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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 Year Ended July 31, 2002

With Supplemental Information Schedules

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 3/12/03

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

General Purpose Financial Statements  
With Independent Auditor's Report  
As of and for the Year Ended July 31, 2002  
With Supplemental Information Schedules

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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 accompanying general purpose financial statements of Pine Hill Water Works District No. 8, a component unit of the Caddo Parish Commission, as of July 31, 2002, and for the year then ended, as listed in the table of contents. 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 auditing standards generally accepted in the United States of America and the standards applicable to the 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 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 general purpose 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, 2002, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion of the general purpose financial statements taken as a whole. The Schedule of Compensation Paid Commissioners and the Summary Schedule of Prior Audit Findings 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

The Water Rate Schedule and Schedule of Insurance are not a required part of the general purpose financial statements but are supplementary information. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of this supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 27, 2002, on my consideration of Pine Hill Water Works District No. 8's internal control over financial reporting and my tests of the district's compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Shreveport, Louisiana  
October 27, 2002  
ID #72-0646304

## **GENERAL PURPOSE FINANCIAL STATEMENTS**

PINE HILL WATER WORKS DISTRICT NO. 8  
CADD0 PARISH, LOUISIANA  
PROPRIETARY FUND TYPE-ENTERPRISE FUND

Statement A

Balance Sheet, July 31, 2002  
(With Comparative Totals for July 31, 2001)

	<u>2002</u>	<u>2001</u>
<b>ASSETS</b>		
<u><b>CURRENT ASSETS</b></u>		
Cash and Cash Equivalents	\$ 66,949	\$31,224
Accounts receivable (Net of allowance for doubtful accounts)	54,631	54,850
Prepaid expenses and deposits	<u>12,594</u>	<u>9,802</u>
Total current assets	134,174	95,876
<u><b>RESTRICTED ASSETS</b></u>		
Investments - bond and interest sinking fund	22,085	-0-
Investments - bond reserve fund	22,000	-0-
Investments - bond replacement and extension fund	831	19,772
Investments - meter deposits	<u>5,682</u>	<u>5,645</u>
Total restricted assets	50,598	25,417
<u><b>PROPERTY AND EQUIPMENT</b></u>		
Pipeline	419,432	398,652
Well and well equipment	336,923	336,923
Other equipment	391,586	391,586
Office building	74,334	74,334
Truck	17,622	17,622
Land	<u>17,303</u>	<u>17,303</u>
	1,257,200	1,236,420
Less accumulated depreciation	<u>&lt; 725,741 &gt;</u>	<u>&lt; 650,052 &gt;</u>
Total property and equipment	531,459	586,368
<u><b>OTHER ASSETS</b></u>	<u>2,282</u>	<u>2,282</u>
Total assets	<u>\$ 718,513</u>	<u>\$ 709,943</u>

PINE HILL WATER WORKS DISTRICT NO. 8  
 CADDO PARISH, LOUISIANA  
 PROPRIETARY FUND TYPE-ENTERPRISE FUND  
 Balance Sheet, etc.

Statement A

	<u>2002</u>	<u>2001</u>
<u>LIABILITIES AND FUND EQUITY(CONTD):</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 40,035	\$ 26,896
Current maturities of long-term debt (Note 2)	<u>34,000</u>	<u>17,000</u>
Total current liabilities	<u>74,035</u>	<u>43,896</u>
<u>METER DEPOSITS (NOTE 6)</u>	<u>56,820</u>	<u>56,450</u>
<u>LONG-TERM LIABILITIES</u>		
Compensated absences payable	10,032	9,217
Long-term debt less current maturities (Note 2)	<u>96,000</u>	<u>113,000</u>
Total long term liabilities	<u>106,032</u>	<u>122,217</u>
Total liabilities	<u>236,887</u>	<u>222,563</u>
<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>366,176</u>	<u>371,930</u>
Total retained earnings	<u>474,791</u>	<u>480,545</u>
Total fund equity	<u>481,626</u>	<u>487,380</u>
Total liabilities and fund equity	<u>\$718,513</u>	<u>\$709,943</u>

(Concluded)

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

PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA  
PROPRIETARY FUND TYPE- ENTERPRISE FUND

