

WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
COMBINED BALANCE SHEET - ALL FUND TYPES  
JUNE 30, 1997

|                                    | Governmental Fund |      | Proprietary Fund |      | Totals     |            |
|------------------------------------|-------------------|------|------------------|------|------------|------------|
|                                    | Type              |      | Type             |      | June 30    |            |
|                                    | Cash              | Debt | Enterprise       | Debt | 1997       | 1996       |
| <b>ASSETS</b>                      |                   |      |                  |      |            |            |
| Cash                               | \$ -              | -    | \$ 8,084         |      | \$ 8,084   | \$ 11,584  |
| Certificates of Deposit            |                   |      | 102,000          |      | 102,000    | 102,400    |
| Receivables                        |                   |      |                  |      |            |            |
| Services (Net of Allowance of \$0) |                   |      | 4,907            |      | 4,907      | 5,146      |
| Unbilled Revenue                   |                   |      | 705              |      | 705        | 709        |
| Restricted Assets                  |                   |      |                  |      |            |            |
| Certificates of Deposit            |                   |      | 4,689            |      | 4,689      | 4,800      |
| Customer Meter Deposits            |                   |      | 5,203            |      | 5,203      |            |
| Capital Expenditures               |                   |      |                  |      |            |            |
| Property, Plant & Equipment        |                   |      | 3,078            |      | 3,078      | 3,619      |
| Office Equipment                   |                   |      | 3,078            |      | 3,078      | 3,670      |
| Buildings                          |                   |      | 78,460           |      | 78,460     | 78,460     |
| Water Distribution System          |                   |      | 600              |      | 600        | 600        |
| Land                               |                   |      |                  |      |            | (5,488)    |
| Accumulated Depreciation           |                   |      | (35,320)         |      | (35,320)   |            |
| <b>TOTAL ASSETS</b>                |                   |      | \$ 137,436       |      | \$ 137,436 | \$ 159,819 |

(continued)

The accompanying notes are an integral part of these statements.

WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
COMBINED BALANCE SHEET - ALL FUND TYPES  
JUNE 30, 1997

|  | Governmental Fund |         | Proprietary Fund<br>Type | Total            |                           |
|--|-------------------|---------|--------------------------|------------------|---------------------------|
|  | Type              | Balance |                          | Assets           | Liabilities & Fund Equity |
|  | Debit             | Credit  |                          | June 30,<br>1997 | June 30,<br>1997          |
| <b>LIABILITIES &amp; FUND EQUITY</b>       |                   |         |                          |                  |                           |
| <b>LIABILITIES</b>                         |                   |         |                          |                  |                           |
| Accrued Water Purchases                    |                   |         | \$ 2,000                 | \$ 2,000         | \$ 2,290                  |
| Payable from Beneficial Assets             |                   |         |                          |                  |                           |
| Customer Meter Deposits                    |                   |         | 4,482                    | 4,482            | 4,600                     |
| <b>TOTAL LIABILITIES</b>                   |                   |         | 6,511                    | 6,502            | 6,892                     |
| <b>FUND EQUITY</b>                         |                   |         |                          |                  |                           |
| Contributed Capital                        |                   |         | 47,664                   | 47,664           | 47,864                    |
| Retained Earnings                          |                   |         |                          |                  |                           |
| Unreserved                                 |                   |         | 98,062                   | 98,062           | 99,301                    |
| Fund Balance                               |                   |         |                          |                  |                           |
| Designated/Capital Expenditures            | \$ -              | \$ -    | 5,523                    | 5,523            | 4,522                     |
| <b>TOTAL FUND EQUITY</b>                   |                   |         | 130,949                  | 130,949          | 131,990                   |
| <b>TOTAL LIABILITIES &amp; FUND EQUITY</b> | \$ -              | \$ -    | \$ 137,460               | \$ 137,460       | \$ 138,882                |

(Continued)

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 2  
 LINCOLN PARISH, LOUISIANA  
 STATEMENTS OF REVENUES, EXPENDITURES &  
 CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND TYPE  
 DEBT SERVICE FUND  
 YEARS ENDED JUNE 30, 1997 & 1996

|   | Year Ended June 30 |          |
|---|--------------------|----------|
|   | 1997               | 1996     |
| <b>REVENUES</b>   |                    |          |
| Interest Income   | \$ 247             | \$ 733   |
| <b>EXPENDITURES</b>   |                    |          |
| Debt Service  |                    | 2,080    |
| Principal Retirement  |                    | 40       |
| Interest  | —                  | —        |
| TOTAL EXPENDITURES  | —                  | 2,080    |
| EXCESS (DEFICIENCY) OF REVENUE OVER<br>(UNDER) EXPENDITURES | 247                | ( 1,721) |
| FUND BALANCES, JULY 1                                       | 4,855              | 6,676    |
| RESIDUAL EQUITY TRANSFER OUT                                | ( 5,200)           | —        |
| FUND BALANCES, JUNE 30                                      | \$ —               | \$ 4,955 |

