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**WATERWORKS DISTRICT NO. 1
A COMPONENT UNIT OF UNION PARISH POLICE JURY
PROPRIETARY FUND – ENTERPRISE FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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 8-4-99

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund – Enterprise Fund

Financial Statements
For the Year Ended December 31, 1998

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RADIAN L. HENNIGAN
Certified Public Accountant
1503 Goodwin Road, Suite 1
Ruston, LA 71270
318-255-9305

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District No. 1
Farmerville, Louisiana

I have audited the accompanying balance sheet of Waterworks District No. 1 (a component unit of Union Parish Police Jury) as of December 31, 1998, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Waterworks District No. 1's management. Our responsibility is to express an opinion on these financial statements on our audit.

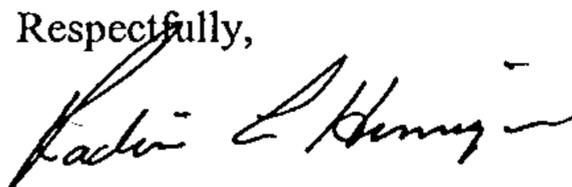
I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are 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 financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 as of December 31, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The budgetary information included on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements of Waterworks District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the financial

statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink, appearing to read "Radian L. Hennigan", with a horizontal flourish at the end.

Radian L. Hennigan
Certified Public Accountant

June 28, 1999

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type - Enterprise Fund
Balance Sheet

	<u>December 31,</u> <u>1998</u>
ASSETS	
Current Assets	
Cash	\$ 69,495
Accounts Receivable - Customers	16,627
Prepaid Expenses	2,340
Total Current Assets	<u>88,462</u>
 Restricted Assets	
Cash	26,059
Investments	19,343
Total Restricted Assets	<u>45,402</u>
 Property, Plant and Equipment	
Water Plant and Water Lines	569,876
Furniture and Equipment	2,024
Total	<u>571,900</u>
Less: Accumulated Depreciation	<u>(231,353)</u>
Net Depreciable Assets	340,547
Land	1,825
Construction in Progress	257,371
Total Property, Plant and Equipment	<u>599,743</u>
 Other Assets	 1,046
 TOTAL ASSETS	 <u><u>\$ 734,653</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type - Enterprise Fund
Balance Sheet

	<u>December 31,</u> <u>1998</u>
LIABILITIES AND RETAINED EARNINGS	
LIABILITIES	
Current Liabilities	
(Payable from Current Assets)	
Accounts Payable	\$ 1,595
Notes Payable	340
Total	<u>1,935</u>
Current Liabilities	
(Payable from Restricted Assets)	
Accrued Interest Payable	3,097
Bonds Payable	13,197
Customers' Meter Deposits	2,984
Total	<u>19,278</u>
Total Current Liabilities	<u>21,213</u>
Long-term Liabilities	
Bonds Payable	<u>461,063</u>
Total Long-term Liabilities	<u>461,063</u>
TOTAL LIABILITIES	<u>482,276</u>
RETAINED EARNINGS	
Reserved	
Reserved for Debt Service, Depreciation, and Contingency	41,143
Unreserved	
Undesignated	211,234
TOTAL RETAINED EARNINGS	<u>252,377</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 734,653</u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type - Enterprise Fund
Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget
(GAAP Basis) and Actual
For the Year Ended December 31, 1998

	1998		Variance - Favorable (Unfavorable)
	Budget	Actual	
Operating Revenues			
Water Sales	\$ 150,000	\$ 159,488	\$ 9,488
Installation Fees	3,000	1,800	(1,200)
Total Operating Revenues	<u>153,000</u>	<u>161,288</u>	<u>8,288</u>
Operating Expenses			
Board of Commissioners' Fees	1,300	940	360
Contract Labor	14,581	14,581	-
Depreciation	-	11,398	(11,398)
Equipment Rental	2,000	1,418	582
Insurance	2,200	2,571	(371)
Materials, Repairs, and Supplies	30,000	14,551	15,449
Office Expense	1,800	2,277	(477)
Other Expense	-	949	(949)
Payroll Taxes	-	586	(586)
Professional Fees	6,000	2,700	3,300
Salaries	7,657	7,657	-
Sales Tax	3,000	4,573	(1,573)
Utilities	15,000	10,806	4,194
Total Operating Expenses	<u>83,538</u>	<u>75,007</u>	<u>8,531</u>
Total Operating Income	<u>69,462</u>	<u>86,281</u>	<u>16,819</u>
Nonoperating Income (Expense)			
Interest Earned	1,000	1,980	980
Interest Expense	(14,650)	(10,767)	3,883
Total Nonoperating Income (Expense)	<u>(13,650)</u>	<u>(8,787)</u>	<u>4,863</u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type - Enterprise Fund
Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget
(GAAP Basis) and Actual
For the Year Ended December 31, 1998

