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PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

GENERAL PURPOSE FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT WITH  
SUPPLEMENTAL INFORMATION SCHEDULES

Years ended July 31, 1999 and 1998

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

Release Date FEB 09 2000

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PINE HILL WATER WORKS DISTRICT NO. 8  
Caddo Parish, Louisiana

General Purpose Financial Statements  
With Independent Auditor's Report  
As of and for the Years Ended July 31, 1999 and 1998

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# D. L. Butler

CERTIFIED PUBLIC ACCOUNTANT

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## Independent Auditor's Report

BOARD OF COMMISSIONERS  
PINE HILL WATER WORKS DISTRICT NO. 8  
Caddo Parish, Louisiana

I have audited the general purpose financial statements of Pine Hill Water Works District No. 8, a component unit of the Caddo Parish Commission, as of July 31, 1999 and July 31, 1998, and for each of the years in the two year period then ended. These general purpose financial statements are the responsibility of the district's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 in the first paragraph present fairly, in all material respects, the financial position of Pine Hill Water Works District No. 8, as of July 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion of the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of Pine Hill Water Works District No. 8. 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.

BOARD OF COMMISSIONERS  
PINE HILL WATER WORKS DISTRICT NO. 8  
Caddo Parish, Louisiana

In accordance with *Government Auditing Standards*, I have also issued a report dated December 20, 1999, on my consideration of Pine Hill Water Works District No. 8's internal control and on the district's compliance with laws and regulations.

A handwritten signature in cursive script, appearing to read "M. Zutter".

Shreveport, Louisiana  
December 20, 1999  
ID #72-0646304

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

BALANCE SHEETS

July 31, 1999 and July, 1998

	1999	1998
<b>ASSETS</b>		
<u>CURRENT ASSETS</u>		
Cash - unrestricted - including interest bearing deposits of \$144,235 and \$120,141	144,385	\$120,291
Accounts receivable	40,954	65,256
Prepaid expenses and deposits	4,747	4,354
Total current assets	190,086	189,901
<u>RESTRICTED ASSETS</u>		
Cash - bond and interest sinking fund	22,550	22,550
Cash - bond reserve fund	22,245	22,245
Cash - bond replacement and extension fund	22,000	22,000
Cash - meter deposits	5,291	5,082
Total restricted assets	72,086	71,877
<u>PROPERTY AND EQUIPMENT</u>		
Pipeline	376,452	376,452
Well and well equipment	325,579	325,579
Other equipment	152,009	152,009
Office building	74,334	74,334
Truck	17,622	-0-
Land	17,303	17,303
	963,299	945,677
Less accumulated depreciation	<546,274>	<516,581>
Total property and equipment	417,025	429,096
<u>OTHER ASSETS</u>	2,282	2,282
Total assets	\$681,479	\$693,156

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

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

BALANCE SHEETS

July 31, 1999 and July, 1998

	1999	1998
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 23,236	\$ 46,036
Current maturities of long-term debt (Note 3)	<u>15,000</u>	<u>15,000</u>
Total current liabilities	<u>38,236</u>	<u>61,036</u>
<u>METER DEPOSITS (NOTE 6)</u>	<u>51,910</u>	<u>50,820</u>
<u>LONG-TERM LIABILITIES</u>		
Compensated absences payable	9,217	9,217
Long-term debt less current maturities (Note 3)	<u>146,000</u>	<u>161,000</u>
Total long term liabilities	<u>155,217</u>	<u>170,217</u>
Total liabilities	245,363	282,073
<u>FUND EQUITY</u>		
<u>Contributed capital</u> prior to operations	6,835	6,835
<u>Retained earnings</u>		
Reserved for general obligation bonds	44,430	44,430
Reserved for bond current debt service	22,245	22,245
Reserved for bond future debt service	22,135	22,135
Reserved for bond debt service contingency	19,805	19,805
Unreserved retained earnings	<u>320,666</u>	<u>295,633</u>
Total retained earnings	<u>429,281</u>	<u>404,248</u>
Total fund equity	<u>436,116</u>	<u>411,083</u>
Total liabilities and fund equity	<u>\$681,479</u>	<u>\$693,156</u>