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2**  
**LINCOLN PARISH, LOUISIANA**  
**STATEMENTS OF REVENUES, EXPENDITURES & CHANGES IN**  
**RETAINED EARNINGS - PROPRIETARY FUND TYPE**  
**ENTERPRISE FUND**  
**YEARS ENDED JUNE 30, 1997 & 1996**

|                                     | Year Ended June 30 |                  |
|-------------------------------------|--------------------|------------------|
|                                     | 1997               | 1996             |
| <b><u>OPERATING REVENUES</u></b>    |                    |                  |
| Charges for Services                |                    |                  |
| Water Revenue                       | \$ 45,360          | \$ 52,056        |
| Penalties                           | 1,204              | 1,150            |
| Tapping Fees                        |                    | 290              |
| Miscellaneous                       | 13                 | 12               |
| <b>TOTAL OPERATING REVENUES</b>     | <b>46,577</b>      | <b>54,508</b>    |
| <b><u>OPERATING EXPENSES</u></b>    |                    |                  |
| Water Department Expenses           | 56,385             | 76,893           |
| General & Administrative Expenses   | 17,520             | 17,416           |
| <b>TOTAL OPERATING EXPENSES</b>     | <b>73,905</b>      | <b>94,309</b>    |
| <b>OPERATING INCOME (LOSS)</b>      | <b>( 27,328)</b>   | <b>(39,801)</b>  |
| <b><u>NONOPERATING REVENUES</u></b> |                    |                  |
| Interest Income                     | 4,382              | 2,179            |
| <b>NET INCOME (LOSS)</b>            | <b>( 22,946)</b>   | <b>(37,622)</b>  |
| <b>RETAINED EARNINGS, JULY 1</b>    | 99,369             | 95,296           |
| <b>RESIDUAL EQUITY TRANSFER IN</b>  | 5,302              | —                |
| <b>RETAINED EARNINGS, JUNE 30</b>   | <b>\$ 81,725</b>   | <b>\$ 57,674</b> |

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2  
 LINCOLN PARISH, LOUISIANA  
 STATEMENTS OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 ENTERPRISE FUND  
 YEARS ENDED JUNE 30, 1997 & 1996**

|   | <u>Year Ended June 30</u> |             |
|---|---------------------------|-------------|
|   | <u>1997</u>               | <u>1996</u> |
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |                           |             |
| NET INCOME (LOSS) - Exhibit C   | <u>\$ 1,379</u>           | \$ 3,445    |
| <i>Adjustments to Reconcile Net Income to<br/>           Net Cash Provided by Operating Activities:</i> |                           |             |
| <i>Depreciation</i>   | 2,984                     | 2,462       |
| <i>Changes in Assets &amp; Liabilities:</i>   |                           |             |
| <i>Increase (Decrease) in Assets:</i>   |                           |             |
| Accounts Receivable   | 159                       | 74          |
| Unbilled Revenue  | 15                        | 11          |
| <i>Increase (Decrease) in Liabilities:</i>  |                           |             |
| Accrued Water Purchases   | ( 268)                    | ( 174)      |
| Total Adjustments   | <u>2,986</u>              | 2,373       |
| <b>NET CASH PROVIDED BY OPERATING<br/>           ACTIVITIES</b>   | <u>4,365</u>              | 5,818       |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING<br/>           ACTIVITIES</u></b>                           |                           |             |
| Increase (Decrease) in Customer Meter Deposits  | ( 128)                    | 15          |
| <b>NET CASH PROVIDED (USED) BY NONCAPITAL<br/>           FINANCING ACTIVITIES</b>                       | ( 128)                    | 15          |
| <b><u>CASH FLOWS FROM CAPITAL &amp; RELATED<br/>           FINANCING ACTIVITIES</u></b>                 |                           |             |
| Purchase of Office Equipment  | ( 255)                    | ( 119)      |
| <b>NET CASH (USED) BY CAPITAL AND<br/>           RELATED FINANCING ACTIVITIES</b>                       | ( 255)                    | ( 119)      |

(Continued)

