

10/20/02

TOWN OF WATERPROOF, LOUISIANA

**General Purpose Financial Statements
With Independent Auditors' Report
As of and for the Year Ended June 30, 2002
With Supplemental Information Schedules**

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

Release Date: 10/20/02

**TOWN OF WATERBROOK, LOUISIANA
YEAR ENDED JUNE 30, 2001
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SECTION I - GENERAL PURPOSE FINANCIAL STATEMENTS

SWITZER, HOPKINS & MANGE

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MEMBER: ICF CA, AICPA, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Mariah J. Cooper, Mayor
and Members of the Board of Aldermen
Town of Waterproof, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Waterproof, Louisiana, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Waterproof, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with standards generally accepted in the United States of America 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Town of Waterproof, Louisiana, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the years then ended June 30, 2002 and 2001 in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Waterproof, Louisiana. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Honorable Mariluk Cooper, Mayor
Town of Waterproof, Louisiana
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In accordance with *Government Auditing Standards*, we have also issued reports dated September 11, 2002 on our consideration of the Town of Waterproof, Louisiana's internal control structure and on its compliance with laws and regulations.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Waterproof, Louisiana taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Friday, Louisiana
September 11, 2002

Santiago, Hopkins & Morgan

TOWN OF WATERLOO, IOWA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1992

	General Fund Types		Proprietary Fund Type	Account Groups			Total
	General	Capital Projects		General Fund	General Fund	Other (Nonmajor Funds)	
LIABILITIES							
Chick overdraft	-	-	-	-	-	-	-
Accounts payable	23,112	-	26,811	-	-	49,923	23,043
Accrued compensated absence	5,450	-	-	-	-	5,450	5,450
Customer deposits	-	-	25,151	-	-	25,151	25,088
Interest payable	-	-	106	-	-	106	106
Revenue bonds	-	-	55,000	-	-	55,000	55,000
Due payable	-	-	-	-	29,000	-	29,000
Total liabilities	28,562	-	107,068	-	29,000	491,214	600,504
FUND EQUITY AND OTHER CREDITORS							
Contributed capital	-	-	3,280,218	-	-	3,280,218	3,280,218
Retained in general fund assets	-	-	-	67,042	-	67,042	67,042
Retained earnings	-	-	-	-	-	(1,099,524)	(941,816)
Unreserved (deficit)	-	-	-	-	-	-	-
Forward sales	156,829	-	-	-	-	156,829	156,829
Current	-	-	-	-	-	-	-
Total fund equity	156,829	-	3,280,218	67,042	-	3,386,544	3,386,544
Total liabilities and fund equity	\$ 44,491	\$ -	\$ 1,357,286	\$ 67,042	\$ 29,000	\$ 837,758	\$ 1,387,584

The following notes are an integral part of these financial statements.

TOWN OF WATERBURY, VERMONT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1992

	Government Fund Type		Proprietary Fund		Account Groups		Totals		
	General	Capital Projects	Plant	Enterprise	General Fund Assets	General Long-Term Debt	Construction Only	1992	
Cash	\$ 115,794	-	-	\$ 24,000	-	\$ -	-	\$ 140,000	\$ 6,000
Receivables, net - when applicable of allowance for modifications (Note 1)	-	-	20,110	-	-	-	-	20,110	20,500
Utility receivables	41,796	-	-	-	-	-	-	41,796	-
Others	-	-	-	4,411	-	-	-	4,411	172
Restricted assets (Note 1 and 4)	-	-	-	-	-	-	-	-	-
Cash	-	-	85,700	-	-	-	-	85,700	61,115
General fund assets	-	-	-	-	417,400	-	-	417,400	60,000
Utility plant and equipment (Note 4)	-	-	5,075,000	-	-	-	-	5,075,000	6,200,700
Accumulated Depreciation (Note 4)	-	-	(4,430,000)	-	-	-	-	(4,430,000)	(1,130,440)
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	50,000	-	50,000	-
Total assets	\$ 157,590	\$ -	\$ 8,570,810	\$ -	\$ 417,400	\$ 50,000	\$ -	\$ 9,035,210	\$ 3,070,319

The following notes are an integral part of these financial statements.

