

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

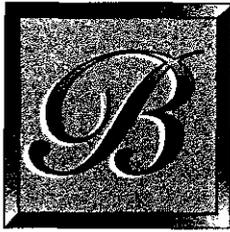
**Financial Statements
August 31, 2005 and 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 4-26-06

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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 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, 2005 and 2004, as listed in the table of contents. 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

In our opinion, 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, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 24, 2006, on our consideration of Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Broussard & Company

Lake Charles, Louisiana

January 24, 2006

/dk

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**WATERWORKS DISTRICT NO. 2 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AUGUST 31, 2005**

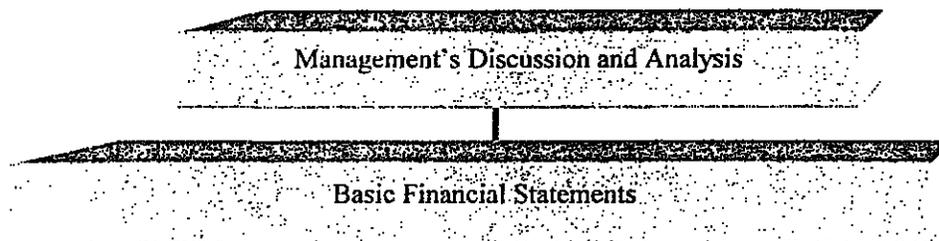
The Management's Discussion and Analysis of the Waterworks District No. 2 of Ward 4 of Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended August 31, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- ★ The District's assets exceeded its liabilities at the close of fiscal year 2005 by \$656,349 which represents a 31.5% increase from last fiscal year. Of this amount, \$150,663 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.
- ★ The District's revenue increased \$57,955 (or 19.8%) and the net results from activities increased by \$46,038.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 2 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AUGUST 31, 2005**

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheets (pages 6 - 7) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 8) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 9 - 10) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2005	2004	2003
Current and other assets	\$ 171,039	\$ 188,139	\$ 192,276
Capital assets	798,674	657,258	534,918
Total assets	\$ 969,713	\$ 845,397	\$ 727,194
Other liabilities	\$ 20,376	\$ 39,453	\$ 16,426
Long-term debt outstanding	292,988	306,867	322,927
Total liabilities	313,364	346,320	339,353
Net assets:			
Invested capital assets, net of debt	505,686	350,391	211,991
Unrestricted	150,663	148,686	175,850
Total net assets	656,349	499,077	387,841
Total liabilities and net assets	\$ 969,713	\$ 845,397	\$ 727,194

**WATERWORKS DISTRICT NO. 2 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AUGUST 31, 2005**

Unrestricted net assets are those that do not have any limitations on how these amounts may be used.

Net assets of the District increased by \$157,274, or 31.5%, from August 31, 2004 to August 31, 2005.

	2005	2004	2003
Operating revenues	\$ 283,409	\$ 260,085	\$ 241,146
Operating expenses	(193,841)	(181,924)	(180,550)
Operating income (loss)	89,568	78,161	60,596
Non-operating revenues (expenses)	67,705	33,074	29,043
Net increase (decrease) in net assets	<u>\$ 157,273</u>	<u>\$ 111,235</u>	<u>\$ 89,639</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2005, the District had \$798,674, net of accumulated depreciation, invested in a broad range of capital assets, including truck and equipment, distribution system, and building and improvements. (See Table below). This amount represents a net increase (including additions and deductions) of \$141,417, or 21.5%, over last year.

	2005	2004	2003
Truck and Equipment	\$ 63,340	\$ 61,624	\$ 44,716
Distribution System	1,191,585	1,021,487	889,061
Building and Improvements	46,249	46,249	46,249
Less Accumulated Depreciation	(502,500)	(472,102)	(445,108)
Totals	<u>\$ 798,674</u>	<u>\$ 657,258</u>	<u>\$ 534,918</u>

This year's Major Capital additions included above were:

- Water Tower Improvements \$30,000
- Filtration System \$134,706

**WATERWORKS DISTRICT NO. 2 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AUGUST 31, 2005**

Debt

The District had \$292,988 in bonds outstanding at year-end, compared to \$306,867 last year, a decrease of 4.5%. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenue Bonds	<u>\$ 292,988</u>	<u>\$ 306,867</u>	<u>\$ 322,927</u>

The District's Revenue bonds are un-rated.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra Duhon, Executive Secretary, Waterworks District No. 2 of Wards 4 of Calcasieu Parish.