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2**  
**LINCOLN PARISH, LOUISIANA**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUND TYPE**  
**ENTERPRISE FUND**  
**YEARS ENDED JUNE 30, 1997 & 1996**

|  | <u>Year Ended June 30</u> |                  |
|--|---------------------------|------------------|
|  | <u>1997</u>               | <u>1996</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>    |                           |                  |
| (Increase) in Certificates of Deposit:         |                           |                  |
| Maturing More than Three Months                |                           |                  |
| CD - Water System Revenue Fund                 | (\$ 4,500)                |                  |
| CD - Customer Meter Deposits                   | _____                     | (\$ 700)         |
| <b>NET CASH (USED) BY INVESTING ACTIVITIES</b> | <b>(\$ 4,500)</b>         | <b>( 700)</b>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>         | <b>( 3,500)</b>           | <b>4,000</b>     |
| <b>CASH AT JULY 1</b>                          | <b>11,384</b>             | <b>7,384</b>     |
| <b>CASH AT JUNE 30</b>                         | <b>\$ 8,884</b>           | <b>\$ 11,384</b> |

(Continued)

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1987 & 1986**

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Waterworks District No. 2, pursuant to Louisiana revised Statute No.8812 was created by Ordinance 300, dated July 13, 1965, adopted by the Lincoln Parish Police Jury. The Waterworks System was completed and it became revenue producing during the month of May, 1966. The Waterworks System serves the residents of Vienna and certain areas north and south of Vienna.

The following notes to the financial statements are an integral part of the Waterworks Financial Report.

**III SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying general purpose and individual fund financial statements of the Lincoln Parish Waterworks District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units, except as noted elsewhere in this report. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Waterworks' accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:514 and to the guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The more significant of the Waterworks' accounting policies are described below.

**A. FINANCIAL REPORTING ENTITY**

As the governing authority of the parish, for reporting purposes, the Lincoln Parish Police Jury is the financial reporting entity for Lincoln Parish. The financial reporting entity consists of (a) the primary government (police jury), (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.

**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996**

**A. FINANCIAL REPORTING ENTITY (CONT'D)**

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Lincoln Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Lincoln Parish Police Jury Ordinance 300, dated July 13, 1985, created Waterworks District No. 2, set forth and defined its boundaries, designated its name and number, designated its domicile, its powers and its commissioners, designated the minimum number of meetings of the commissioners and their compensation, set forth the qualifications of the commissioners, designated the maximum amount of salary which may be paid the secretary of the board of commissioners, and designated the officers to be elected by the board of commissioners.

Because of the above criteria, the district was determined to be a component unit of the Lincoln Parish Police Jury, 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 police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.



**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996**

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**B. FUND ACCOUNTING**

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

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

Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate "fund types" as follows:

Governmental Fund

Debt Service Fund

The Debt Service fund is used to account for the accumulation of resources for, and the payment of interest and principal on general long-term debt. The bonds were fully paid on December 1, 1995. Residual funds were transferred to the Enterprise Fund and reserved for capital expenditures.

Proprietary Fund

Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise - 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.

**C. PROPERTY, PLANT AND EQUIPMENT**

Public domain (infrastructure) assets including the waterline distribution system are capitalized along with other fixed assets and are included on the proprietary fund's balance sheet.

**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996**

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**C. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated service lives using the straight-line method. The estimated service lives are as follows:

| <u>Water Utility</u>   |               |
|------------------------|---------------|
| Office Equipment       | 5 - 10 Years  |
| Storage Building       | 20 Years      |
| Waterline Distribution | 20 - 50 Years |

Depreciation on the proprietary fund amounted to \$2,884 for the fiscal year.

All property, plant and equipment are valued at historical cost with the exception of donated property, plant and equipment which are valued at their estimated fair value of \$8,164 on the date donated. Depreciation on donated property amounted to \$488 for the fiscal year.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental fund, Debt Service Fund, uses the following practices in recording revenues and expenditures:

Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996**

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**D. BASIS OF ACCOUNTING (CONT'D)**

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 uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as the time liabilities are incurred.

**E. BUDGETS AND BUDGETARY ACCOUNTING  
LEGAL COMPLIANCE**

Waterworks District No. 2 is not legally required to adopt a budget and has not done so. Encumbrance accounting is not used.

**F. CASH AND CASH EQUIVALENTS**

For the purposes of the Statement of Cash Flows, cash includes amounts in demand deposits and interest bearing demand deposits, as well as short-term Certificates of Deposit with a maturity date within three months of the date acquired by the Waterworks. Certificates of deposit and other securities with original maturities over three months are classified as short-term investments and stated at cost, which approximates market value.

**G. INVESTMENTS**

The Waterworks District is authorized to make direct investments in United States government bonds, treasury notes, treasury bills or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.

**H. INTEREST RECEIVABLE**

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1987 & 1988**

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**I. COMPARATIVE DATA**

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Waterworks District's financial position and operations.

However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to understand.