TOWNSHIP OF WATERPROOF, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types		Totals	
	General	Capital Projects	(Memorandum Only)	
			2002	2001
Revenues:				
Taxes	\$ 55,034	\$ -	\$ 55,034	\$ 55,207
Licenses and permits	16,636	-	16,636	16,548
Intergovernmental	99,769	-	99,769	147,475
Fees	214,198	-	214,198	207,111
Miscellaneous	5,954	-	5,954	7,715
Total revenues	<u>485,691</u>	<u>-</u>	<u>485,691</u>	<u>633,756</u>
Expenditures:				
Current -				
General government	134,588	-	134,588	131,794
Public safety- Police and fire	239,450	-	239,450	185,257
Capital outlay	36,342	-	36,342	221,828
Total expenditures	<u>410,380</u>	<u>-</u>	<u>410,380</u>	<u>538,879</u>
Excess of revenues over expenditures	318	-	318	112,702
Other financing sources:				
Transfers in (out)	<u>11,810</u>	<u>(6,944)</u>	<u>4,866</u>	<u>(28,554)</u>
Excess of revenues and other sources over expenditures and other uses	11,918	(6,944)	4,974	84,148
Fund balances, beginning	<u>152,554</u>	<u>6,944</u>	<u>159,498</u>	<u>68,732</u>
Fund balances, ending:	\$ 154,929	\$ -	\$ 154,929	\$ 152,880

The following notes are an integral part of these financial statements.

TOWN OF WATERBURY, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - SEPARATELY
 FOR THE YEAR ENDED JUNE 30, 1998

	General Fund Type		Business - Favorable (Unfavorable)		Capital Projects Fund Type		Business - Favorable (Unfavorable)	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Revenues:								
Taxes	\$ 47,000	\$ 55,000	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	11,000	10,000	4,000	-	-	-	-	-
Intergovernmental	90,000	86,000	6,000	-	-	-	-	-
Fees	10,000	100,000	11,000	-	-	-	-	-
Miscellaneous	5,000	3,500	(1,500)	-	-	-	-	-
Total revenues	168,000	254,500	31,000	-	-	-	-	-
Expenditures:								
Current -								
General government	127,100	134,000	(7,900)	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Police and fire	240,700	250,000	(11,300)	-	-	-	-	-
Capital outlay	46,100	30,000	1,600	-	-	-	-	-
Total expenditures	314,000	314,000	(14,000)	-	-	-	-	-
Excess of revenues over (under) expenditures	(15,700)	310	56,122	-	-	-	-	-
Other financing (use) Transfers in (out)	-	11,000	31,000	65,000	65,000	65,000	65,000	65,000
Excess of revenues and other resources over expenditures and other uses	(15,700)	11,310	27,122	65,000	65,000	65,000	65,000	65,000
Fund balances, beginning	120,000	135,000	-	-	-	-	-	-
Fund balances, ending	\$ 104,300	\$ 146,310	\$ 27,122	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000

The following notes are an integral part of these financial statements.

TOWN OF WATERBURY, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002

	2002	(Continuation Only) 2001
Operating revenues:		
Charges for services -		
Gas sales	\$ 170,362	\$ 242,793
Water sales	89,428	99,071
Sewer sales	50,823	55,548
Garbage sales	37,327	39,610
Backhoe and mowing charges	857	781
Miscellaneous revenues	16,358	24,848
Total operating revenues	<u>377,407</u>	<u>493,651</u>
Operating expenses:		
Gas department expenses	179,664	183,388
Water department expenses	183,767	197,852
Sewer department expenses	88,688	79,214
Garbage department expenses	44,889	57,877
Backhoe and mowing expenses	18,895	3,672
Total operating expenses	<u>498,814</u>	<u>622,403</u>
Operating (loss)	(121,407)	(128,752)
Nonoperating revenues (expenses):		
Interest earned	1,004	2,888
Interest expense	(14,288)	(24,542)
Total nonoperating revenues (expenses):	<u>(13,284)</u>	<u>(21,654)</u>
(Loss) before operating transfers	(134,691)	(150,406)
Operating transfers:		
Transfers in (out)	49,183	48,536
Net (loss)	(85,508)	(101,870)
Retained earnings, beginning (deficit)	<u>(952,428)</u>	<u>(811,183)</u>
Retained earnings, ending (deficit)	<u>\$ (1,037,936)</u>	<u>\$ (913,053)</u>

The following notes are an integral part of these financial statements:

