of Waterworks District No. 3 of Ward 4 of Calcasieu Parish, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of the general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Waterworks District No. 3 of Ward 4 of Calcasieu Parish, Louisiana, for the year ended August 31, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed controls with an order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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WATERWORKS DISTRICT NO. 1 OF WARD 4 OF ORLANS, LOUISIANA
ORLANS, LOUISIANA

Notes to Financial Statements (Continued)
August 31, 1987 and 1988

Note 3 - Contributed Capital (Continued)

State of Louisiana - Emergency Project Funds	\$ 18,000
Chateau Charles Hotel & Suites	18,115
Cooperative Refractor Agreement	<u>141,000</u>
	177,115
Less Depreciation on Fixed Assets Acquired by Contributed Capital	<u>1 32,430</u>
Contributed Capital - August 31, 1987	<u>\$ 144,685</u>

Note 4 - Retirement Benefits

The district contributes to a Simplified Employee Pension Plan (SEP) for its employees. The contributions for years 1987 and 1988 were \$3,800 and \$1,300, respectively.

SEWERWORK DISTRICT NO. 1 OF WARD 4 OF COLORADO SPRING
Memphis, Louisiana

Notes to Financial Statements (Continued)
August 31, 1987 and 1986

Note 2 - Bonds Payable (Continued)

Year ending August 31,	\$	
1986	125,875	
1987	25,875	
2000	25,875	
2001	25,875	
2002	25,875	
2003 - 2010	181,000	

There was no principal reduction on the outstanding bonds for the years ended August 31, 1987 and 1986. No principal payments maturing since the original bond issues have not been paid and are included in delinquent installments, as well as the current installment due. Delinquent principal payable is \$180,000 for the year ended August 31, 1987. 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.

The District intends to apply additional revenues, acquired through new customers and rate increases, not needed for plant operations to the delinquent principal payable.

Note 3 - Meeting Expenses

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

Alvin Simmons	\$	400
Vera Mccrier		300
Raymond McCremon		400
Edgar Dutton, Jr.		400
Larry Bland		500
Total		1,900

Note 4 - Cash

As at August 31, 1987, cash balances of the District totaling \$61,128 were lowered by financial institutions servicing the District's deposits.

Note 5 - Contributed Capital

Contributed capital as August 31, 1987 consists of the following contributions related to a water line replacement project.

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

Notes to Financial Statements (Continued)
August 31, 1997 and 1996

Note 1 - Summary of Significant Accounting Policies (Continued)

PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM LIABILITIES

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

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

Depreciation of all depreciable 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 - 20 years
Furniture, fixtures and equipment	5 - 10 years
Equipment used and spare	10 years

The property, plant and equipment is stated at historical cost. Depreciation amounted to \$18,149 and \$17,501 for the years ended August 31, 1997 and 1996.

STATEMENT OF CASH FLOW

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 expense during the reporting period. Actual results could differ from those estimates.

Note 2 - Bonds Payable

Waterworks District 2 of Ward 4 of Calcasieu Parish issued \$100,000 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 3/8%. The annual requirements to amortize the bonds as of August 31, 1997, including interest of \$147,775, are as follows:

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
MORNING, LOUISIANA

Notes to Financial Statements
August 31, 1993 and 1994

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 1989. 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. 34 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 those pronouncements. Financial Accounting Standards Board ("FASB") standards 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.

FINANCIAL REPORTING ENTITY

As more fully described in paragraph one above, the Waterworks District No. 2 of Ward 4 of Calcasieu Parish is governed by a board appointed by the Calcasieu Parish Police Jury. Therefore, the district is a component unit of the Calcasieu Parish Police Jury.

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.

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.

Continued

MEMPHIS DISTRICT NO. 2 OF CLASS 4 OF CALCIUM PAVING
MEMPHIS, LOUISIANA

Statement of Cash Flows
August 31,

	1993	1992
Cash Flows From Operating Activities:		
Operating income (loss)	\$ 23,764	\$ 14,439
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	20,749	17,127
increase/decrease in receivables	3,489	3,084
increase/decrease in prepaid insurance	(3,327)	149
Increase (decrease) in accounts payable and other accrued expenses	(28,923)	(28,327)
Net Adjustments	(8,012)	(8,011)
Net Cash Provided by Operating Activities	(28,862)	(48,311)
Cash Flows From Capital and Related Financing Activities:		
Capital contributions	(82,894)	(88,901)
Receipt of capital contributions	(18,400)	82,227
Net Cash Used for Capital and Related Financing Activities	(100,294)	(6,674)
Cash Flows From Investing Activities:		
Miscellaneous proceeds	44	43
Interest earned	267	338
Interest expense	(29,083)	(29,083)
Net Cash Used for Investing Activities	(28,772)	(28,702)
Net Increase (Decrease) in Cash and Cash Equivalents	(9,032)	(8,084)
Cash and Cash Equivalents at Beginning of Year	(52,180)	(58,066)
Cash and Cash Equivalents at End of Year	(61,212)	(66,150)
Cash and Cash Equivalents Unrestricted	(34,178)	(43,150)
RESTRICTED	(27,034)	(23,000)
	(61,212)	(66,150)
Cash Paid for:		
Interest	(28,000)	(28,000)