**J. MEMORANDUM ONLY - TOTAL COLUMNS**

Total columns on the combined balance sheet are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**K. FUND EQUITY**

Reserves are recorded to indicate that a portion of the fund balance is legally segregated for a specific future use. Following is a list of all reserves used and a description of each:

Designated for Capital Expenditures - an account used to segregate a portion of fund balance for Capital Expenditures.

Contributed Capital is recorded in the proprietary fund that has received contributions from developers. It is not amortized based on the depreciation recognized on that portion of assets acquired from such contributions.

**L. 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.

WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996

(2) **RESTRICTED ASSETS - PROPRIETARY FUND TYPE**

Certain assets of the Waterworks District No. 2 have been restricted for customer meter deposits and capital expenditures. These assets consist of short-term investments as follows:

|  | June 30  |          |
|--|----------|----------|
| Description                                      | 1997     | 1996     |
| Certificate of Deposit - Customer Meter Deposits | \$ 4,800 | \$ 4,800 |
| Certificate of Deposit - Capital Expenditures    | \$ 3,202 |          |

(3) **CASH & INVESTMENTS**

**Cash**

At June 30, 1997, the Waterworks District Cash consist of the following:

|                                  | Enterprise<br>Fund |
|----------------------------------|--------------------|
| Petty Cash & Change Fund         | \$ 100             |
| Interest-Bearing Demand Deposits | 7,984              |
| Total                            | \$ 8,084           |

At June 30, 1997, carrying amounts of the Waterworks District investments were as follows:

|                         | Restricted For<br>Customer Meter<br>Deposits | Restricted<br>For Capital<br>Expenditure | Water System<br>Revenue Fund |
|-------------------------|--|--|------------------------------|
| Certificates of Deposit | \$ 4,800                                     | \$ 3,202                                 | \$ 102,800                   |

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

**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996**

**(3) CASH & INVESTMENTS (CONT'D)**

deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1997, the district had \$124,872 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance (Credit Risk Category 1) and \$87,980 of pledged securities with a market value of \$101,409, held by the custodial bank in the name of the Waterworks District No. 2 (Credit Risk Category 2).

**(4) RECEIVABLES**

Receivables at June 30, 1997 & 1996, consist of the following:

|                          | 1997     | 1996     |
|--------------------------|----------|----------|
| Enterprise Fund Services | \$ 4,382 | \$ 5,346 |

Estimated unbilled revenues on the Waterworks Enterprise Fund as of June 30, 1997, were recognized on a pro-rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

All accounts receivable are considered by management to be fully collectible and no allowances for doubtful accounts is considered necessary.

**(5) SEGMENT INFORMATION - ENTERPRISE FUND**

The Waterworks District maintains an enterprise fund which is intended to be self-supporting through user fees charged for water service to the public. Financial segment information as of and for the years ended June 30, 1997, and 1996, is presented below.

|                                | Year Ended June 30 |          |
|--------------------------------|--------------------|----------|
|                                | 1997               | 1996     |
| Property & Equipment Additions | \$ 250             | \$ 3,619 |
| Operating Revenues             | 46,507             | 54,317   |
| Depreciation Expense           | 2,884              | 2,682    |
| Operating Income (Loss)        | ( 8,208)           | 64       |
| Net Income (Loss)              | ( 1,219)           | 3,903    |
| Net Working Capital            | 113,748            | 112,480  |
| Total Assets                   | 157,428            | 155,855  |
| Total Equity                   | 150,948            | 148,965  |

WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996

(6) CHANGES IN PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund type property, plant and equipment at June 30 is as follows:

|  | June 30   |           |
|--|-----------|-----------|
|  | 1997      | 1996      |
| Office Equipment                       | \$ 3,878  | \$ 3,619  |
| Buildings                              | 3,870     | 3,870     |
| Water Distribution System <sup>1</sup> | 78,460    | 78,460    |
| Land                                   | 800       | 800       |
| Totals                                 | 87,008    | 86,749    |
| Accumulated Depreciation               | ( 55,328) | ( 52,444) |
| Net                                    | \$ 31,680 | \$ 34,305 |

Additions during the year ended June 30, 1997, amounted to \$259. There were no retirements.

(7) CONTRIBUTED CAPITAL - PROPRIETARY FUND

Contributed capital on June 30, 1997, consist of:

|   |          |
|---|----------|
| Contribution from subsidiary -<br>Water well & distribution lines                   | \$ 8,164 |
| 12-1-65 Public Improvement Bond Proceeds<br>Used for Construction of Capital Assets | 38,500   |
| Total   | 46,664   |

<sup>1</sup>Includes donated value of \$8,164

**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996**

**(8) CONCENTRATIONS OF CREDIT RISK**

The Waterworks grants credit without collateral in excess of customer deposits. Customers are local area residents within the Waterworks district.