Statement B

Statement of Revenues, Expenses and Changes  
in Retained Earnings  
For the Year Ended July 31, 2002  
(With Comparative Totals for July 31, 2001)

	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Water sales	\$ 451,190	\$480,917
Connection fees	20,845	5,567
Reconnection fees	420	380
Late fees & miscellaneous	<u>19,439</u>	<u>19,033</u>
Total operating revenue	491,894	505,897
OPERATING EXPENSES		
Water purchases	183,758	145,681
Repairs and maintenance	64,931	39,214
Contract labor	13,281	13,789
Utilities	29,447	29,559
Depreciation	75,689	101,333
Well site and severance fees	20,674	20,206
Salaries	44,766	46,584
Insurance	15,026	11,299
Professional fees	6,973	8,264
Office	7,914	6,048
Building maintenance	649	550
Commissioner fees	4,920	4,020
Supplies	15,937	18,647
Taxes and licenses	3,927	3,895
Truck and Mileage	3,071	7,376
Doubtful accounts expense	372	2,253
Miscellaneous	<u>1,517</u>	<u>638</u>
Total operating expenses	<u>492,852</u>	<u>459,356</u>
OPERATING INCOME <loss>	<958>	46,541

(Continued)



PINE HILL WATER WORKS DISTRICT NO. 8  
 CADDO PARISH, LOUISIANA  
 PROPRIETARY FUND TYPE- ENTERPRISE FUND  
 Statement of Revenues, Expenses and Changes  
 in Retained Earnings, etc.

Statement B

NON-OPERATING REVENUES (Expenses)		
Interest income	\$ 1,054	\$ 3,141
Interest expense	<u>&lt;5,850&gt;</u>	<u>&lt;6,570&gt;</u>
Total non-operating revenues (expenses)	<u>&lt;4,796&gt;</u>	<u>&lt;3,429&gt;</u>
NET INCOME <loss>	<5,754>	43,112
RETAINED EARNING AT BEGINNING OF YEAR	<u>480,545</u>	<u>437,433</u>
RETAINED EARNING AT END OF YEAR	<u>\$474,791</u>	<u>\$480,545</u>

(Concluded)

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

PINE HILL WATER WORKS DISTRICT NO. 8  
CADD0 PARISH, LOUISIANA  
PROPRIETARY FUND TYPE- ENTERPRISE FUND

Statement C

Statement of Cash Flows  
For the Year Ended July 31, 2002  
(With Comparative Totals for July 31, 2001)

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income <loss>	\$ <958>	\$ 46,541
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	75,689	101,333
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	219	<4,619>
Decrease (increase) in prepaid expenses	<2,792>	<4,093>
Increase (decrease) in customer deposits	370	1,450
Increase (decrease) in accounts payable and accrued expenses	<u>11,029</u>	<u>&lt;194,695&gt;</u>
Net cash provided (required) by operating activities	83,557	<54,083>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<20,780>	<11,829>
Decrease (increase) in investments	-	16,157
Decrease (increase) in restricted assets	<25,181>	46,898
Interest earned on bank deposits	<u>1,054</u>	<u>3,141</u>
Net cash used by investing activities	<u>&lt;44,907&gt;</u>	<u>54,367</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	-	<16,000>
Interest paid on long term debt	<u>&lt; 2,925&gt;</u>	<u>&lt;6,570&gt;</u>
Net cash used by financing activities	<u>&lt;2,925&gt;</u>	<u>&lt;22,570&gt;</u>
NET INCREASE (DECREASE) IN CASH	35,725	<22,286>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>31,224</u>	<u>53,510</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 66,949</u>	<u>\$ 31,224</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  
As of and for the Year ended July 31, 2002

**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. The district has 2 full time employees and 1 part-time employee. The district serves 1329 customers.

**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.

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

Notes to the financial statements (continued)

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.

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. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund is reported in the accompanying financial statements on the accrual basis of accounting. Revenues, such as water sales and other operating income are recognized when they are earned. Interest on bank deposits is recorded when the interest is credited to the account. All expenses of the district are recognized when they are incurred.