	1998		
	Budget	Actual	Variance - Favorable (Unfavorable)
Net Income (Loss)	55,812	77,494	21,682
Retained Earnings at Beginning of Year	174,883	174,883	
Retained Earnings at End of Year	\$ 230,695	\$ 252,377	

The accompanying notes are an integral part of this statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type - Enterprise Fund
Statement of Cash Flows
For the Year Ended December 31, 1998

	1998
Cash flows from Operating Activities	
Operating Income	\$ <u>86,281</u>
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	11,398
Changes in:	
Accounts Receivable	(2,439)
Prepaid Expenses	(18)
Accounts Payable	(1,417)
Notes Payable	(410)
Total Adjustments	<u>7,114</u>
Net Cash Provided by Operating Activities	<u>93,395</u>
 Cash flows from Noncapital Financing Activities	
Change in Customers' Meter Deposits	<u>(125)</u>
 Cash flows from Capital and Related Financing Activities	
Principal payments on bonds payable	(11,519)
Principal payments on notes payable	(340)
Proceeds from interim loan	183,636
Interest paid on bonds and notes payable	<u>(10,767)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>161,010</u>
 Cash flows from Investing Activities	
Purchase of fixed assets	(183,481)
Purchase of investments	(10,000)
Interest received from investments	1,980
Net Cash used by Investing Activities	<u>(191,501)</u>
 Net Increase in Cash and Cash Equivalents	<u>62,779</u>
 Cash and Cash Equivalents, Beginning of Year	32,775
 Cash and Cash Equivalents, End of Year	\$ <u><u>95,554</u></u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type - Enterprise Fund
Statement of Cash Flows
For the Year Ended December 31, 1998

Cash and Cash Equivalents shown on Balance Sheet as:

Current Assets		
Cash	\$	69,495
Restricted Assets		
Cash		26,059
Total Cash and Cash Equivalents	\$	<u>95,554</u>

The accompanying notes are an integral part of this statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type – Enterprise Fund
Notes to the Financial Statements
December 31, 1998

The accounting and reporting policies of Waterworks District No. 1 (the District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirement of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following notes to the financial statements are an integral part of the District's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY

The District, a component unit of Union Parish Police Jury, was created by the Union Parish Police Jury as authorized by Chapter 9 of Title 33 of the Louisiana Revised Statutes of 1950. The District is governed by a five-member Board of Commissioners. The District is responsible for the maintenance and operation of the water system within the boundaries of the water district.

B. REPORTING ENTITY

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. In June 1991, the GASB issued Statement Number 14 "The Financial Reporting Entity." This Statement established criteria for determining which component units of government should be considered part of the primary government for financial reporting purposes.

The basic criteria for determining a component unit is accountability. The Union Parish Police Jury appoints a voting majority of the Board of Commissioners of the District and, therefore, has the ability to impose its will upon the District. The District is also financially dependent upon the Police Jury. Therefore, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

C. BASIS OF ACCOUNTING

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

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type – Enterprise Fund
Notes to the Financial Statements
December 31, 1998

applied. The District's records are maintained on an accrual basis. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. BUDGETARY PRACTICES

The Secretary-Treasurer prepares the annual budget and presents it to the Board at the last meeting of the preceding year for adoption. Budgeted amounts, including subsequent amendments, have been included in the accompanying financial statements.

E. STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

F. INVESTMENTS

Investments consist of a certificate of deposit which is stated at cost plus interest credited to the account.

G. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment purchased by the District are recorded at cost. Depreciation of all exhaustible fixed assets used by the District is charged as an expense against operations. Depreciation is computed using the straight-line method. Estimated useful lives are 50 years on the water plant and from 5 to 50 years on equipment.

