

157651

RECEIVED
LEGISLATIVE AUDITOR
2000 JUN 30 AM 10:35

**OFFICIAL
FILE COPY**
DO NOT SEND OUT
(Xerox necessary
copies from this
COPY and PLACE
BACK in FILE)

WEST VERNON PARISH WATERWORKS DISTRICT
FINANCIAL STATEMENTS
December 31, 1999

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 JUL 19 2000

CONTENTS

	<u>Page</u>	<u>No.</u>
UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY	1	- 2
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	3	- 4
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	5	- 6
BALANCE SHEET - EXHIBIT A	7	
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - EXHIBIT B	8	
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL (GAAP BASIS) - EXHIBIT C	9	
STATEMENT OF CASH FLOWS - EXHIBIT D	10	
NOTES TO FINANCIAL STATEMENTS	11	- 17
SUPPLEMENTARY INFORMATION		
Schedule 1 - Compensation of Board Members	19	
Schedule 2 - Schedule of Prior Year Findings	20	
Schedule 3 - Management's Corrective Action Plan	21	

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

(318) 239-2535
(318) 238-5135
Fax 239-2295

W. Micheal Elliott, CPA

UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

Board of Commissioners
West Vernon Waterworks District:

I have audited the accompanying general-purpose financial statements of West Vernon Waterworks District, a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of West Vernon Waterworks District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I 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 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of West Vernon Waterworks District as of December 31, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated June 23, 2000, on my consideration of West Vernon Waterworks District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the general-purpose financial statements of West Vernon Waterworks District taken as a whole. The accompanying 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. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Elliott & Assoc. "APAC"

Leesville, Louisiana

June 23, 2000

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

(318) 239-2535

(318) 238-5135

Fax 239-2295

W. Michael Elliott, CPA

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
West Vernon Waterworks District

I have audited the general-purpose financial statements of the West Vernon Waterworks District, a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 1999, and have issued my report thereon dated June 23, 2000. I conducted my 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 the West Vernon Waterworks District's general-purpose financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered the West Vernon Waterworks District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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. 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the Board of Commissioners and management of the West Vernon Waterworks District and the Legislative Auditor's office of the State of Louisiana and is not intended to be, and should not be, used by anyone other than these specified parties.

Elliott & Assoc. "APAC"

Leesville, Louisiana

June 23, 2000

WEST VERNON WATERWORKS DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended December 31, 1999

I have audited the financial statements of West Vernon Waterworks District as of and for the year ended December 31, 1999, and have issued my report thereon dated June 23, 2000. I conducted my 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. My audit of the financial statements as of December 31, 1999 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No
Reportable Conditions Yes No

Compliance

Compliance Material to Financial
Statements Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No N/A
Reportable Conditions Yes No N/A

Type of Opinion On Compliance For Major Programs

Unqualified Qualified
Disclaimer Adverse
N/A

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No N/A

c. Identification of Major Programs

CFDA Number(s)

Name of Federal Program

None

None

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ N/A

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?

Yes No N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

See independent auditor's report.

West Vernon Parish Waterworks District

BALANCE SHEET

December 31, 1999

ASSETS

Current assets:

Cash (Note 2)	\$ 24,097
State revenue sharing receivable	9,019
Ad valorem taxes receivable (Note 3)	<u>22,798</u>

Total current assets	<u>55,914</u>
----------------------	---------------

Restricted assets:

Bond construction accounts	
Cash and cash equivalents (Note 2)	503,831
Debt service accounts	
Cash and cash equivalents (Note 2)	254,741
Accrued interest receivable	235
Ad valorem taxes receivable (Note 3)	<u>54,716</u>

Total restricted assets	<u>813,523</u>
-------------------------	----------------

Organization costs (Note 4)	22,179
-----------------------------	--------

Less: accumulated amortization	<u>---</u>
--------------------------------	------------

Organization costs (net of accumulated amortization)	<u>22,179</u>
---	---------------

Land	<u>43,500</u>
------	---------------

Construction-in-progress (Note 5)	<u>79,720</u>
-----------------------------------	---------------

Total assets	<u>\$1,014,836</u>
--------------	--------------------

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 1,000
Payroll taxes payable	454
Ad valorem deductions payable	<u>2,446</u>
Total current liabilities	<u>3,900</u>
Current liabilities from restricted assets:	
Accrued interest payable	8,743
Bonds payable (Note 6)	20,000
Customer deposits	<u>52,108</u>
Total current liabilities from restricted assets	<u>80,851</u>
Long-term liabilities:	
Bonds payable (Note 6)	<u>410,000</u>
Total liabilities	<u>494,751</u>
Equity:	
Retained earnings:	
Reserved for debt service (Note 8)	332,043
Unreserved	<u>188,042</u>
Total retained earnings	<u>520,085</u>
Total equity	<u>520,085</u>
Total liabilities and equity	<u>\$1,014,836</u>

West Vernon Parish Waterworks District
Statement of Revenues, Expenses, and Changes in Retained Earnings
For the year ended December 31, 1999