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

ASSETS	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 139,706	\$ 144,962
Accounts receivable (net of allowance for doubtful accounts of \$-0- for 2005 and 2004)	21,080	34,242
Interest receivable	40	40
Prepaid insurance	1,874	1,505
Total Current Assets	162,700	180,749
RESTRICTED ASSETS		
Cash - meter deposits	8,339	7,391
PROPERTY, PLANT, AND EQUIPMENT		
Truck and equipment	63,340	61,624
Distributions system	1,191,585	1,021,487
Building and improvements	46,249	46,248
	1,301,174	1,129,359
Less: accumulated depreciation	(502,500)	(472,102)
Net Property, Plant, and Equipment	798,674	657,257
TOTAL ASSETS	\$ 969,713	\$ 845,397

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

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Balance Sheets (Continued)
As of August 31,

LIABILITIES AND NET ASSETS	2005	2004
CURRENT LIABILITIES		
Accounts payable	\$ 3,730	\$ 26,749
Accrued interest payable	3,942	-
Sales tax payable	390	485
Payroll tax payable	601	526
Accrued wages and vacation payable	3,374	4,304
Current portion of revenue bonds	14,251	10,355
Total Current Liabilities	26,288	42,419
CURRENT LIABILITIES (Payable from Restricted Assets)		
Meter deposits payable	8,339	7,391
LONG-TERM LIABILITIES		
Revenue bonds - net of current portion	278,737	296,512
Total Liabilities	313,364	346,322
NET ASSETS		
Investment in capital assets, net of related debt	505,686	350,390
Unrestricted	150,663	148,685
Total Net Assets	656,349	499,075
TOTAL LIABILITIES AND NET ASSETS	\$ 969,713	\$ 845,397

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 Revenues, Expenses, and Changes in Net Assets
For The Years Ended August 31,

	2005	2004
OPERATING REVENUES		
Water sales and related fees	\$ 283,409	\$ 260,085
OPERATING EXPENSES		
Salaries and wages	57,352	56,442
Maintenance - plant	13,882	15,685
Plant supplies	4,048	3,885
Utilities	10,056	8,613
Chemicals	4,643	5,082
Computer fees	1,199	700
Truck expense	4,698	3,068
Telephone	4,069	4,525
Accounting	10,075	4,725
Insurance	20,984	14,769
Payroll taxes	4,888	4,569
Office expense	7,110	6,301
Depreciation	30,398	26,994
Per diem - board members	3,600	3,660
Employee benefits	3,000	3,321
Interest expense	12,564	17,100
Other	1,275	2,485
Total Operating Expenses	193,841	181,924
INCOME (LOSS) FROM OPERATIONS	89,568	78,161
NON OPERATING REVENUES (EXPENSES)		
Miscellaneous income (expense)	66,443	32,406
Interest income	1,262	668
Total Non Operating Revenues (Expenses)	67,705	33,074
CHANGE IN NET ASSETS	157,273	111,235
NET ASSETS - BEGINNING OF YEAR	499,076	387,841
NET ASSETS - END OF YEAR	\$ 656,349	\$ 499,076

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
For The Years Ended August 31,

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 296,571	\$ 257,112
Payments to suppliers	(125,188)	(94,828)
Payments to employees	(58,282)	(58,898)
Other	213	6,322
	<u>113,314</u>	<u>109,708</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital acquisitions	(171,813)	(123,383)
Principal payment on bonds	(13,515)	(16,061)
	<u>(185,328)</u>	<u>(139,444)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Miscellaneous income (expense)	66,443	32,406
Interest income	1,262	668
	<u>67,705</u>	<u>33,074</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(4,309)	3,338
CASH AND EQUIVALENTS - BEGINNING OF YEAR	152,354	149,016
CASH AND EQUIVALENTS - END OF YEAR	\$ 148,045	\$ 152,354
CASH AND EQUIVALENTS:		
Unrestricted	\$ 139,706	\$ 144,963
Restricted	8,339	7,391
	<u>\$ 148,045</u>	<u>\$ 152,354</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 (Continued)
For The Years Ended August 31,

	2005	2004
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES:		
Operating income (loss)	\$ 89,568	\$ 78,162
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	30,398	26,994
(Increase) decrease in receivables	13,162	(2,974)
(Increase) decrease in prepaid insurance	(369)	10,449
Increase (decrease) in accounts payable	(23,019)	(66)
Increase (decrease) in other accrued expenses	3,574	(2,857)
Total Adjustments	23,746	31,546
Net Cash Provided (Used) for Operating Activities	\$ 113,314	\$ 109,708
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 8,622	\$ 21,439

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, 2005 and 2004

Note 1 - Nature of Organization and 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. These criteria include:

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Notes to Financial Statements (Continued)
August 31, 2005 and 2004

Note 1 - Nature of Organization and 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.

BASIS OF ACCOUNTING

The District has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*.

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, 2005 and 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

BASIS OF ACCOUNTING (CONTINUED)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

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	5 – 50 years
Furniture, fixtures, and equipment	5 – 15 years

Depreciation amounted to \$30,398 and \$26,994 for the years ended August 31, 2005 and 2004, respectively.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Notes to Financial Statements (Continued)
August 31, 2005 and 2004

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

CASH AND CASH EQUIVALENTS

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.

RECLASSIFICATIONS

Certain reclassifications may have been made to the August 31, 2004 financial statements in order for them to be better compared to the August 31, 2005 financial statements.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of accounts receivable, which at August 31, 2005 consisted entirely of receivables from customers. At August 31, 2005, one customer constituted 32% of the District's total accounts receivable.

