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

**General Purpose Financial Statements
August 31, 1999 and 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. 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 FEB 16 2000

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Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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, 1999 and 1998, 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, 1999 and 1998, 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 January 17, 2000, 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
January 17, 2000
/dkb

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Balance Sheets
August 31,

	<u>1999</u>	<u>1998</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 28,692	\$ 42,105
Accounts receivable (net of allowance for doubtful accounts of \$-0- for 1999 and 1998)	13,135	27,962
Interest receivable	29	76
Prepaid insurance	4,273	1,475
Total Current Assets	<u>46,129</u>	<u>71,618</u>
RESTRICTED ASSETS		
Cash - meter deposits account	<u>5,650</u>	<u>8,260</u>
PROPERTY, PLANT, AND EQUIPMENT		
Truck and equipment	38,722	41,071
Distribution system	834,262	834,262
Building and improvements	48,227	46,369
	<u>921,211</u>	<u>921,702</u>
Less: accumulated depreciation	<u>(340,049)</u>	<u>(319,866)</u>
Net Property, Plant, and Equipment	<u>581,162</u>	<u>601,836</u>
 TOTAL ASSETS	 \$ <u>632,941</u>	 \$ <u>681,714</u>

The accompanying notes are an integral part of the financial statements

LIABILITIES AND FUND EQUITY

	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES		
Accounts payable	\$ 755	\$ 1,467
Accrued interest payable	25,986	36,868
Sales tax payable	266	445
Payroll taxes payable	655	2,755
Accrued vacation payable	1,372	2,416
Due to Calcasieu Parish Police Jury	-	5,015
Current portion of revenue bonds	190,000	185,000
Total Current Liabilities	<u>219,034</u>	<u>233,966</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Meter deposits payable	<u>5,650</u>	<u>8,260</u>
LONG-TERM LIABILITIES		
Revenue bonds - net of current portion	<u>165,000</u>	<u>170,000</u>
Total Liabilities	<u>389,684</u>	<u>412,226</u>
FUND EQUITY		
Contributed capital	228,673	234,757
Retained Earnings	14,584	34,731
Total Fund Equity	<u>243,257</u>	<u>269,488</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 632,941</u>	<u>\$ 681,714</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>1999</u>	<u>1998</u>
OPERATING REVENUES		
Water sales and related fees	\$ <u>127,273</u>	\$ <u>156,170</u>
OPERATING EXPENSES		
Salaries and wages	37,468	35,994
Maintenance - plant	16,737	10,402
Plant supplies	5,470	6,448
Utilities	8,479	8,990
Chemicals	4,946	5,026
Computer fees	388	3,119
Truck expense	1,514	2,228
Telephone	3,106	2,384
Accounting	4,000	4,085
Insurance	8,372	6,584
Payroll taxes	3,455	4,259
Office expense	5,388	4,012
Depreciation	28,067	26,161
Per diem - board members	2,900	2,950
Employee benefits	2,400	1,000
Penalties	-	679
Interest expense	19,117	19,081
Other	496	141
Total Operating Expenses	<u>152,302</u>	<u>143,543</u>
INCOME (LOSS) FROM OPERATIONS	<u>(25,029)</u>	<u>12,627</u>
NON OPERATING REVENUES (EXPENSES)		
Miscellaneous income (expense)	(1,573)	(2,189)
Interest income	371	429
Total Non Operating Revenues (Expenses)	<u>(1,202)</u>	<u>(1,760)</u>
NET INCOME (LOSS)	(26,231)	10,867
Add depreciation on fixed assets acquired by contributed capital which reduces contributed capital	<u>6,084</u>	<u>5,044</u>
INCREASE IN RETAINED EARNINGS	(20,147)	15,911
RETAINED EARNINGS - SEPTEMBER 1,	<u>34,731</u>	<u>18,820</u>
RETAINED EARNINGS - AUGUST 31,	<u>\$ <u>14,584</u></u>	<u>\$ <u>34,731</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>1999</u>	<u>1998</u>
Cash Flows From Operating Activities:		
Operating Income (Loss)	\$ (25,029)	\$ 12,627
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	28,067	26,161
(Increase) decrease in receivables	14,874	(8,059)
(Increase) decrease in prepaid insurance	(2,798)	2,551
Increase (decrease) in accounts payable	(712)	806
Increase (decrease) in other accrued expenses	(21,830)	(4,204)
Total adjustments	<u>17,601</u>	<u>17,255</u>
Net Cash Provided by Operating Activities	<u>(7,428)</u>	<u>29,882</u>
Cash Flows From Capital and Related Financing Activities:		
Capital acquisitions	<u>(7,393)</u>	<u>(20,885)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(7,393)</u>	<u>(20,885)</u>
Cash Flows From Investing Activities:		
Miscellaneous income (expense)	(1,573)	(2,189)
Interest income	371	429
Net Cash Provided (Used) for Investing Activities	<u>(1,202)</u>	<u>(1,760)</u>
Net Increase (Decrease) in Cash and Equivalents	(16,023)	7,237
Cash and Equivalents at Beginning of Year	<u>50,365</u>	<u>43,128</u>
Cash and Equivalents at End of Year	<u>\$ 34,342</u>	<u>\$ 50,365</u>
Cash and Equivalents		
Unrestricted	\$ 28,692	\$ 42,105
Restricted	5,650	8,260
	<u>\$ 34,342</u>	<u>\$ 50,365</u>
Cash Paid for Interest	<u>\$ 30,000</u>	<u>\$ 22,500</u>

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

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Notes to Financial Statements
August 31, 1999 and 1998

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
Notes to Financial Statements (Continued)
August 31, 1999 and 1998

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
Notes to Financial Statements (Continued)
August 31, 1999 and 1998

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 \$28,067 and \$26,161 for the years ended August 31, 1999 and 1998.

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, 1999 and 1998

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, 1999, including interest of \$114,711, are as follows:

Year Ending August 31,	
2000	\$ 229,961
2001	23,975
2002	23,975
2003	23,975
2004	23,975
2005 - 2010	143,850

There was no principal reduction on the outstanding bonds for the years ended August 31, 1999 and 1998. 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 \$180,000 for the year ended August 31, 1999. 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	600
Raymond Malveaux	600
Edgar Mouton, Jr.	600
Leroy Blunt	550
Total	\$ <u>2,950</u>

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Notes to Financial Statements (Continued)
August 31, 1999 and 1998

Note 4 - Contributed Capital

Contributed capital at August 31, 1999 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>21,547</u>)
Contributed Capital - August 31, 1999	\$ <u>228,673</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.



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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 31, 1999, and have issued our report thereon dated January 17, 2000. 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.

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.

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

Lake Charles, Louisiana
January 17, 2000
/dkb

WATERWORKS DISTRICT 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 1999

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.