TOWN OF WATERFRONT, LOUISIANA
WATERFRONT PLANT
UTILITY FUND

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	(Amounts in Dollars)	
	2002	2001
Cash flows from operating activities:		
Cash received from customers	\$ 371,828	\$ 488,128
Cash payments to suppliers for goods and services	(241,277)	(388,698)
Cash payments to employees for services	(87,996)	(86,779)
Net cash provided by operating activities	<u>42,555</u>	<u>112,651</u>
Cash flows from non-capital financing activities:		
Operating transfers (to) from other funds	(4,185)	48,536
Increase in customer deposits	1,271	0
Net cash provided (used) by non-capital financing activities	<u>(2,914)</u>	<u>48,536</u>
Cash flows from capital and related financing activities:		
Principal paid on notes	(6,048)	(6,634)
Interest paid on notes	(24,202)	(26,844)
Acquisition of fixed assets	(2,489)	-
Net cash (used) by capital and related financing activities	<u>(32,739)</u>	<u>(33,478)</u>
Cash flows from investing activities:		
Interest earned	1,038	1,080
Net increase in cash and cash equivalents	<u>8,814</u>	<u>1,080</u>
Cash and cash equivalents at July 1, 2001	<u>47,135</u>	<u>46,225</u>
Cash and cash equivalents at June 30, 2002	<u>\$ 55,949</u>	<u>\$ 47,305</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:		
Operating (loss)	\$ (116,587)	\$ (247,814)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	150,281	151,281
Changes in assets and liabilities:		
(Increase) in accounts receivable	6902	(3,598)
Expense (increase) in inventories	(839)	1,228
Increase (decrease) in cash equivalents	(2,438)	1,428
Increase (decrease) in accounts payable	12,449	(1,811)
Net cash provided by operating activities	<u>\$ 42,555</u>	<u>\$ 112,651</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

INTRODUCTION

1. The Town of Waterproof, Louisiana was incorporated under provisions of the Louisiana Act as a Town in 1892.
2. The purpose of the municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services.
3. The Board of Aldermen consists of five elective members and they are paid \$125 per month.
4. The Town is located in the southern portion of Texas Parish, Louisiana. Texas Parish is located in Northeast Louisiana.
5. The population of Waterproof, Louisiana is 1,002 persons.
6. The Town of Waterproof, Louisiana has twelve full time employees.
7. The Town of Waterproof, Louisiana has approximately 450 utility customers.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Town of Waterproof, Louisiana 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.

B. REPORTING ENTITY

As the municipal governing authority, for reporting purposes, the Town of Waterproof, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (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.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of Waterproof, Louisiana 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:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the municipality to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefit to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
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.

As required by generally accepted accounting principles, these financial statements present the Town of Waterproof, Louisiana (the primary government) and its component units. There are no component units included in the accompanying financial statements as either blended with the municipality funds or discretely presented.

C. FUND ACCOUNTING

The municipality uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental Funds

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long term debt. Governmental funds include:

1. **General Fund** - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. **Capital Projects** - account for transactions relating to proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

1. **Enterprise funds**—account for operations (a) 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.

General Fixed Assets and Long Term Debt

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group and are recorded as expenditures in the governmental fund types when purchased. The Town has elected to net capitalistic public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks and drainage improvements. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement basis, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used in the proprietary fund is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Gas lines, Sewer lines and plant	50 years
Vehicles and equipment	3 to 10 years

All fixed assets are stated a historical cost.

II. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement basis applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their collectability seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Bad debts are recognized when they become uncollectible.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town prepares a proposed budget and submits it to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year. The Town approves a budget for the general fund only.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer to funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

F. INVENTORIES

Inventories of material and supplies are valued at lower of cost or market.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements – overview are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

II. COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operation. However, comparative (i.e., presentation of prior year totals by fund type) data have not been represented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

I. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

J. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

K. ENCUMBRANCES

The Town of Waterproof does not use encumbrance accounting.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 3 – CASH AND CASH EQUIVALENTS

Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 2002, the Town had cash and cash equivalents according to the bank's balances totaling \$199,439 as follows:

Demand deposits	\$	156,821
Time deposits		<u>42,618</u>
Total	\$	<u>199,439</u>

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 on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 2002 of \$199,439 were secured by Federal deposit insurance and \$40,178 was secured by securities pledged.

NOTE 3 – RECEIVABLES

The following is a summary of receivables at June 30, 2002:

	General Fund	Utility Fund
Fines	\$ 76,786	\$ -
Utility fees	-	49,110
Loss allowance for uncollectibles	<u>(95,000)</u>	<u>(20,000)</u>
Total accounts receivable	<u>\$ 81,786</u>	<u>\$ 29,110</u>

NOTE 4 – RESTRICTED ASSETS PROPRIETARY FUND TYPE

Certain assets were restricted for debt service and customer deposits. These assets consisted of the following:

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002**

NOTE 4 – RESTRICTED ASSETS PROPRIETARY FUND TYPE - CONTINUED

Sinking fund	\$ 5,736
Customer deposits	27,973
Bond reserve fund	8,042
Bond contingency fund	9,968
	<u>\$ 51,720</u>