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

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS - ENTERPRISE FUND  
For the years ended July 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<u>Operating Revenues:</u>		
Water sales	\$411,017	\$432,917
Connection fees	6,887	12,423
Reconnection fees	1,160	220
Late fees	<u>11,791</u>	<u>10,776</u>
Total operating revenue	430,855	456,336
<u>Operating Expenses:</u>		
Water purchases	183,756	\$172,387
Repairs and maintenance	46,784	64,566
Contract labor	13,972	17,152
Utilities	24,042	24,974
Depreciation	29,694	29,660
Well site and severance fees	16,504	17,898
Salaries	44,645	39,806
Employee benefits	611	9,217
Insurance	10,008	7,721
Professional fees	7,084	8,411
Office	3,973	6,296
Building maintenance	501	2,125
Commissioner fees	6,060	4,440
Supplies	14,899	11,312
Taxes and licenses	3,498	3,305
Bad debts	2,004	6,499
Miscellaneous	<u>2,326</u>	<u>2,459</u>
Total operating expenses	<u>410,361</u>	<u>428,228</u>
Operating income (loss)	20,494	28,108
<u>Non-Operating Revenues (Expense) :</u>		
Interest income	9,045	7,139
Miscellaneous	3,441	608
Interest expense	<7,920>	<8,550>
Other expenses	<u>&lt;27&gt;</u>	<u>&lt;95&gt;</u>
Total non-operating revenues (expenses)	<u>4,539</u>	<u>&lt;898&gt;</u>
Net income (loss)	25,033	27,210
Retained earnings, beginning	<u>404,248</u>	<u>377,038</u>
Retained earnings, ending	<u>\$429,281</u>	<u>\$404,248</u>

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

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

STATEMENTS OF CASH FLOWS

For the years ended July 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<u>OPERATING ACTIVITIES</u>		
Net income (loss)	\$25,033	\$27,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	29,694	29,660
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	24,302	<22,947>
Decrease (increase) in prepaid expenses	<398>	<28>
Increase (decrease) in meter deposits	1,090	1,720
Increase (decrease) in accounts payable and accrued expenses	<u>&lt;22,801&gt;</u>	<u>47,755</u>
Net cash provided (required) by operating activities	56,925	83,370
<u>INVESTING ACTIVITIES</u>		
Purchase of property and equipment	<17,622>	<22,918>
Increase (decrease) in restricted assets	<u>&lt;209&gt;</u>	<u>48</u>
Net cash provided (required) by investing activities	<17,831>	<22,870>
<u>FINANCING ACTIVITIES</u>		
Principal payments on long-term debt	<u>&lt;15,000&gt;</u>	<u>&lt;14,000&gt;</u>
Increase (decrease) in cash	24,094	46,500
Cash at beginning of year	<u>120,291</u>	<u>73,791</u>
Cash at end of year	<u>\$144,385</u>	<u>\$120,291</u>
Interest expense paid for the year	<u>\$ 7,920</u>	<u>\$ 8,550</u>

The accompanying notes are an integral part of these financial statements

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

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**1. Summary of significant accounting policies**

Pine Hill Water District No. 8 was created by the Caddo Parish Commission as authorized by *Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district.* The district is governed by a five member board appointed by the commission to serve five year terms of office. The board members receive \$60 for each meeting that they attend.

**A. BASIS OF PRESENTATION**

The accompanying general purpose financial statements of Pine Hill Water Works District No. 8 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 established governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

As the governing authority of the parish, for reporting purposes, the Caddo Parish Commission is the financial reporting entity for Caddo Parish. The financial reporting entity consists of (a) primary government (the commission), (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 Caddo Parish Commission for financial reporting purposes. The basic criteria 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 commission to impose its will on the organization and/or;
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the commission.
2. Organizations for which the commission does not appoint a voting majority but are fiscally dependent on the commission.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because on the nature or significance of the relationship.

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (continued)

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Because the commission appoints the governing body of the district and has the ability to impose its will on the district, the district was determined to be a component unit of the Caddo Parish Commission, 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 commission, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**C. FUND ACCOUNTING**

Pine Hill Water Works District No. 8 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**D. FIXED ASSETS AND LONG-TERM DEBT**

Fixed assets of the district are included on the balance sheet of the enterprise fund and are recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**E. 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 general purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Long-term debt**

Long-term debt consists of 4 1/2% mortgage bonds collateralized by all property and the net revenue derived from the operations of the system. Interest is payable semiannually on January 1 and July 1 of each year. Principal payments are made annually in increasing amounts sufficient to retire the debt by July, 2008. The mortgage is guaranteed by the United States of America. The outstanding principal totals \$161,000 and \$176,000 at July 31, 1999 and 1998 respectively, with current maturities of \$15,000 and \$14,000 for 1999 and 1998 respectively. The amount of interest paid during 1999 and 1998 was \$7,920 and \$8,550 respectively.

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS(continued)

The bond agreement requires the district to maintain certain cash reserve funds. Those funds consist of the bond and interest sinking fund, the bond reserve fund, and the replacement and extension fund. The bond and interest sinking fund is used to pay the current maturities of principal and interest. The bond reserve fund is a debt service reserve fund and the replacement and extension fund is used for payment of unusual repairs and maintenance or for the cost of improvements to the system. At July, 1999 and 1998 the balance in the restricted funds totaled \$72,086 and \$71,877. Interest earned on this amount is deposited to the operating bank account.