**E. CASH**

Cash includes amounts in interest-bearing demand deposits, money market and petty cash. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under the laws of the State of Louisiana, or any other state of the United States, or under the laws of the United States.

**F. RESTRICTED ASSETS**

Certain resources of the Enterprise Fund set aside for the repayment of revenue bonds and the refunding of customer deposits are classified as restricted assets on the balance sheet because their use is limited.

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

Notes to the financial statements (continued)

**G. 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 20 to 50 years for the wells, water tanks and lines, 35 years for building, and 3 to 10 years for equipment. Depreciation expense for the year ended July 31, 2002 is \$75,689.

**H. VACATION AND SICK LEAVE**

The district's full-time employees earn from 5 to 15 days of vacation leave per year depending upon length of service. Vacation must be taken in the calendar year earned. Full-time employees earn 10 days to 21 days of sick leave per year depending upon length of service. Sick leave may be accumulated up to 6 months. After 6 months of sick leave is accumulated, employees will be paid at regular rate of pay for 1/2 of unused sick leave each year. At July 31, 2002 the district has a liability for compensated absences of \$ 10,032.

**I. 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 results could differ from those estimates.

**J. COMPARATIVE DATA**

Comparative data for the prior year has been presented in the accompanying general purpose financial statements to provide an understanding of changes in Pine Hill Water Works District No. 8's financial position and operations.

**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. The issue dated July 1, 1968 was for \$390,000. It was originally purchased by the United States Department of Housing and Urban Development but was subsequently sold to the General Electric Credit Corporation and then sold to GMAC Commercial Corporation. 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 outstanding principal totals \$130,000 at July 31, 2002 with current maturity of \$34,000. The amount of interest paid during 2002 was \$2,925. A payment due July 2002 was not made until August 2002 due to a billing error by GMAC. There was no principal payment in the year ended July 31, 2002.

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

At July 31, 2002 the balance in the restricted funds totaled \$66,949. Interest earned on this amount is deposited to the operating bank account.

The annual requirements to amortize bond debt outstanding at July 31, 2002 are as follows:

<u>GMAC Commercial Mortgage</u>					
<u>Year ending</u> <u>July 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Year ending</u> <u>July 31</u>	<u>Principal</u>	<u>Interest</u>
2003	34,000	8,010	2006	20,000	2,655
2004	18,000	4,320	2007	21,000	1,755
2005	19,000	3,510	2008	<u>18,000</u>	<u>810</u>
				<u>\$130,000</u>	<u>\$21,060</u>

### 3. RESERVED RETAINED EARNINGS

The bond covenant for the 1968 Revenue Bonds discussed in Note 2 above, requires the district to establish the follow reserve accounts:

- A. A "Revenue Bond and Interest Sinking Fund". The district must transfer into this fund each month, one-twelfth of the next maturing installment of principal and interest on the outstanding bonds. The fund is used to pay interest on the bonds and to retire the bonds as they mature.
- B. A "Revenue Bond Reserve Fund". The district must transfer into this fund \$183 each month until \$22,000 has been accumulated in this fund. Such amounts may be used solely for the payment of principal and interest which would otherwise be in default.
- C. A "Replacement and Extension Fund". The district must transfer \$92 per month into this fund until \$5,500 has been accumulated. Money in this fund is to be used for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions of the system and to eliminate deficiencies in the Revenue Bond and Interest Sinking Fund and the Revenue Bond Reserve Fund.



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

Notes to the financial statements (continued)

**4. CASH**

At July 31, 2002, the district has cash (book balances) totaling \$66,949, as follows:

Petty Cash	\$ 150
Interest bearing demand deposits	<u>66,799</u>
Total	<u>\$66,949</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. Cash (bank balances) at July 31, 2002, are secured as follows:

	Bank balance	Federal deposit insurance
BanCorp South	<u>\$66,799</u>	<u>\$66,799</u>

**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, 2002, cash equivalents totaled \$66,949.

**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 \$56,820 at July 31, 2002. Amount held in savings was \$5,682 at July 31, 2002.