NOTE 5 – CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in general fixed assets follows:

	Balance 6/30/2001	Additions	Deletions	Balance 6/30/2002
Land and Buildings	\$328,363	\$ 35,145	\$ -	\$ 363,508
Equipment	<u>212,518</u>	<u>51,197</u>	<u>-</u>	<u>263,715</u>
Total	<u>\$540,881</u>	<u>\$ 86,342</u>	<u>\$ -</u>	<u>\$ 627,223</u>

NOTE 6 – PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund's plant and equipment at June 30, 2002 follows:

Water	\$ 3,005,190
Sewer	1,332,155
Gas	889,096
Garbage	117,799
Brushes and Mowing	<u>3,692</u>
Total plant and equipment	5,257,892
Less accumulated depreciation	<u>(2,289,021)</u>
Net	<u>\$ 2,978,871</u>

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

NOTE 7 – CHANGES IN LONG-TERM DEBT

The following is a summary of long-term obligation transactions of the Town of Waterproof for the year ended June 30, 2002:

	Bonded Debt	Notes Payable	Total
Bonds payable at June 30, 2001	\$ 541,821	\$ -	\$ 541,821
Additions	-	90,000	90,000
Deductions	<u>(5,940)</u>	<u>-</u>	<u>(5,940)</u>
Bonds payable at June 30, 2002	<u>\$ 534,881</u>	<u>\$ 90,000</u>	<u>\$ 624,881</u>

Long-term debt payable at June 30, 2002 are comprised of the following issues:

Water Revenue Bonds:

\$54,881 in revenue bonds due in annual installments of \$31,181 through July 2005; interest at 4.5%.

Notes Payable:

\$50,000 in notes payable due in annual installments of \$12,091 through August 2004; interest at 6.0%.

The annual requirements to amortize the bonds as of June 30, 2002 are as follows:

Year	Bonded Debt	Note Payable	Total
2002	\$ 31,181	\$ 12,091	\$ 43,272
2004	31,181	12,091	43,272
2005	31,181	12,091	43,272
2006	31,181	12,091	43,272
2007	31,181	12,091	43,272
Thereafter	<u>894,542</u>	<u>-</u>	<u>894,542</u>
	1,058,447	68,855	1,111,402
Less amounts representing interest	<u>512,566</u>	<u>18,855</u>	<u>531,421</u>
	<u>\$ 534,881</u>	<u>\$ 90,000</u>	<u>\$ 624,881</u>

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

NOTE 8 – PROPRIETARY FUND BOND INDENTURE RESTRICTIONS

The Town's proprietary fund bonds are governed by bond indentures, the terms of which are summarized as follows:

1. Commencing with the month following completion of improvements financed with the proceeds of the bonds, a reserve fund shall be maintained. For the period August 31, 1997 through July 31, 2000, \$130 must be deposited into this fund monthly until \$31,180 has been accumulated.
2. Commencing with the month following completion of improvements financed with the proceeds of the bonds, a contingency fund shall be maintained. For the period August 31, 1995 through July 31, 2000, \$129 must be deposited monthly.
3. The Town is required to deposit \$2,998 monthly into a sinking fund. Payments from the sinking fund are made to pay the bonds and interest.

The Town is in compliance with these restrictions.

NOTE 9 – DEFICIT RETAINED EARNINGS

The enterprise fund deficit in retained earnings of \$1,066,314 is the result of revenues inadequate to cover expenses including depreciation for several years.

NOTE 10 – AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1, of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Toussaint Parish.

For the year ended June 30, 2002 taxes of 3.09 mills were levied on property with assessed valuations totaling \$1,658,440 and were dedicated to general corporate purposes.

Total ad valorem taxes levied were \$50,718 during the year ended June 30, 2002.

NOTE 11 – RETIREMENT COMMITMENTS

The Town of Waterproof employees are all members of the social security system and are members of an other retirement plan. The expense of the social security is reflected in payroll taxes in the various statements of income.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2002

NOTE 12 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The Town grants one week vacation after one year of service and two weeks vacation after two years of service. Each employee is entitled to ten sick days per year. Vacation or sick pay does not accumulate. The Town's policy concerning compensation for unpaid vacation pay or sick pay is that upon termination of an employee, vacation days and sick days not previously used by the employee are not reimbursed.