The annual requirements to amortize all bond debt outstanding at July 31, 1999 are as follows:

Year ending July 31	<u>GMAC Commercial Mortgage</u>		Year ending July 31	<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>			
2000	15,000	7,245	2006	20,000	2,655
2001	16,000	6,570	2007	21,000	1,755
2002	17,000	5,850	2008	<u>18,000</u>	<u>810</u>
2003	17,000	5,085			
2004	18,000	4,320			
2005	19,000	3,510		<u>\$161,000</u>	<u>\$37,800</u>

**3. Cash deposits with financial institutions**

All bank balances of deposits for Pine Hill Water Works District No. 8 at balance sheet date 1999 and 1998 are insured by the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance (FSLIC).

	<u>1999</u>	<u>1998</u>
<u>Regions Bank</u>		
Account 00-01946-38	\$ 6,999.75	\$ 6,882.47
<u>Deposit Guaranty</u>		
BH 2-079324	93,328.82	55,025.58
<u>City Bank</u>		
Account 2-5398-7	22,025.35	40,194.11
Account 2-0379-0	9,242.97	8,993.21
CD 4816598	10,000.00	10,000.00
CD 4001035	3,595.53	3,595.53
<u>Minden Bank &amp; Trust</u>		
Account 3163180	<u>71,128.92</u>	<u>67,326.62</u>
	<u>*\$216,321.34</u>	<u>*\$192,017.52</u>

\*includes restricted cash

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (continued)

**4. Compensated absences**

Pine Hill Water Works District No. 8 has a liability for compensated absences at July 31, 1999 of \$9,217.

**5. Cash and cash equivalents**

For purpose of the statement of cash flows, the district considers all cash and unrestricted investment instruments purchased with original maturities of three months or less to be cash equivalents. At July 31, 1999 and 1998, cash equivalents totaled \$131,596 and \$75,071.

**6. Meter deposits**

The district retains a deposit on each meter to assure prompt payment of monthly water bills. Cash refunds are made after the final bill. Under the laws governing the agencies of the Caddo Parish Commission, the district is required to hold 10% of the meter deposits in savings. The deposits totaled \$51,910 and \$50,820 at July 31, 1999 and 1998 respectively. Amounts held in savings was \$5,291 and \$5,082 at July 31, 1999 and 1998 respectively.

**7. Accounts receivable**

Accounts receivable are aged as follows:

	<u>1999</u>	<u>1998</u>
0-30 days	\$37,683	\$55,186
30-60 days	6,419	13,194
Over 60 days	<u>1,373</u>	<u>3,939</u>
	45,475	72,319
Less allowance for doubtful accounts	<u>&lt;4,521&gt;</u>	<u>&lt;7,063&gt;</u>
	<u>\$40,954</u>	<u>\$65,256</u>

**8. Litigation and claims**

At July 31, 1999, the district is not a defendant in any lawsuit and no judgments are pending. The district maintains commercial insurance coverage through a local agency to reduce the risk of loss resulting from property damage or liability claims. There were no significant reductions in insurance coverage during the two years ended July 31, 1999. There were no costs resulting from claims or judgments during the two years ended July 31, 1999.

SUPPLEMENTARY INFORMATION

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

SCHEDULE OF CHANGES IN RESTRICTED ASSETS

July 31, 1999 and 1998

	<u>Bond and Interest Sinking Fund</u>	<u>Bond Reserve Fund</u>	<u>Replacement and Extension</u>	<u>Meter Deposits</u>
Balance at August 1, 1997	\$22,720	\$22,295	\$22,000	\$5,100
Deposits FYE 7-31-98	-0-	-0-	-0-	-0-
Withdrawals FYE 7-31-98	<u>&lt;170&gt;</u>	<u>&lt;50&gt;</u>	<u>-0-</u>	<u>&lt;18&gt;</u>
Balance at July 31, 1998	22,550	22,245	22,000	5,082
Balance required at July 31, 1998	<u>22,550</u>	<u>22,245</u>	<u>22,000</u>	<u>5,082</u>
Excess deposited at July 31, 1998	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Balance at August 1, 1998	\$22,550	\$22,245	\$22,000	\$5,082
Deposits FYE 7-31-99	-0-	-0-	-0-	209
Withdrawals FYE 7-31-99	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Balance at July 31, 1999	22,550	22,245	22,000	5,291
Balance required at July 31, 1999	<u>22,550</u>	<u>22,245</u>	<u>22,000</u>	<u>5,191</u>
Excess deposited at July 31, 1999	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 100</u>