Expenditures for repairs and maintenance are expensed as incurred; significant betterments are capitalized.

H. VACATION, SICK LEAVE AND RETIREMENT PLAN

The District does not have formal vacation, sick leave and retirement plan policies.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type – Enterprise Fund
Notes to the Financial Statements
December 31, 1998

I. BAD DEBTS

Uncollectible amounts for customers' water receivables are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible.

J. RESERVATIONS OF RETAINED EARNINGS

Some portions of retained earnings are reserved to indicate that a portion of retained earnings is legally restricted to a specific future use and is not available for appropriation or expenses.

K. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual costs could differ from those estimates.

2. CASH AND INVESTMENTS

At December 31, 1998, the District's cash and investments, shown on the balance sheet under current assets and restricted assets, consisted of checking, savings, and certificate of deposit accounts. The carrying amounts of those accounts totaled \$114,897 and the corresponding bank balances totaled \$116,954. All of the bank balances were covered by federal depository insurance, however, at year end a balance of \$16,954 exceeded the \$100,000 coverage.

3. RESTRICTED ASSETS (CASH AND INVESTMENTS)

Under the terms of the bond agreement and resolution of the Board of Commissioners, the District is required to establish and maintain four restricted asset accounts. They are as follows:

1. A customer meter deposit account in which all customer meter deposits are held.
2. A revenue bond and interest sinking fund account from which bond principal and interest are paid. On or before the 20th of each month, the District is required to deposit a sum equal to one-twelfth of the total amount of principal and interest

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type – Enterprise Fund
Notes to the Financial Statements
December 31, 1998

falling due in the following year for the 1980 bonds. A monthly payment of \$1,314.90 is required to be deposited for the 1997 bonds.

3. A reserve fund account in which funds are held for payment of bond principal and interest in the event the sinking fund account is unable to pay. On or before the 20th of each month, the District is required to deposit a sum at least equal to five percent of the amount to be paid into the sinking fund provided for in paragraph 2 above. The payments into the reserve are to continue until the reserve equals the highest combined principal and interest falling due in any year for the 1980 bonds. A monthly deposit of \$57 is required for the 1997 bonds..
4. A depreciation and contingency fund account to cover depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. On or before the 20th of each month, the District is required to deposit \$86 per month for the 1980 bonds. A monthly deposit of \$66 is required for the 1997 bonds.

The account balances as of December 31, 1998 are listed below:

	<u>1998</u>
Customers' Meter Deposit Account	\$ 2,971
Waterworks Reserve Bond and Interest	
Sinking Fund Account - 1980	5,588
Waterworks Reserve Fund Account	12,632
Waterworks Depreciation and Contingency	
Fund Account	17,843
Waterworks Sinking Fund Account – 1997	203
Waterworks Reserve Fund Account – 1997	892
Waterworks Contingency Fund Account – 1997	<u>1,002</u>
TOTAL	<u>\$ 41,131</u>

4. LEASES

The District has a month-to-month operating lease for computer equipment for \$158 per month. For the year ended December 31, 1998, the District paid \$1,890 in connection with the computer equipment.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type – Enterprise Fund
Notes to the Financial Statements
December 31, 1998

5. LONG-TERM LIABILITIES

Notes Payable:

	<u>December 31</u> <u>1998</u>
T. L. James and Co.; due in annual installments of \$750 through 1999, noninterest bearing	\$ 340
Less: Current portion	<u>(340)</u>
Total Long-term notes payable	<u>\$ -0-</u>

Revenue Bonds Payable:

	<u>December 31</u> <u>1998</u>
<u>1965 Issue</u> \$127,000 – 1965 Waterworks District No. 1 bonds payable in monthly installments of \$521 through June 21, 2005; interest rate of 3.75%	\$ 29,832
<u>1980 Issue</u> \$242,000 – 1980 Waterworks District No. 1 bonds payable in annual principal installments of \$3,000 to \$13,000 through September 5, 2020; interest rate of 5.0%	188,000
<u>1997 Issue</u> \$270,000 – 1997 Waterworks District No. 1 bonds payable in monthly installments of \$1,315 through September 3, 2037, interest rate of 5.0%	<u>256,428</u>
Total Bonds Payable	474,260
Less: Current Portion	<u>(13,197)</u>
TOTAL LONG-TERM BONDS PAYABLE	<u>\$ 461,063</u>