NOTE 13 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	Gas Fund	Water Fund	Street Fund	Garbage Fund	Other	Total
Operating Revenues	\$ 190,044	\$ 88,430	\$ 34,021	\$ 27,077	\$ 17,886	\$ 357,458
Depreciation	26,428	22,288	11,024	-	-	59,740
Operating Profit	163,616	66,142	23,000	27,077	17,886	313,721
Net Investment	270,880	280,000	24,000	2,440	2,700	560,020
Plant, property & equipment, and facilities	-	200	887	-	880	1,867
Plant and equipment	-	14,000	-	-	-	14,000
Total assets	290,880	1,241,200	24,887	-	-	1,556,967
Long-term liabilities payable from operating revenues	-	54,881	-	-	-	54,881
Total equity	\$ 290,880	\$ 1,186,319	\$ 24,887	\$ -	\$ -	\$ 1,492,086

NOTE 14 – SUMMARY OF GRANTS

Funding from the following Federal and State grants was received during the year ended June 30, 2002:

Funding Source and Program	CFDA Number	Revenue Amount
Federal Grants:		
Department of Justice - COPE	16-710	\$ 51,808
FEMA - Fire Department	83-204	11,818
Total - Federal		<u>\$ 63,626</u>
Other Grants:		
State of Louisiana - Division of Administration (Town Hall Renovations)	0012590501140	5,758
Total Federal and Other Grants		<u>\$ 69,384</u>

SECTION III - SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

**To account for resources traditionally associated with governments which
are not required to be accounted for in another fund.**

**TOWN OF WATERPROOF, LOUISIANA
GENERAL FUND**

**COMPARATIVE BALANCE SHEET
JUNE 30, 2002**

		(Non-cash Only)
ASSETS	2002	2001
Cash	\$ 115,716	\$ 92,953
Accounts receivable	<u>41,786</u>	<u>49,463</u>
Total assets	<u>157,502</u>	<u>142,416</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	15,113	11,462
Accrued compensated absences	<u>5,468</u>	<u>5,468</u>
Total liabilities	<u>20,581</u>	<u>16,930</u>
 Fund balance - unreserved	 <u>136,921</u>	 <u>125,486</u>
 Total liabilities and fund balance	 <u>\$ 157,502</u>	 <u>\$ 142,416</u>

The following notes are an integral part of these financial statements.

**TOWN OF WATERPROOF, LOUISIANA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
YEAR ENDED JUNE 30, 2002
With Comparative Actual Amounts for Year Ended June 30, 2001**

		2002		(Memorandum Only) 2001 Actual
	Budget	Actual	Variance - Favorable (Unfavorable)	
Revenues:				
Taxes	\$ 47,000	\$ 55,034	\$ 8,034	\$ 55,833
Licenses and permits				
Occupational license	11,000	16,636	4,636	15,345
Intergovernmental				
Grants	78,768	81,386	16,616	110,912
Tobacco tax	3,808	-	(3,808)	5,619
Fire insurance tax	4,308	-	(4,188)	4,213
Beer tax	1,808	1,883	(677)	1,963
Fines	113,800	126,298	13,298	207,211
Miscellaneous	6,100	5,954	(146)	7,715
Total revenues	<u>368,200</u>	<u>408,891</u>	<u>32,431</u>	<u>521,625</u>
Expenditures:				
General government	127,165	134,888	(7,423)	111,794
Public safety -				
Police and fire	216,780	218,434	(12,754)	188,187
Capital outlay	48,191	36,342	3,849	125,791
Total expenditures	<u>392,056</u>	<u>409,664</u>	<u>(16,308)</u>	<u>425,841</u>
Excess of revenues over expenditures	(15,794)	326	16,123	185,775
Other financing sources (uses):				
Transfers in (out)	-	11,849	11,849	(68,836)
Excess of revenues and other sources over expenditures	(15,794)	11,375	27,271	87,239
Fund balance, beginning	<u>125,554</u>	<u>125,554</u>	<u>-</u>	<u>68,317</u>
Fund balance, ending	<u>\$ 189,758</u>	<u>\$ 136,929</u>	<u>\$ 27,171</u>	<u>\$ 125,554</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERBURY, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
YEAR ENDED JUNE 30, 2002