PINE HILL WATER WORKS DISTRICT NO. 8  
CADD O PARISH, LOUISIANA

Notes to the financial statements (continued)

**7. ACCOUNTS RECEIVABLE**

Accounts receivable are balances due for customer water usage. Accounts receivable are aged as follows:

	<u>2002</u>	<u>2001</u>
0-30 days	\$48,222	\$43,873
30-60 days	6,900	9,599
Over 60 days	<u>4,021</u>	<u>3,631</u>
	59,143	57,103
Less allowance for doubtful accounts	<u>&lt;4,512&gt;</u>	<u>&lt;2,253&gt;</u>
	<u>\$ 54,631</u>	<u>\$54,850</u>

**8. FIXED ASSETS**

A summary of property, plant, and equipment at July 31, 2002, follows:

Land	\$ 17,303
Pipeline	419,432
Well and well equipment	336,923
Other equipment	391,586
Office building	74,334
Truck	<u>17,622</u>
	1,257,200
Less accumulated depreciation	<u>&lt;725,741&gt;</u>
Property, plant, and equipment (net)	<u>\$ 531,459</u>

**9. PENSION PLAN**

The employees of Pine Hill Water Works District are members of the Social Security System. In addition to the employee contributions withheld at 7.65 per cent of gross salary, the district contributes an equal amount to the Social Security System. The district does not guarantee the benefits granted by the Social Security System.



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

Notes to the financial statements (continued)

**10. LITIGATION AND CLAIMS**

At July 31, 2002, 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 year ended July 31, 2002. There were no costs resulting from claims or judgments during the year ended July 31, 2002.

**11. INVESTMENTS**

Investments are limited by Louisiana Revised Statute 33:2955. If the original maturity of the investments exceed 90 days, they are classified as investments; however, if the original maturity of the investments are 90 days or less, they are classed as cash equivalents. At July 31, 2002, the district's investments consist of non-negotiable certificates of deposit with original maturities that exceed 90 days that are reported in the financial statements at cost which approximates market. The bank balances of the deposits are fully insured from risk by federal deposit insurance.

**12. CONCENTRATIONS**

All of the district's debt is with GMAC Commercial Corporation. Net Revenue derived from operations is pledged to payment of the debt.

## **SUPPLEMENTAL INFORMATION SCHEDULES**

**PINE HILL WATER WORKS DISTRICT NO. 8  
CADDO PARISH, LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
For the Year Ended July 31, 2002**

**SCHEDULE OF WATER RATES (Unaudited)**

The district's current water rate schedule is presented. (Schedule 1).

**SCHEDULE OF INSURANCE (Unaudited)**

The district's current insurance schedule is presented. (Schedule 2).

**PER DIEM PAID COMMISSIONERS**

The schedule of per diem paid to commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. In accordance with Louisiana Revised Statute 33:3819, the commissioners receive \$60 for each regular board meeting they attend if board meets monthly. If a special meeting is called the commissioners are paid \$60 for each special board meeting they attend (Schedule 3).

**PRIOR AUDIT FINDINGS**

The follow-up and corrective action taken on all prior audit findings is presented in the summary schedule of prior audit findings (Schedule 4).

PINE HILL WATER WORKS DISTRICT NO. 8  
CADD O PARISH, LOUISIANA

Schedule 1

Schedule of Water Rates  
(Unaudited)  
For the Year ended July 31, 2002

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	<u>Rate</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  
CADD O PARISH, LOUISIANA

Schedule 2

Schedule of Insurance  
(Unaudited)  
As of July 31, 2002

<u>Insurer</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Period</u>
Hartford	46CBBGR9049	Commercial Blanket Bond- \$325,000 - Employee dishonesty	07-16-00/until cancelled
Transcontinental	B2011623992	Fire and Casualty Loss- \$598,100; \$250 deductible, Comprehensive General Liability each occurrence \$100,000; Aggregate \$100,000 \$500 deductible	06-04-02/06-04-03
LA Workers Compensation Fund	673	Worker's Compensation 100/500/100	10-01-01/10/30/02
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	06-15-02/06-15-03