**(9) WATER REVENUE**

A summary of water sales to metered customers for the last two years is presented below:

|                                | <u>Year Ended June 30</u> |             |
|--------------------------------|---------------------------|-------------|
|                                | <u>1997</u>               | <u>1996</u> |
| Sales to Customers             | \$ 43,760                 | \$ 52,974   |
| Number of Customers at June 30 | 179                       | 181         |

On August 22, 1992, the following rates were approved by the Board of Commissioners, to be effective September 21, 1992.

|                     |                        |
|---------------------|------------------------|
| Up to 2,000 gallons | \$9.50 Minimum         |
| Next 2,000 gallons  | 2.00 per 1,000 gallons |
| Next 2,000 gallons  | 1.60 per 1,000 gallons |
| Over 10,000 gallons | 1.20 per 1,000 gallons |

This rate increase followed a cost increase on water purchased from the City of Ruston, from \$6.65 to \$1.00 per 1,000 gallons effective October 1, 1992.

**(10) WATER CONTRACTS**

Waterworks District No. 2 purchases its water from the City of Ruston. The original contract, which was executed in 1965, has no fixed expiration date. This contract allows the City of Ruston to increase the water rate if its cost of water increases. As of June 30, 1997, the rate charged by the City of Ruston is \$3.00 per 1,000 gallons. Purchases of water by Waterworks District No. 2 were \$28,258 and \$33,059 for the years ended June 30, 1997 and 1996, respectively.



**WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 1997 & 1996**

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**(10) WATER CONTRACTS (CONT'D)**

On April 29, 1997, the Waterworks Board of Commissioners adopted a resolution to approve a new contract with the City of Ruston to supply water as presented below.

The unit price per 100 cubic feet will be based and adjusted annually if appropriate on the city's audited operating cost per 100 cubic feet sold x 10% plus capacity charge. Initial and minimum price per 100 cubic feet is \$4.25. The Waterworks District No. 2 will reimburse the City for a master meter meter, purchase and install a back-flow prevention device and a Department of Health and Hospitals approved sample station.

The agreement is for five years with an option to renew for additional two-year terms. The City may terminate the agreement at any time and a provision to supply water for a period of twelve months from notice. The contract is pending adoption of a resolution by the Board of Aldermen of the City of Ruston.

Information regarding gallons of water purchased and sold is as follows:

| <u>Description</u> | <u>Year Ended June 30</u> |             |
|--------------------|---------------------------|-------------|
|                    | <u>1997</u>               | <u>1996</u> |
| Gallons Purchased  | 27,864,496                | 31,674,060  |
| Gallons Sold       | 19,849,242                | 21,368,874  |

The above discrepancies are consistent with prior years and the cause has not been determined.

**(11) CONTINGENT LIABILITIES**

At June 30, 1997, there was no pending or contemplated litigation involving Waterworks District No. 2 which might involve contingent liabilities.

WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1997 & 1996

---

(12) COMPENSATED ABSENCES

No accrual was made as prescribed in FASB 43 for employee compensation for future absences (vacation pay) since these rights do not vest or accumulate.

(13) COMMISSIONERS COMPENSATION

No compensation was paid to any member of the Board of Commissioners during the year ended June 30, 1997. Board members who served during the year are listed below.

| <u>Commissioner</u>                 | <u>Compensation</u> |
|-------------------------------------|---------------------|
| Bruce C. Ayres, President           | None                |
| Walter G. Carpenter, Vice-President | None                |
| William R. Graham                   | None                |
| James T. Hammond                    | None                |
| Wayne Horton, Secretary/Treasurer   | None                |
| Elaine Leay                         | None                |
| Joseph B. Thomas, Jr.               | None                |
| Douglas Willis                      | None                |

INDIVIDUAL FUND  
FINANCIAL STATEMENTS

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources. These bonds were fully paid on December 1, 1995. Residual funds were transferred to the Enterprise Fund and reserved for capital expenditures.

WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
JUNE 30, 1997 & 1998

|                                   | <u>June 30,</u> |             |
|-----------------------------------|-----------------|-------------|
|                                   | <u>1997</u>     | <u>1998</u> |
| <b>ASSETS</b>                     |                 |             |
| Certificate of Deposit            | \$ 0.00         | \$ 4,000.00 |
| <b>LIABILITIES</b>                |                 |             |
| None                              |                 |             |
| <b>FUND EQUITY</b>                |                 |             |
| Designated / Capital Expenditures | \$ 0.00         | \$ 4,000.00 |

The accompanying notes are an integral part of this statement.