With Comparative Actual Amounts for the Year Ended June 30, 2001

	2002		Variance -	(Miscellaneous
	Budget	Actual	Favorable	Only)
			(Unfavorable)	2001
				Actual
General government:				
Salaries	\$ 24,400	\$ 24,605	\$ (215)	\$ 24,605
Admission fees	7,000	6,000	1,000	6,000
Legal and accounting	14,000	9,478	4,522	19,083
Insurance	26,719	27,780	1,061	13,005
Utilities and telephone	29,000	34,731	(5,731)	27,170
Printing	2,000	2,170	203	2,425
Office supplies	200	3,180	(2,980)	739
Fees and subscriptions	1,000	800	1,200	500
Repairs	300	1,578	(1,278)	887
Supplies	1,200	4,994	(3,794)	3,088
Payroll taxes	4,000	5,768	(1,768)	3,783
Miscellaneous	13,900	15,148	(1,248)	6,720
Drug testing	850	600	187	462
Total general government	<u>127,669</u>	<u>134,858</u>	<u>(7,189)</u>	<u>111,794</u>
Public safety - police and fire:				
Salaries	143,000	144,671	(1,671)	116,152
Payroll taxes	11,500	18,250	1,250	8,023
Supplies	8,500	6,807	1,493	19,668
Bond debts - fees	28,500	28,187	313	15,000
Law enforcement equipment	4,000	12,585	(8,585)	4,281
Gas and oil	6,000	11,825	(5,825)	19,353
Repairs	4,000	3,183	(883)	6,299
Insurance	4,500	6,050	(1,550)	6,079
Miscellaneous	2,700	1,999	1,043	9,843
Total public safety	<u>216,700</u>	<u>219,435</u>	<u>(2,735)</u>	<u>188,357</u>
Capital outlay	<u>49,191</u>	<u>36,341</u>	<u>3,849</u>	<u>129,799</u>
Total expenditures	<u>\$ 393,560</u>	<u>\$ 390,634</u>	<u>\$ (1,926)</u>	<u>\$ 429,950</u>

The following notes are an integral part of these financial statements.

ENTERPRISE FUND

Utility Fund - To account for the provision of water, gas, sewer and sanitation services to residents of the Town and some residents of the Parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administrative, maintenance, financing and related debt service, and billings and collection.

TOWNSHIP OF WATERBURY, VERMONT
 INTERFUNDAL
 FUND BALANCE

COMPARATIVE BALANCE SHEET
 June 30, 2002

	Assets		Liabilities and Fund Equity	
	2002	2001	2002	2001
ASSETS				
Current assets:				
Cash	\$ 34,258	\$ -		
Accounts receivable:				
Commuter use of alternatives	28,119	18,288		\$ 3,418
Not collectible	1,411	772	\$ 24,911	12,541
Inventory				
Residual assets	27,212	18,488	28,770	28,448
Commuter deposits	5,718	25,487	7,287	4,755
Outstanding fund	89,354	82,227	128	282
Total current assets			\$ 47,977	\$ 37,942
Residual assets:				
Contingency fund	9,268	8,256		
Reserve fund	8,817	6,492		
Total residual assets	18,085	14,748	\$ 27,824	\$ 25,688
			\$ 75,801	\$ 63,630
Plant and equipment, at cost, less accumulated depreciation (2002-\$2,201,217; 2001-\$2,192,847)	3,279,877	3,115,549	\$ 3,000,318	\$ 2,988,318
Total assets	\$ 3,992,015	\$ 3,211,594	\$ 3,076,119	\$ 2,994,248
			\$ 1,281,594	\$ 1,283,690
			\$ 1,794,525	\$ 1,710,558
			\$ 3,076,119	\$ 2,994,248
			\$ 3,076,119	\$ 2,994,248

The following table sets out the major part of these financial statements.

**TOWN OF WATERBURY, LOUISIANA
ENTERPRISE FUND
TRUST FUND**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2003**

	2002	(Miscellaneous Only) 2001
Operating revenues:		
Charges for services -		
Gas sales	\$ 178,962	\$ 242,781
Water sales	86,028	76,873
Sewer sales	80,821	55,548
Garbage sales	31,727	38,635
Buckles and mowing charges	957	783
Miscellaneous revenues	24,128	14,849
Total operating revenues	<u>373,623</u>	<u>433,669</u>
Operating expenses:		
Gas department expenses	176,664	242,389
Water department expenses	183,767	197,893
Sewer department expenses	86,628	75,534
Garbage department expenses	41,858	37,877
Buckles and mowing expenses	16,385	5,623
Total operating expenses	<u>495,302</u>	<u>619,326</u>
Operating (loss)	<u>(121,679)</u>	<u>(185,657)</u>
Nonoperating revenues (expenses):		
Interest earned	1,824	2,588
Interest expense	(24,128)	(14,543)
Total nonoperating revenues (expenses)	<u>(22,304)</u>	<u>(11,955)</u>
(Loss) before operating transfers	<u>(143,983)</u>	<u>(197,612)</u>
Operating transfers:		
Transfer in (out)	<u>34,100</u>	<u>48,026</u>
Net (loss)	<u>(109,883)</u>	<u>(149,586)</u>
Retained earnings, beginning (deficit)	<u>(752,428)</u>	<u>(811,188)</u>
Retained earnings, ending (deficit)	<u>\$ (1,096,524)</u>	<u>\$ (952,428)</u>

The following notes are an integral part of these financial statements.