MAJOR CUSTOMERS

During the year ended August 31, 2005, 49% of the District's billings were to one customer

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%.

An agreement between the District and the U. S. Department of Housing and Urban Development was reached effective April 13, 2001. This agreement restructured the outstanding debt creating a new repayment plan and forgiving all outstanding interest due as of the date of the agreement. This resulted in a one time extraordinary gain of \$24,708 and an extension of the repayment period to December 1, 2019. The annual requirements to amortize the bonds as of August 31, 2005, are as follows:

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Notes to Financial Statements (Continued)
August 31, 2005 and 2004

Note 2 - Bonds Payable (Continued)

Year Ending August 31,	Principal	Interest	Total
2006	\$ 14,251	\$ 15,749	\$ 30,000
2007	15,028	14,972	30,000
2008	15,846	14,154	30,000
2009	16,710	13,290	30,000
2010	17,620	12,380	30,000
2011-2015	103,585	46,415	150,000
2016-2020	109,948	15,354	125,302
Total	<u>\$ 292,988</u>	<u>\$ 132,314</u>	<u>\$ 425,302</u>

The following is a summary of revenue bond payable transactions of the District for the year ended August 31, 2005:

Outstanding at September 1, 2004	\$ 306,867
Bonds Retired	<u>(13,879)</u>
Outstanding at August 31, 2005	<u>\$ 292,988</u>

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	\$ 840
Della Smith	840
Raymond Malveaux	840
Edgar Mouton, Jr.	120
Leroy Blunt	780
Raphael Sias	<u>180</u>
Total	<u>\$ 3,600</u>

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Notes to Financial Statements (Continued)
August 31, 2005 and 2004

Note 4 - Capital Assets

Capital asset activity for the year ended August 31, 2005, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Being Depreciated:				
Truck and Equipment	\$ 61,624	\$ 1,716	\$ - 0 -	\$ 63,340
Distribution System	1,021,487	170,098	- 0 -	1,191,585
Building and Improvements	46,249	- 0 -	- 0 -	46,249
Total Capital Assets Being Depreciated	1,129,360	171,814	- 0 -	1,301,174
Less Accumulated Depreciation	472,102	30,398	- 0 -	502,500
Total Capital Assets being Depreciated, Net of Depreciation	\$ 657,258	\$ 141,416	\$ - 0 -	\$ 798,674

Note 5 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters for which the District carries commercial insurance.

Note 6 - Cash and Cash Equivalents

At August 31, 2005, the District had cash in one local bank (book balance) totaling \$148,045.

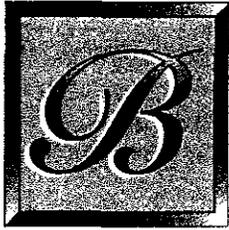
Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount of deposit with the fiscal agent. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties. The District does not have a deposit policy for custodial credit risk. At August 31, 2005, the District had \$148,284 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$266,403 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

WATERWORKS DISTRICT NO. 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Notes to Financial Statements (Continued)
August 31, 2005 and 2004

Note 7 - Simplified Employee Pension (SEP) Plan

The District sponsors a Simplified Employee Pension (SEP) Plan. Employer contributions under this Plan shall be at the Employer's discretion and based upon the total compensation of each participant. Eligibility requires the employee to have attained the age of twenty-one (21) and to have performed services for the employer in three of the five plan years immediately preceding the plan year for which the contribution is to be made. Contributions were \$3,000 in 2005 and \$3,321 in 2004.



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF REQUIRED
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 financial statements of the Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana, as of and for the year ended August 31, 2005, and have issued our report thereon dated January 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item B 2005-1.

A material weakness is a reportable 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 caused by error or fraud 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. 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 2005-1 to be a material weakness.

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Board of Commissioners
Waterworks District 2 of Ward 4
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana's 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 or other matters that are required to be reported under Government Auditing Standards

This report is intended for the information of the management of Waterworks District 2 of Ward 4 of Calcasieu Parish, Louisiana, the Legislative Auditor of the State of Louisiana, and the Calcasieu Parish Police Jury and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard & Company

Lake Charles, Louisiana
January 24, 2006
/dk

WATERWORKS DISTRICT 2 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended August 31, 2005

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on financial statements.
2. Reportable condition in internal control - Refer to B 2005-1.
3. No instances of noncompliance noted.

B. GAGAS Findings:

2005-1 Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the District.

Cause: Due to the size of the staff, it is not always feasible to segregate duties.

Effect: The possibility of unauthorized transactions being processed exists.

Recommendation: We recommend that the District's board continue to perform independent review of the items processed through the accounting system in order to strengthen its internal controls.

Management Response: The board of directors shall perform an independent review of items processed through the accounting system in order to strengthen its internal controls.

C. Prior Year Findings

2004-1 Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the District.

2004-2 Cash and Cash Equivalents

Finding: During our audit procedures it was noted that the District is not reconciling cash balances to the general ledger.