Operating revenues:	
Charges for sales and services:	
Water sales	\$ <u> ---</u>
Total operating revenues	<u> ---</u>
Operating expenses:	
Current:	
Salaries and related benefits	4,198
Office expense	5,222
Contract labor	7,989
Insurance	225
Professional fees	4,475
Advertising	563
Telephone and utilities	1,657
Repairs and maintenance	377
Pension costs-ad valorem deductions	2,483
Miscellaneous expenses	<u>559</u>
Total operating expenses	<u>27,748</u>
Net income (loss) before nonoperating revenues (expenses)	<u>(27,748)</u>
Nonoperating revenues (expenses):	
Interest income	15,428
Interest expense (Note 6)	(30,136)
State revenue sharing	13,684
Ad valorem taxes-restricted (Notes 3 and 8)	25,862
Ad valorem taxes-unrestricted (Note 3)	48,540
Miscellaneous income	<u>243</u>
Total nonoperating revenues (expenses)	<u>73,621</u>
Net income	45,873
Retained earnings, beginning balance	<u>474,212</u>
Retained earnings, ending	<u>\$ 520,085</u>

The accompanying notes are an integral part of this statement.

Exhibit C

West Vernon Parish Waterworks District
Statement of Revenues, Expenses, and Changes in Retained Earnings
Budget and Actual (GAAP Basis)
For the year ended December 31, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating revenues:			
Charges for sales and services:			
Water sales	\$ ---	\$ ---	\$ ---
Total operating revenues	<u>---</u>	<u>---</u>	<u>---</u>
Operating expenses:			
Current:			
Salaries and related benefits	4,200	4,198	2
Office expense	5,000	5,222	(222)
Contract labor	8,000	7,989	11
Insurance	250	225	25
Professional fees	4,500	4,475	25
Advertising	500	563	(63)
Telephone and utilities	1,500	1,657	(157)
Repairs and maintenance	400	377	23
Pension costs-ad valorem deductions	2,500	2,483	17
Miscellaneous expenses	<u>500</u>	<u>559</u>	<u>(59)</u>
Total operating expenses	<u>27,350</u>	<u>27,748</u>	<u>(398)</u>
Net income (loss) before nonoperating revenues (expenses)	<u>(27,350)</u>	<u>(27,748)</u>	<u>(398)</u>
Nonoperating revenues (expenses):			
Interest income	15,000	15,428	428
Interest expense (Note 6)	(30,000)	(30,136)	(136)
State revenue sharing	13,500	13,684	184
Ad valorem taxes - restricted (Notes 3 and 8)	25,000	25,862	862
Ad valorem taxes - Unrestricted (Note 3)	48,500	48,540	40
Miscellaneous income	<u>200</u>	<u>243</u>	<u>43</u>
Total nonoperating revenues (expenses)	<u>72,200</u>	<u>73,621</u>	<u>1,421</u>
Net income	44,850	45,873	1,023
Retained earnings, beginning balance	<u>474,212</u>	<u>474,212</u>	<u>---</u>
Retained earnings, ending	<u>\$519,062</u>	<u>\$520,085</u>	<u>\$ 1,023</u>

The accompanying notes are an integral part of this statement.

West Vernon Parish Waterworks District
Statement of Cash Flows
For the year ended December 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$(27,748)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	---
Changes in assets and liabilities:	
Accounts payable	1,454
Other current liabilities	37
Customer deposits	<u>5,646</u>
Net cash (used) by operating activities	<u>(20,611)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Ad valorem taxes	59,980
Miscellaneous income	<u>243</u>
Net cash provided by noncapital financing activities	<u>60,223</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Ad valorem taxes	20,886
Acquisition of property, plant and equipment	(39,072)
Interest paid on long-term debt	(29,863)
Payments of revenue bonds	<u>(20,000)</u>
Net cash provided by capital financing activities	<u>(68,049)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>15,193</u>
Decrease in cash & cash equivalents	(13,244)
Cash & cash equivalents, beginning of fiscal year	<u>795,913</u>
Cash & cash equivalents, end of fiscal year	<u>\$782,669</u>

CLASSIFIED AS

Current assets	\$ 24,097
Restricted assets	<u>758,572</u>
Total	<u>\$782,669</u>

The accompanying notes are an integral part of this statement.

West Vernon Parish Waterworks District

Notes to the Financial Statements

December 31, 1999

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vernon Parish Police Jury is a political subdivision of the State of Louisiana. The Vernon Parish Police Jury is the reporting entity for Vernon Parish as defined by NCGA Statement 3, "Defining the Governmental Reporting Entity."

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governments. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

West Vernon Parish Waterworks District, "District," is a component unit of the Vernon Parish Police Jury as defined by GASB codification Section 2100. The District was created by the Vernon Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The District is governed by a board of five commissioners appointed by the Vernon Parish Police Jury, who are responsible for providing water service within the boundaries of the district.

A. FUND ACCOUNTING

West Vernon Parish Waterworks District is organized and operated on a fund basis as a Proprietary Fund Type-Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. Enterprise Funds are used to account for operations 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.

West Vernon Parish Waterworks District

Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. BASIS OF ACCOUNTING

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

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity, (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

C. CASH AND CASH EQUIVALENTS

Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less.