**ENTERPRISE FUND**

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 Waterworks' commissioners is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Waterworks' commissioners have decided that periodic determination of net income is appropriate for accountability purposes.

**WATERWORKS SYSTEM FUND**

This fund is used to account for the operations of the Waterworks System.

WATERWORKS DISTRICT NO. 2  
 LINCOLN PARISH, LOUISIANA  
 ENTERPRISE FUND  
 WATERWORKS SYSTEM FUND  
 COMPARATIVE BALANCE SHEETS  
 JUNE 30, 1997 & 1996

|   | June 30           |                   |
|---|-------------------|-------------------|
|   | 1997              | 1996              |
| <b>ASSETS</b>   |                   |                   |
| <b>CURRENT ASSETS</b>   |                   |                   |
| Cash  | \$ 8,084          | \$ 11,751         |
| CD - Water System Revenue Fund  | 102,000           | 97,900            |
| Accounts Receivable   | 4,987             | 5,100             |
| Unbilled Revenue  | 785               | 779               |
| Total Current Assets  | 115,776           | 114,770           |
| <b>RESTRICTED ASSETS</b>  |                   |                   |
| CD - Customer Meter Deposits  | 4,800             | 4,800             |
| CD - Capital Expenditures   | 5,202             | -----             |
| Total Restricted Assets   | 10,002            | 4,800             |
| <b>FIXED ASSETS</b>   |                   |                   |
| Plant & Equipment, at Cost,<br>Net of Accumulated Depreciation<br>(1997 - \$55,928 & 1996 - \$52,444) | 31,680            | 30,500            |
| <b>TOTAL ASSETS</b>   | <b>\$ 152,458</b> | <b>\$ 150,070</b> |

(Continued)

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2  
 LINCOLN PARISH, LOUISIANA  
 ENTERPRISE FUND  
 WATERWORKS SYSTEM FUND  
 COMPARATIVE BALANCE SHEETS  
 JUNE 30, 1997 & 1996**

|  | <u>June 30,</u>          |                          |
|--|--------------------------|--------------------------|
|  | <u>1997</u>              | <u>1996</u>              |
| <b><u>LIABILITIES &amp; FUND EQUITY</u></b>  |                          |                          |
| <b><u>CURRENT LIABILITIES</u></b>            |                          |                          |
| Accrued Water Purchases                      | \$ 2,000                 | \$ 2,000                 |
| <b><u>PAYABLE FROM RESTRICTED ASSETS</u></b> |                          |                          |
| Customer Meter Deposits                      | <u>4,480</u>             | <u>4,600</u>             |
| Total Liabilities                            | <u>6,510</u>             | <u>6,600</u>             |
| <b><u>FUND EQUITY</u></b>                    |                          |                          |
| <b><u>CONTRIBUTED CAPITAL</u></b>            |                          |                          |
| Water System Bond Proceeds                   | 39,500                   | 39,500                   |
| Subdivider                                   | <u>8,164</u>             | <u>8,100</u>             |
| Total Contributed Capital                    | <u>47,664</u>            | <u>47,600</u>            |
| <b><u>RETAINED EARNINGS</u></b>              |                          |                          |
| Reserved for Capital Expenditures            | 5,200                    |                          |
| Unreserved                                   | <u>98,062</u>            | <u>99,500</u>            |
| Total Retained Earnings                      | <u>103,264</u>           | <u>99,500</u>            |
| Total Fund Equity                            | <u>150,918</u>           | <u>146,100</u>           |
| <b>TOTAL LIABILITIES &amp; FUND EQUITY</b>   | <b><u>\$ 157,458</u></b> | <b><u>\$ 153,800</u></b> |

(Concluded)

The accompanying notes are an integral part of this statement.



**WATERWORKS DISTRICT NO. 2**  
**LINCOLN PARISH, LOUISIANA**  
**ENTERPRISE FUND**  
**WATERWORKS SYSTEM FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**& CHANGES IN RETAINED EARNINGS**  
**YEARS ENDED JUNE 30, 1997 & 1996**

|  | <u>Year Ended June 30</u> |               |
|--|---------------------------|---------------|
|  | <u>1997</u>               | <u>1996</u>   |
| <b>OPERATING REVENUES</b>                    |                           |               |
| <i>Charges for Services</i>                  |                           |               |
| Water Revenue                                | \$ 45,380                 | \$ 52,006     |
| Penalties                                    | 1,204                     | 1,100         |
| Tapping Fees                                 |                           | 200           |
| Miscellaneous                                | 13                        | 10            |
| <b>TOTAL OPERATING REVENUES</b>              | <b>46,597</b>             | <b>54,316</b> |
| <b>OPERATING EXPENSES</b>                    |                           |               |
| <i>Water Department Expenses</i>             |                           |               |
| Water Purchased                              | 20,258                    | 33,000        |
| Depreciation                                 | 2,884                     | 2,600         |
| Electricity                                  | 118                       | 100           |
| Repairs & Maintenance                        | 2,365                     | 3,100         |
| Supplies                                     | 660                       | ---           |
| <b>Total</b>                                 | <b>33,285</b>             | <b>38,800</b> |
| <i>General &amp; Administrative Expenses</i> |                           |               |
| Accounting                                   | 1,900                     | 1,800         |
| Audit  | 3,500                     | 3,300         |
| Bad Debts                                    | 142                       | 000           |