**TOWN OF WATERBURY, LOUISIANA
ENTERPRISE FUND-UTILITY FUND**

**COMPARATIVE STATEMENT OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	2001	(Memorandum Only) 2002
Gas department:		
Gas purchase	\$ 87,330	\$ 100,000
Depreciation	30,000	30,000
Salaries	23,623	20,100
Insurance	891	1,500
Repairs	1,000	100
Utilities and telephone	100	1,515
Payroll taxes	1,003	1,010
Truck expenses	882	710
Office supplies	20	100
Gas leak survey	2,775	4,000
Fuel costs	19,500	10,700
Supplies	1,000	1,200
Legal and accounting	1,000	2,100
Deer	200	75
Miscellaneous	1,000	8,000
Total gas expenses	<u>170,604</u>	<u>280,000</u>
Water department:		
Depreciation	87,000	87,000
Salaries	20,627	22,700
Chemicals	10,000	23,000
Utilities and telephone	17,500	15,100
Repairs	1,000	1,070
Insurance	1,000	1,000
Payroll taxes	1,700	2,200
Supplies	2,210	1,500
Office supplies	400	200
Truck expenses	100	1,300
Contracting	18,100	21,000
Drug tests	410	300
Travel	50	100
Legal and accounting	2,000	1,700
Advertising	100	100
Deer	1,000	1,000
Miscellaneous	1,000	4,000
Total water expenses	<u>\$ 182,707</u>	<u>\$ 197,600</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERBURY, LOUISIANA
ENTERPRISE FUND-UTILITY FUND

COMPARATIVE STATEMENT OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	2001	(Miscellaneous Only) 2002
Sewer department		
Depreciation	\$ 33,550	\$ 35,535
Utilities and telephone	12,722	13,080
Repairs	8,913	6,550
Salaries	18,268	8,600
Insurance	369	587
Taxes	5,159	6,668
Office supplies	-	280
Payroll taxes	888	683
Truck expenses	32	88
Supplies	1,765	2,650
Chemicals	811	723
Miscellaneous	4,212	3,388
Advertising	45	-
Total sewer expenses	<u>89,659</u>	<u>78,218</u>
Garbage department		
Salaries	21,890	24,440
Insurance	1,288	2,717
Truck expenses	1,890	3,112
Payroll taxes	1,683	2,669
Office supplies	88	27
Repairs	589	3,358
Supplies	3,878	6,418
Miscellaneous	648	121
Total garbage expenses	<u>41,606</u>	<u>52,872</u>
Sanitation and sweeping department		
Salaries	329	-
Repairs	4,768	3,891
Supplies	1,463	1,841
Miscellaneous	2,317	-
Total sanitation and sweeping expenses	<u>\$ 8,877</u>	<u>\$ 5,732</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES

For the Year Ended June 30, 2002

COMPENSATION PAID ALDERMEN

The schedule of compensation paid to aldermen is presented in compliance with House concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the Legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:485 (G), the aldermen have passed an ordinance that sets their compensation at \$125 per month.

TOWN OF WATERPROOF, LOUISIANA
SCHEDULE OF COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2003

<u>NAME</u>	<u>COMPENSATION</u>
Herbert Williams	\$ 1,500
Brian Sell	1,500
Robert Bledsoe	1,500
Bonnie Brown	1,500
Total	<u>\$ 6,000</u>

SECTION III - COMPLIANCE/INTERNAL CONTROL

SWITZER, HOPKINS & MANGE
Certified Public Accountants

200 NORTH BROADWAY, SUITE 200
BIRMINGHAM, ALABAMA 35203
PHONE (205) 261-1100

MEMPHIS OFFICE: 250 N. MAIN - 908

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

**Honorable Mariah J. Cooper, Mayor
and Members of the Board of Aldermen
Town of Waterproof, Louisiana**

We have audited the general purpose financial statements of Town of Waterproof, Louisiana as of and for the year ended June 30, 2002, and have issued our report thereon dated September 11, 2002. We have 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.

Compliance

As part of obtaining reasonable assurance about whether Town of Waterproof, 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, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an object 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 the Town of Waterproof, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Honorable Mariah A. Cosper, Mayor
and Members of the Board of Aldermen
Page Two

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 judgement, could adversely affect the Town of Waterproof, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition we discovered is described in the accompanying schedule of findings and questioned costs as item 2002-1.

