

RECEIVED
LEGISLATIVE AUDITOR
00 JUN 27 AM 9:41

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

**EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 1999**

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

Release Date 08-23-00

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
BOARD OF COMMISSIONERS
DECEMBER 31, 1999

<u>Commissioners</u>	<u>Office</u>	<u>Appointed</u>	<u>Term</u>
Charles Jones	President	1998	(1)
Don Bell	Sec./Treasurer	1998	(1)
Rudolph Duplissey		1997	(1)
James A. "Buddy" Veuleman		1999	(1)

(1) Commissioners serve at the pleasure of the Police Jury. Terms are not set when appointed.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
TABLE OF CONTENTS
DECEMBER 31, 1999

	<u>EXHIBIT</u>	<u>SCHEDULE</u>	<u>PAGE</u>
Independent Auditors' Report	-	-	1
General Purpose Financial Statements	-	-	3
Balance Sheet - Proprietary Fund Type	A	-	4
Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	B	-	5
Statement of Cash Flows - Proprietary Fund Type	C	-	7
Notes to the Financial Statements	-	-	8
Schedule of Compensation Paid To Board Of Commissioners	-	1	15
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	-	-	16
Summary Schedule of Prior Audit Findings	-	2	17
Corrective Action Plan for Current Year Audit Findings	-	3	18
Management Letter	-	-	19

HINES, JACKSON & HINES

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 • 133 EAST FIFTH STREET
NATCHITOCHE, LA 71457

Telephone (318) 352-6458
FAX (318) 352-0404
hjhcpa@worldnetla.net

A. NEILL JACKSON, JR., CPA
1926-1999

FRANK S. HINES, CPA
LEWIS C. HINES, CPA
E. MERLIN SQUYRES, CPA
JAY H. SHEFFIELD, CPA

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Ebarb Waterworks District No. 1
P. O. Box 1366
Zwolle, LA 71486

We have audited the accompanying general purpose financial statements of the Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Ebarb Waterworks District No. 1's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, as of December 31, 1999, and the results of its operations and the cash flows for the year then ended in conformity with generally accepted accounting principles.

The accompanying general purpose financial statements have been prepared assuming that the Ebarb Waterworks District No. 1, Zwolle, Louisiana, will continue as a going concern. As discussed in Note 11 to the general purpose financial statements, the District has sustained substantial losses in recent years which has resulted in an accumulated deficit of \$1,022,650 in unreserved retained earnings at December 31, 1999. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 11. The general purpose financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards, we have also issued a report dated June 20, 2000 on our consideration of the Ebarb Waterworks District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 our audit.

Board of Commissioners
Ebarb Waterworks District No. 1
Page 2

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, taken as a whole. The accompanying supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Hines, Jackson & Hines
Natchitoches, Louisiana
June 20, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
BALANCE SHEET
PROPRIETARY FUND TYPE
DECEMBER 31, 1999