West Vernon Parish Waterworks District

Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. BUDGETARY PRACTICE

The West Vernon Parish Waterworks District utilizes the following budgetary practice:

Annually the District adopts a budget for the general fund type as a management device for control of revenues and expenses. The budget is amended at various times during the year as the need arises.

E. BAD DEBTS

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

F. STATUS OF OPERATIONS

At December 31, 1999, the District had received approval from the Louisiana Community Development Authority for financing in the approximate amount of \$4,900,000. The District expects to commence construction in early 2000 and will seek to continue signing members with related meter deposits in 2000. The only costs incurred at December 31, 1999, consist of engineering, legal and/or organizational costs which will be capitalized and amortized when the District produces water in 2001 or thereafter.

G. INTEREST EXPENSE

The District has been expensing interest during its development stage and will continue this policy in 2000.

West Vernon Parish Waterworks District

Notes to the Financial Statements (Continued)

NOTE 2--CASH AND CASH EQUIVALENTS

At December 31, 1999, the District had cash and investments as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash (demand deposits)	\$ 24,097	\$518,572	\$542,669
Investments	<u>---</u>	<u>240,000</u>	<u>240,000</u>
Total	<u>\$ 24,097</u>	<u>\$758,572</u>	<u>\$782,669</u>

At year end, the carrying amount of the District's deposits were \$782,669, and bank balances were \$782,931. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$274,643
Uncollateralized (In accordance with GAAP - See below)	<u>508,288</u>
	<u>\$782,931</u>

These deposits are stated at cost, which approximates market. 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 at least equal the amount on deposit with the fiscal agent.

The uncollateralized amount shown above is secured by pledged securities with a market value of \$686,462 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

West Vernon Parish Waterworks District

Notes to the Financial Statements (Continued)

NOTE 3--AD VALOREM TAXES RECEIVABLE

The District utilized the Vernon Parish Sheriff's Office to collect its property taxes using the assessed values determined by the tax assessor of Vernon Parish.

For the year ended December 31, 1999, taxes of 10 mils and 24 mils were levied on property with assessed valuation totaling \$2,279,840 and was dedicated toward operations and maintenance and the sinking fund respectively.

Total taxes levied were \$77,515 and the receivable at December 31, 1999 consisted entirely of the current year assessment. Total collections and other adjustments for the year ended December 31, 1999 was \$87,930.

NOTE 4--ORGANIZATION COSTS

Amortization of organization costs will be computed on the straight-line method over five years when the water system becomes functional and begins earning revenue.

NOTE 5--CONSTRUCTION-IN-PROGRESS

Construction-in-progress activity for the year ended December 31, 1999 was as follows:

Balance, December 31, 1998	\$ 76,648
Additions	3,072
Deletions	<u>---</u>
Balance, December 31, 1999	<u>\$ 79,720</u>

The construction-in-progress will be capitalized and not depreciated until the water system becomes functional.

West Vernon Parish Waterworks District
Notes to the Financial Statements (Continued)

NOTE 6--CHANGES IN LONG-TERM DEBT

Bonds payable at December 31, 1999 is comprised of the following issue:

Bonds payable, December 31, 1998	\$450,000
Bonds issued	---
Bonds retired	<u>(20,000)</u>
Bonds payable, December 31, 1999	<u>\$430,000</u>

\$525,000 of general obligation bonds dated June 1, 1992; due in annual installments of \$15,000-\$50,000 through 2012; interest at 4.00%-6.95%.

The annual requirements to amortize all revenue bonds outstanding as of December 31, 1999, including interest payments of \$207,675, are as follows:

2000	\$ 47,300
2001	50,838
2002	49,212
2003	47,587
2004	50,800
2005-2009	243,125
2010-2012	<u>148,813</u>
Total	<u>\$637,675</u>

NOTE 7--RISK MANAGEMENT

Since the District has not commenced operations as of December 31, 1999, the only insurance cost to date is fidelity bond coverage totaling \$225.

NOTE 8--RESERVED RETAINED EARNINGS

The balance of \$332,043 in reserved retained earnings represents the difference between assets restricted for debt service less liabilities payable from restricted assets including \$410,000 in long-term bonds to be utilized for construction purposes in future period.

SUPPLEMENTARY INFORMATION

West Vernon Parish Waterworks District
Supplementary Information
For the year ended December 31, 1999

Schedule 1

COMPENSATION OF BOARD MEMBERS

The Board of Commissioners of the West Vernon Parish Waterworks District served without compensation for the year ended December 31, 1999.

See independent auditor's report.

West Vernon Waterworks District
SCHEDULE OF PRIOR YEAR FINDINGS

For the Fiscal Year Ended December 31, 1999

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

There were no prior year findings relating to internal control and compliance material to the financial statements.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS**

There were no prior year findings relating to internal control and compliance material to federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter with the prior year audit report.

See independent auditor's report.

West Vernon Waterworks District
MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Fiscal Year Ended December 31, 1999

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENT**

N/A

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS**

N/A

SECTION III MANAGEMENT LETTER

N/A

See independent auditor's report.