(Continued)

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2**  
**LINCOLN PARISH, LOUISIANA**  
**ENTERPRISE FUND**  
**WATERWORKS SYSTEM FUND**  
**COMPARATIVE STATEMENTS OF REVENUES, EXPENSES**  
**& CHANGES IN RETAINED EARNINGS (CONTINUED)**  
**YEARS ENDED JUNE 30, 1997 & 1996**

|  | <u>Year Ended June 30</u> |                  |
|--|---------------------------|------------------|
|  | <u>1997</u>               | <u>1996</u>      |
| <u>General &amp; Administrative Expenses (Continued)</u> |                           |                  |
| Insurance & Bonds  | 1,536                     | 1,406            |
| Miscellaneous  | 198                       | 260              |
| Office Supplies  | 632                       | 619              |
| Postage  | 480                       | 545              |
| Salary   | 6,600                     | 6,000            |
| Sales Tax  | 661                       | 610              |
| Software Support   | 500                       | 500              |
| Taxes on Payroll   | 505                       | 505              |
| Telephone  | 537                       | 506              |
| Travel   | <u>609</u>                | <u>500</u>       |
| Total  | <u>17,520</u>             | <u>17,441</u>    |
| TOTAL OPERATING EXPENSES                                 | <u>52,805</u>             | <u>54,422</u>    |
| OPERATING INCOME (LOSS)                                  | ( 6,208)                  | 64               |
| <u>NONOPERATING REVENUES</u>                             |                           |                  |
| Interest Income  | <u>4,989</u>              | <u>5,472</u>     |
| NET INCOME (LOSS)  | ( 1,219)                  | 5,536            |
| RETAINED EARNINGS, JULY 1                                | 99,301                    | 93,765           |
| RESIDUAL EQUITY TRANSFER IN                              | <u>5,202</u>              | <u>        </u>  |
| RETAINED EARNINGS, JUNE 30                               | <u>\$ 92,884</u>          | <u>\$ 99,301</u> |

(Concluded)

The accompanying notes are an integral part of this statement.

**SUPPLEMENTARY INFORMATION SECTION**

WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENTS  
JUNE 30, 1997

---

|                                     | <u>Interest</u><br><u>Rate</u> | <u>Date</u><br><u>Acquired</u> | <u>Maturity</u><br><u>Date</u> | <u>Book</u><br><u>Value</u> |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------|
| <b>ENTERPRISE FUND</b>              |                                |                                |                                |                             |
| <u>Central Bank</u>                 |                                |                                |                                |                             |
| CD - Water System Revenue Fund      | 4.50%                          | 10-02-96                       | 10-02-97                       | \$ 102,000                  |
| CD - Capital Expenditures           | 5.00%                          | 6-28-97                        | 6-28-98                        | 5,700                       |
| <u>Security First National Bank</u> |                                |                                |                                |                             |
| CD-Customer Meter Deposits          | 5.90%                          | 3-22-97                        | 3-21-98                        | 4,500                       |
| <b>TOTAL ENTERPRISE FUND</b>        |                                |                                |                                | <b>\$ 112,200</b>           |

WATERWORKS DISTRICT NO. 1  
LINCOLN PARISH, LOUISIANA  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF INSURANCE IN FORCE (UNAUDITED)  
JUNE 30, 1997

| Insurer                                | Policy Number | Dates     |         | Description of Coverage                                 | Net Premiums Paid |
|--|---------------|-----------|---------|---|-------------------|
|  |               | Effective | Expires |   |                   |
| Comms. Union                           | MEX491-48     | 5-25-97   | 5-25-98 | Commercial General Liability                            | 5                 |
|  |               |           |         | General   | 1,000,000         |
|  |               |           |         | Personal & Advertising                                  | 1,000,000         |
|  |               |           |         | Fire  | 200,000           |
|  |               |           |         | Medical   | 5,000             |
| Western Surety Company                 | 1927097       | 6-01-97   | 6-01-98 | Official Bond on Director of Management and Maintenance | 100               |
|  |               |           |         |   |                   |
| L.A. Workers' Compensation Corporation | 14003         | 1-01-97   | 1-01-98 | Workmen's Compensation                                  | 779               |
|  |               |           |         |   |                   |