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

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

Statement of Revenues, Expenses and Changes in Accumulated Deficit
August 31,

	1997	1996
OPERATING REVENUES		
Water sales, late charges and fees	\$ 142,222	\$ 121,281
OPERATING EXPENSES		
Salaries and wages	23,813	24,083
Maintenance - plant and building	20,843	22,689
Plant supplies	8,842	8,778
Utilities	6,213	6,682
Chemicals	3,719	3,331
Printing and meter reading	4,172	6,248
Travel expense	812	1,268
Telephone	1,728	1,428
Accounting	2,058	2,080
Insurance	8,487	4,181
Payroll taxes	3,408	3,548
Postage	100	328
Depreciation	20,748	17,127
Fuels	215	180
Office supplies	4,274	4,028
For dist - board members	2,888	2,928
EDF Plan expense	1,088	1,388
Lease or crossing expense	888	328
Miscellaneous	128	-
EDF Debt Expense	-	4,687
Residuals	1,088	182
Total Operating Expenses	142,221	128,821
INCOME (LOSS) FROM OPERATIONS	23,981	14,430
NON-OPERATING REVENUES (EXPENSES)		
Miscellaneous income	54	47
Interest income	887	828
Interest expense	(28,081)	(28,881)
Total Non-Operating Revenues (Expenses)	(26,880)	(28,006)
NET INCOME (LOSS)	5,221	(4,809)
Add depreciation on fixed assets acquired by contributed capital that reduces contributed capital	2,315	2,315
(INCREASE) DECREASE IN RETAINED EARNINGS	7,826	(1,794)
RETAINED EARNINGS - September 1,	20,884	22,278
RETAINED EARNINGS - August 31,	\$ 28,810	\$ 20,484

The accompanying notes are an integral part of the financial statements

LIABILITIES AND FUND EQUITY

	2007	2006
CURRENT LIABILITIES		
Accounts payable	\$ 681	\$ 89,962
Accrued interest payable	48,287	51,288
Sales tax payable	445	442
Payroll taxes payable	2,078	2,402
Accrued vacation payable	2,428	2,422
Accrued OPE payable	2,480	800
Retainage payable	-	12,288
Fee to Hamilton Parish Police Jury	4,850	1,580
Due to Waterworks District #3	227	-
Current portion of revenue bonds	172,000	182,000
Total Current Liabilities	225,854	349,294
DEFERRED LIABILITIES (Payable from Restricted Account)		
Water deposits payable	2,820	2,812
LONG-TERM LIABILITIES		
Revenue bonds (net of current portions)	182,000	182,000
Total Liabilities	407,854	531,294
FUND EQUITY		
Contributed capital	285,224	285,224
Retained earnings - unreserved	10,822	10,822
Total Fund Equity	296,046	296,046
TOTAL LIABILITIES AND FUND EQUITY	\$ 703,899	\$ 827,340

MEMPHORCA STATIST NO. 3 OF PAGE 4 OF ORIGINATOR PARSON
 Memphis, Louisiana

Balance Sheet
 August 31,

ASSETS

	<u>1957</u>	<u>1958</u>
CURRENT ASSETS		
Cash	\$ 14,170	\$ 49,150
Accounts receivable (net of allowance for doubtful accounts of \$-0-)		
Water sales	18,820	18,810
Subsided water sales	800	820
Grants receivable	8,220	84,250
Interest receivable	78	520
Prepaid Insurance	8,820	2,820
Total Current Assets	<u>50,808</u>	<u>147,970</u>
RESTRICTED ASSETS		
Cash - meter deposits account (savings)	<u>8,810</u>	<u>8,810</u>
PROPERTY, PLANT AND EQUIPMENT		
Truck and equipment	10,188	14,188
Distribution system	824,280	887,894
Building and improvements	27,480	27,480
Equipment, shed and fence	18,888	18,888
Construction in progress - Lighting 90	-	220,820
	<u>870,856</u>	<u>1,170,270</u>
Less: accumulated depreciation	<u>6,224,180</u>	<u>6,274,180</u>
Net Property, Plant and Equipment	<u>864,632</u>	<u>896,090</u>
TOTAL ASSETS	<u>\$ 1,324,440</u>	<u>\$ 1,734,130</u>

The accompanying notes are an integral part of the financial statements

In accordance with government auditing standards, we have also issued a report dated January 22, 1988, on our examination of Metairie District 2 of Ward 4 of Orleans Parish, Louisiana's internal control structure and a report dated January 20, 1978, on its compliance with laws and regulations.

Braswell & Company

Shreveport, Louisiana
January 22, 1988
jgk



BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Waterworks
District No. 2 of Ward 4 of Calcasieu
Parish, Louisiana
MORNING, LOUISIANA

We have audited the accompanying balance sheets of Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of August 31, 1997 and 1996, and the related statements of revenues, expenses, and changes in accumulated deficit, and cash flows for the years then ended. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these 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 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. 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 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, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed 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), by means of the Delinquency and Foreclosure Unit operates as a regular lender. The financial statements do not include any adjustments relating to the amounts and classification of liabilities that might be necessary if HUD initiates action against the district for the delinquent principal and interest.

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T A B L E O F C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	i - 3
BUSINESS STATE	3 - 4
Statements of Revenue, Expenses, and Charges in Accompanied Detail	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10
Independent Auditor's Report on Internal Control Structure Based on a Financial Statement Audit Performed in Accordance with Government Auditing Standards	11 - 12
Independent Auditor's Report on Compliance Based on a Financial Statement Audit Performed in Accordance with Government Auditing Standards	13