PINE HILL WATER WORKS DISTRICT NO. 8  
CADD O PARISH, LOUISIANA

Schedule 3

Schedule of Board Members Per Diem

For the Year Ended July 31, 2002

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Gerald Kent	President	\$ 1,020
Guy Hamilton	Vice-President	1,020
Linda Chamblee	Secretary	1,140
C. D. Clark	Commissioner	540
Tom Dixon	Commissioner	720
Gloria Prelow	Commissioner	<u>420</u>
		<u>\$4,860</u>

CADDO PARISH, LOUISIANA

Summary of Prior Audit Findings

For the Year ended July 31, 2002

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>
2000-1	2000	Annual Financial Statement not submitted to mortgage holder within the required time.	See finding 2001-1 under current year findings.
2000-2	2001	Required deposits to Reserve Funds not made.	See finding 2002-2 under current year findings

**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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## **Independent Auditor's 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, 2002, and for the year then ended, and have issued my report thereon dated October 27, 2002. I conducted my 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 Pine Hill Water Works District No. 8's general purpose financial statements are free of material misstatements I performed tests of the district's compliance with certain provisions of laws, regulations, and contracts, 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 2002-1 and 2002-2. I also noted an immaterial instance of noncompliance that I have reported to management of Pine Hill Water Works District No. 8, in a separate letter dated October 27, 2002.

### **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.

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

Shreveport, Louisiana  
October 27, 2002

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

SCHEDULE OF FINDINGS

For the Year ended July 31, 2002

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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, 2002, and for the year then ended, and have issued my report thereon dated October 27, 2002. 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, 2001 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
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**Section II-Financial Statement Findings**

**2002-1                      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  
CADD O PARISH, LOUISIANA

SCHEDULE OF FINDINGS (continued)

For the Year ended July 31, 2002

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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. A part-time office worker has been hired.

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

**2000-2                      Required deposits to Reserve Funds not made.**

**Criteria:** Bond covenant of the 1968 Revenue Bonds require that deposits be made into reserve accounts.

**Condition:** Pine Hill Water Works District No. 8 used reserve funds to purchase replacement water meters in 2002. The District has not fully funded all reserve funds.

**Effect:** The District in the future may not have necessary funds available when needed.

**Recommendation:** I recommend that the District deposit required amounts to the funds each month.

**Management's Response:** All reserve funds have now been fully funded. Commissioners will keep reserve funds intact.



P. O. BOX 78360  
SHREVEPORT, LOUISIANA 71137-8360

## **CORRECTIVE ACTION PLAN**

October 27, 2002

Pine Hill Water Works District No. 8 respectfully submits the following corrective action plan for the year ended July 31, 2002.

D. L. Butler, CPA  
2924 Knight Street, Suite 402  
Shreveport, Louisiana 71105

Audit Period: July 31, 2002

The findings from the July 31, 2002 schedule of findings are discussed below.  
The findings are numbered consistently with the numbers assigned on the schedule.

### **FINDINGS--FINANCIAL STATEMENT AUDIT**

#### **FINDING NO. 2002-1**

*Recommendation:* The District should make information available prior to closing out the year so that audit procedures may begin.

*Action Taken:* The office manager has been instructed to continue making information available prior to closing out the year. A part-time office employee has been hired.

CORRECTIVE ACTION PLAN  
PAGE 2

FINDING NO. 2002-2

*Recommendation:* The District should timely make all deposits to the reserve funds.

*Action Taken:* The District has fully funded all but one of the reserve funds. The commissioners will fund this account and make deposits as required.

If you have any questions regarding this plan, please call Gerald Kent at (318) 425-7586.

Sincerely yours,



Gerald Kent

D. L. Butler

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March 6, 2003

Board of Commissioners  
Pine Hill Water Works District No. 8  
P. O. Box 78360  
Shreveport, Louisiana 71137-8360

Management Letter

- Finding:** Issue of noncompliance; Failure to transmit timely financial statements to the Office of the Legislative Auditor.
- Criteria:** Louisiana Revised Statute 24513 and the Louisiana Governmental Audit Guide which requires that all engagements be completed within six months on the close of the entities fiscal year.
- Condition:** The audit of Pine Hill Water Works District No. 8 was not transmitted to the Legislative Auditor within six months of the close of the fiscal year.
- Cause:** Due to illness in the auditor's office and in her family.



D. L. Butler, CPA