OTHER INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS

**ROBERT E. HOLLADAY III, CPA**

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**MEMBER**AMERICAN INSTITUTE OF CPAs  
DIVISION OF GOVERNMENT ACCOUNTINGTELEPHONE  
617-552-8601**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Board of Commissioners  
Waterworks District No. 2  
Lincoln Parish, Louisiana

I have audited the general purpose financial statements and the individual and financial statements of Waterworks District No. 2, Lincoln Parish, Louisiana, as of and for the year ended June 30, 1997, and have issued my report thereon dated August 5, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Audit Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Waterworks District No. 2, Lincoln Parish, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



To the Board of Commissioners  
Waterworks District No. 2  
Lincoln Parish, Louisiana

In planning and performing my audit of the general purpose financial statements and the individual fund financial statements of the Waterworks District No. 2 for the year ended June 30, 1997, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and the individual fund financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### Finding

An adequate internal control structure requires proper segregation of duties. The Waterworks does not have a sufficient number of employees to provide for proper segregation of duties due to economic limitations.

#### Recommendation

Because the condition is inherent, no action is recommended.

#### Management Response

Management concurs in the finding.

#### Status of prior findings

There were no other prior findings.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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.

To the Board of Commissioners  
Waterworks District No. 2  
Lincoln Parish, Louisiana

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I consider the reportable condition described above to be a material weakness as defined above.

This condition was considered in determining the nature, timing, and extent of the procedures to be performed in my audit of the financial statements of Waterworks District No. 2, Lincoln Parish, Louisiana, for the year ended June 30, 1997.

This report is intended for the information of the Board of Commissioners, management, the Lincoln Parish Police Jury, and State and Federal audit agencies. However, this report is a matter of public record and its distribution is not limited.



R. E. Holladay III, CPA

Ruston, Louisiana  
August 5, 1997

INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

## ROBERT E. HOLLADAY III, CPA

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## MEMBER

AMERICAN INSTITUTE OF CERTIFIED  
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714-344-2222INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Waterworks District No. 2  
Lincoln Parish, Louisiana

I have audited the general purpose financial statements and the individual fund financial statements of Waterworks District No. 2, Lincoln Parish, Louisiana, as of and for the year ended June 30, 1997, and have issued my report thereon dated August 5, 1997.

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.

Compliance with laws, regulations and contracts, applicable to Waterworks District No. 2, Lincoln Parish, Louisiana is the responsibility of the Waterworks District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Waterworks District's compliance with certain provisions of laws, regulations, and contracts. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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.

This report is intended for the information of the Board of Commissioners, management, the Lincoln Parish Police Jury, and State and Federal audit agencies. However, this report is a matter of public record and its distribution is not limited.



R. E. Holladay III, CPA

Boston, Louisiana  
August 5, 1997

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WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
FINANCIAL REPORT  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 1967

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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: \_\_\_\_\_

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**WATERWORKS DISTRICT NO. 2**  
**LINCOLN PARISH, LOUISIANA**  
**FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 1987**  
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WATERWORKS DISTRICT NO. 2  
LINCOLN PARISH, LOUISIANA  
FINANCIAL REPORT  
YEAR ENDED JUNE 30, 1917  
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FINANCIAL SECTION



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**Independent Auditor's Report**

To the Board of Commissioners  
Waterworks District No. 2  
Lincoln Parish, Louisiana

I have audited the accompanying general purpose financial statements of the Waterworks District No. 2, Lincoln Parish, Louisiana, a component-unit of the Lincoln Parish Police Jury, as of and for the year ended June 30, 1997, and the individual fund financial statements of the Waterworks as of and for the years ended June 30, 1997 and 1996, as listed in the table of contents. These financial statements are the responsibility of the Waterworks' management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 2, Lincoln Parish, Louisiana, as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles. Also, in my opinion, the individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the

Board of Commissioners  
Waterworks District No. 2  
Lincoln Parish, Louisiana

Waterworks District No. 2, Lincoln Parish, Louisiana, as of June 30, 1997 and 1996, and the results of operations of such funds and the cash flows of the individual proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated August 5, 1997, on my consideration of the Waterworks District's internal control structure and a report dated August 5, 1997, on its compliance with laws and regulations.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Waterworks District No. 2, Lincoln Parish, Louisiana. Such information, except for the listing of insurance in those marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose and individual fund financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds, taken as a whole.



R. E. Holladay III, CPA

Huston, Louisiana  
August 5, 1997

**GENERAL PURPOSE FINANCIAL STATEMENTS**