The bonds are secured by the revenue earned or derived from operations of the District.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Proprietary Fund Type – Enterprise Fund
Notes to the Financial Statements
December 31, 1998

The annual requirement to amortize the long-term obligations outstanding at December 31, 1998, including interest of \$487,822 attributable to Revenue Bonds, are as follows:

	<u>Bonds Payable</u>			Notes Payable	<u>Total</u>
	<u>1965 Issue</u>	<u>1980 Issue</u>	<u>1997 Issue</u>		
1999	6,250	14,400	15,780	340	36,770
2000	6,250	14,150	15,780	-	36,180
2001	6,250	13,900	15,780	-	35,930
2002	6,250	14,650	15,780	-	36,680
2003	6,250	14,350	15,780	-	36,380
2004-2037	<u>1,562</u>	<u>242,400</u>	<u>536,520</u>	<u>-</u>	<u>780,482</u>
Total debt payments	<u>\$ 32,812</u>	<u>\$313,850</u>	<u>\$615,420</u>	<u>\$ 340</u>	<u>\$ 962,422</u>

6. BOARD OF COMMISSIONERS – PER DIEM PAYMENTS

In compliance with Louisiana Revised Statute 33:3819, the commissioners, with the exception of the president, receive a per diem of \$20 for each meeting they attend to a maximum of 12 meetings per year. The president's per diem is \$50 per meeting up to a maximum of 12 meetings per year.

Board of Commissioners fees for 1998 were as follows:

<u>Name</u>	<u>Number of Meetings</u>	<u>Amount</u>
Charles A. Calcote	6	\$ 300
Steve Brantley	6	120
Sam Mashaw	5	100
Kim Dumas	3	60
Carolyn Thrailkill	6	120
Technical Consultants:		
Kathy Doolittle	6	120
Jack Dumas	6	120
 TOTAL		 <u>\$ 940</u>

7. RISK FINANCING ACTIVITIES

The District manages its exposure under general liability and property through the purchase of commercial insurance.

RADIAN L. HENNIGAN
Certified Public Accountant
1503 Goodwin Road, Suite 1
Ruston, LA 71270
318-255-9305

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

Board of Commissioners
Waterworks District No. 1
Farmerville, Louisiana

I have audited the financial statements of Waterworks District No. 1 (the District), a component unit of Union Parish Police Jury, as of and for the year ended December 31, 1998, and issued our report thereon dated June 28, 1999. I conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule titled Management's Corrective Action Plan.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide 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. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and others within the organization and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in cursive script, appearing to read "Radian L. Hennigan".

Radian L. Hennigan, CPA

Ruston, LA
June 28, 1999

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Schedule of Prior Year Findings
For the Year Ended December 31, 1998

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
1997-1 The Board of Commissioners reviews invoices on a monthly basis for payment approval. When performing my audit, I found no evidence of their approval. A board member should initial those invoices approved for payment for authorization control purposes.	Resolved – The Board of Commissioners review invoices on a monthly basis for payment and approval. A board member then initials the invoice notating approval.
1997-2 The bond covenants had not been met throughout the year of 1997. The Board should review these on a monthly basis to ensure that the District is in compliance with their bond covenants.	Partially resolved – In total, the funding requirements had been met through the various funds. However, the specific funds were not accurately funded. The Board will continue to monitor the requirements during 1999.
1997-3 Each cash account should be reconciled on a monthly basis as of the end of that monthly accounting period. They should also be tied to the general ledger balance as of the end of that monthly accounting period.	Resolved – The District’s accountant reconciles each cash account on a monthly basis and traces this balance to the general ledger.
SECTION III – MANAGEMENT LETTER	
N/A	

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Management's Corrective Action Plan
December 31, 1998

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
1998-1 Total bank deposits exceed FDIC coverage of \$100,000. No collateral has been pledged by the bank to cover the excess deposits.	Partially resolved. The board will request that adequate collateral be pledged to cover excess funds and that a periodic monitor be made of the balances.
SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
N/A	
SECTION III - MANAGEMENT LETTER	
N/A	