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

SCHEDULE OF INSURANCE IN FORCE

Year ended July 31, 1999

<u>Insurer</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Period</u>
Hartford	46CBBGR9049	Commercial Blanket Bond- \$325,000 - Employee dishonesty	07-16-99/07-16-00 (3 yr. bond; billed annually)
Transcontinental	B2011623992	Fire and Casualty Loss- \$598,100; \$250 deductible, Comprehensive General Liability \$1,000,000, single limit per occurrence; \$500 deductible	06-04-99/06-04-00
LA Workers Compensation Fund	673	Worker's Compensation 100/500/100	10-01-92/until canceled
Clarendon National	DS00000016369	Auto Liability- \$1,000,000 combined single limit; medical \$2,000; uninsured motorist \$100,000 Physical Damage- Actual cash values; collision \$500 deductible; other \$250 deductible	06-15-99/06-15-00

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

SCHEDULE OF WATER AND SERVICE CHARGES

July 31, 1999

<u>Water Rates</u>	<u>08-01-98/07-31-99</u>
First 2,000 gallons	\$ 10.00 -minimum charge
Next 18,000 gallons	3.00/1,000
Next 30,000 gallons	3.50/1,000
Usage in excess of 50,000 gallons	5.00/1,000
 <u>Other Services</u>	
Connection of new meter to system (Includes a refundable deposit of \$50)	525.00
Connection for new customer where meter is already connected to the system. (Includes a refundable deposit of \$50)	67.50
Reconnection of service disconnected due to failure to pay bill	20.00
NSF check fee	10.00

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

SCHEDULE OF BOARD MEMBERS AND PER DIEM PAID

July 31, 1999 and 1998

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		<u>1999</u>	<u>1998</u>
Tom Dixon	President	\$1,200	\$900
C. D. Clark	Vice-President	1,080	600
Linda Chamblee	Secretary	1,320	960
Guy Hamilton	Commissioner	1,200	1,020
Gerald Kent	Commissioner	<u>1,260</u>	<u>960</u>
		<u>\$6,060</u>	<u>\$4,440</u>

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year ended July 31, 1999

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**THERE WERE NO PRIOR YEAR AUDIT FINDINGS.**

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

SCHEDULE OF FINDINGS

For the Year ended July 31, 1999

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I have audited the general purpose financial statements of the Pine Hill Water Works District No. 8, Caddo Parish, Louisiana as of July 31, 1999 and July 31, 1998, and for each of the years in the two year period then ended, and have issued my report thereon dated December 20, 1999. 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 July 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 Weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reportable Conditions	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Compliance**

Compliance Material to Financial Statement	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
--	---	-----------------------------

**Section II-Financial Statement Findings**

**1999-1 Annual Financial Statements Not Submitted to the Mortgage Holder Within the Required Time**

**Criteria:** The mortgage note requires that annual audited financial statements be sent to the mortgage company within 60 days of the close of the fiscal year.

**Condition:** Pine Hill Water Works District No. 8 did not submit financial statements to the mortgage company within 60 days of the close of the fiscal year.

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA

SCHEDULE OF FINDINGS (continued)

For the Year ended July 31, 1999

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**Effect:** Mortgage company did not receive annual financial statements when required.

**Recommendation:** I recommend that the District make available information that can be used to begin the audit procedures prior to the end of the fiscal year instead of waiting until the end of the year is closed out to provide the information.

**Management's Response:** The District operates with only one person in the office. This year there was illness in the family of the office employee and closing of the year was delayed. There were also problems in the computer program that had to be resolved before the year could be completed.

In the future, the District will provide information that is available prior to closing out the year.

**Independent Auditor's Report Required by  
Government Auditing Standards**

The following independent auditor's report on internal control and compliance is presented in compliance with the requirements of *Government Auditing Standards* (Standards for Audit of Governmental Organizations, Programs, Activities, and Functions), issued by the Comptroller General of the United States.

# D. L. Butler

CERTIFIED PUBLIC ACCOUNTANT

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## **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  
PINE HILL WATER WORKS DISTRICT NO. 8  
Caddo Parish, Louisiana

I have audited the general purpose financial statements of the Pine Hill Water Works District No. 8, Caddo Parish, Louisiana as of July 31, 1999 and July 31, 1998, and for each of the years in the two year period then ended, and have issued my report thereon dated December 20, 1999. 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 Pine Hill Water Works District No. 8's general purpose financial statements are free of material misstatements 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 statement 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as 1999-1.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Pine Hill Water Works District No. 8's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose 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 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. I noted no matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

BOARD OF COMMISSIONERS  
PINE HILL WATER WORKS DISTRICT NO. 8  
Caddo Parish, Louisiana  
Report on Compliance and on Internal Control

This report is intended solely for the information of the board of commissioners of Pine Hill Water Works District No. 8, management of the district, and interested state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties. This is not intended to limit the distribution of this report, which is a matter of public record.



Shreveport, Louisiana  
December 20, 1999