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 accounts 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. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Town City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Franklin, Louisiana
September 13, 2002

Switzer, Hopkins & Arango

**SECTION IV - SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

TOWN OF WATERBORNE, LOUISIANA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2003**

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the General Purpose Financial Statements.
2. One reportable condition was disclosed during the audit of the financial statements and is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance certain laws and regulations of the Town of Waterborne, Louisiana were disclosed during the audit.

Findings -- Financial Statements Audit

Reportable Conditions

2003-1 Segregation of Duties

We noted that the Town of Waterborne, Louisiana does not have adequate segregation of duties. The Town has only two employees in the Town Hall and they have control over almost all financial transactions and record keeping.

To increase internal controls, we recommend adequate segregation of duties be obtained if possible.

See response attached.

TOWN OF WATERBROOK, LOUISIANA

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2001

INTERNAL CONTROL FINDINGS

2001-1 Segregation of Duties
(for fiscal year ending June 30, 2001)

Condition:	There is an insufficient segregation of duties to have an effective internal control.
Current status:	This finding still applies and is noted in the current audit for the year ending June 30, 2001. (See current finding noted as 2002-1).

SECTION V – RESPONSE

TOWN OF WATERPROOF
P.O. BOX 348
WATERPROOF, LA. 71375

MAYOR: MARLISH COOPER

CLERK: CONNIE MCNEEL

SEPTEMBER 18, 2003

SWITZER, HOPKINS & MANDRE
P.O. BOX 478
FERRISAY, LA. 71334

Dear Mr. Hopkins:

In regards to the segregation of duties internal control problems discussed in our audit for the year ended June 30, 2003, there is nothing that we plan to do about the problem. We have only one accounting employee and do not plan to hire anyone else. There is no way to segregate duties when you have only one accounting employee.

Sincerely,

Marlish J. Cooper, Mayor
Town of Waterproof

SECTION VI – SINGLE AUDIT ACT REPORTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

800 NORTH FIVE WINDS, LTD.
SUITE 2000, GREENWOOD, MS
39206, MISSISSIPPI

MEMBER FIRM OF THE AICPA

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

Honorable Mariah Cooper, Mayor
and Members of the Board of Aldermen
Town of Waterproof, Louisiana

Compliance

We have audited the compliance of the Town of Waterproof, Louisiana with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. The Town of Waterproof, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Waterproof Louisiana management. Our responsibility is to express an opinion on the Town of Waterproof, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Waterproof, Louisiana's compliance with these requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Waterproof, Louisiana's compliance with these requirements.

In our opinion, the Town of Waterproof, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Honorable Mariah Cooper, Mayor
and Members of the Board of Aldermen
Paga Two

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider being material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Town of Waterproof, Louisiana as of and for the year ended June 30, 2002, and have issued our report thereon dated September 11, 2002. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Town City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Previday, Louisiana
September 11, 2002

Suzanne Hopkins & George

TOWN OF WATERPROOF, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/Pass-through Grantor/ Program or Cluster Title _____	Federal CFDA Number	Federal Expenditures/ Loans ²
FEMA-Fire Grant	80.834	\$ 31,828
USDA-Water System Loan	16.770	541,821
Department of Justice-Cops	16.710	<u>51,898</u>
 Total expenditures of Federal awards (includes loans)		 <u>\$ 627,457</u>

TOWN OF WATERPROOF, LOUISIANA
Schedule of Findings and Question Costs - Single Audit
FOR THE YEAR ENDED JUNE 30, 2002

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? ___ Yes X No
- Reportable condition identified that are not considered to be material weaknesses? X Yes ___ No

Noncompliance material to financial statements noted? ___ Yes X No

Federal/State

Internal control over major programs:

- Material weakness identified? ___ Yes X No
- Reportable condition identified that are not considered to be material weaknesses? ___ Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 310(a) of Circular A-133? ___ Yes X No

Identification of major programs:

<i>CPIA Number</i>	<i>Name of Federal Program or Cluster</i>
10.770	USDA-Water System Loan

Dollar threshold used to distinguish between type A and type B programs: \$,000,000

Auditor qualified as low-risk auditor? X Yes ___ No

TOWN OF WATERPROOF, LOUISIANA
Schedule of Findings and Question Costs – Single Audit
FOR THE YEAR ENDED JUNE 30, 2002

SECTION II – Federal Award Findings and Questioned Costs

Major Program No. 1

• Information on the federal program	USDA-Water System Loan 10,770
• Criteria or specific requirement	Circular A-133
• Condition	NOA
• Questioned costs	NOA
• Control	NOA
• Effect	NOA
• Cause	NOA
• Recommendation	NOA
• Management's response	NOA