Assets	
Cash	\$ 61,767
Accounts receivable	
Trade, net of allowance for doubtful accounts of \$28,765.	61,633
Other	2,450
Prepaid insurance	4,813
Restricted assets	
Cash	19,038
Fixed assets, net of accumulated depreciation of \$1,110,193.	<u>3,456,649</u>
 Total Assets	 <u>\$ 3,606,350</u>
 Liabilities and Fund Equity	
Liabilities	
Accounts payable	\$ 127,815
Accrued expenses	3,379
Interest payable	285,714
Estimated claims payable	65,931
Revenue bonds payable	<u>2,981,123</u>
 Total Liabilities	 3,463,962
 Fund Equity	
Contributed capital	1,146,000
Retained earnings	
Reserved	
Retirement of long-term debt	19,038
Unreserved	<u>(1,022,650)</u>
 Total Fund Equity	 <u>142,388</u>
 Total Liabilities and Fund Equity	 <u>\$ 3,606,350</u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Revenues	
Charges for services	
Water sales	\$ 641,527
Late payment penalties	21,600
Tapping, reconnection and other fees	22,335
Other	<u>9,263</u>
Total Operating Revenues	694,725
Operating Expenses	
Advertising	733
Automobile mileage reimbursement	21,255
Bad debts	64,605
Chemicals	39,250
Commissioners' fees	4,560
Computer services	11,508
Depreciation	113,795
Engineering services	47,650
Insurance	4,143
Legal and accounting	25,294
Materials and supplies	26,179
Meter reading services	26,138
Meter installation costs	10,792
Miscellaneous	4,514
Office supplies	3,544
Payroll taxes	2,480
Plant operating services	24,971
Postage	6,466
Rent	584
Repair and maintenance-buildings	3,092
Repair and maintenance-distribution system	83,932
Repair and maintenance-equipment	219
Salaries	28,817
Small tools and supplies	12,934
Secretary services	2,667
System supervisory services	29,892
Telephone	2,204
Utilities	31,472
Water purchased	110,987
Workman's compensation	<u>2,331</u>
Total Operating Expenses	<u>\$ 747,008</u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Income/(Loss)	\$ (52,283)
Nonoperating Revenues/(Expenses)	
Interest income	109
Interest expense	<u>(150,677)</u>
Total Nonoperating Revenues/(Expenses)	<u>(150,568)</u>
Net Income/(Loss)	(202,851)
(Increase)/decrease in retained earnings - reserved for retirement of long-term debt	<u>(12,408)</u>
Net change in unreserved retained earnings	(215,259)
RETAINED EARNINGS - Unreserved, Beginning of year	<u>(807,391)</u>
RETAINED EARNINGS - Unreserved, End of year	<u><u>\$ (1,022,650)</u></u>

The accompanying notes are an integral part of this statement.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

Cash Flows From Operating Activities	
Net loss	\$ (202,851)
Adjustments to reconcile operating loss to net cash provided from operating activities	
Depreciation	113,795
(Increase)/decrease in operating assets	
Accounts receivable	
Trade	(27,832)
Other	(2,450)
Prepaid insurance	(4,813)
Increase/(decrease) in operating liabilities	
Accounts payable	62,331
Accrued expenses	3,379
Interest payable	<u>150,677</u>
Net Cash Provided By/(Used In) Operating Activities	92,236
Cash Flows From Capital and Related Financing Activities	
Purchase of automobiles	(12,771)
Purchase of machinery and equipment	(9,261)
Purchase of buildings	<u>(7,923)</u>
Net Cash Provided By/(Used In) Capital and Related Financing Activities	<u>(29,955)</u>
Net Increase in Cash	62,281
CASH, Beginning of year	<u>18,524</u>
CASH, End of year	<u><u>\$ 80,805</u></u>

Supplemental Disclosures

Cash payments for interest expense for the year ended December 31, 1999, was \$0.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ebarb Waterworks District No. 1, a political subdivision of the Sabine Parish Police Jury, was created by Louisiana Revised Statute 33:38.11 and adopted by the Police Jury on March 16, 1977. The District's purpose is to provide water service to any user within the geographical bounds of the district. It is operated by a board which consists of up to five commissioners appointed by the Police Jury.

The accounting and reporting policies of the Ebarb Waterworks District No. 1 conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to guides set forth in the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the Sabine Parish Police Jury is the financial reporting entity for Sabine 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 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 Statement No. 14 established criteria for determining which component units should be considered part of the Sabine Parish Police Jury for financial reporting purposes. The basic criterion 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 police jury to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits or 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.

Because the police jury appoints the board of commissioners, the Waterworks District, was determined to be a component unit of the Sabine Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Waterworks District and do not present information on the police jury, the general government service provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting

The accounts of the Ebarb Waterworks District No. 1 are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. The District now consist of only one generic fund type and one broad fund category as follows:

Proprietary Fund Types - Account for activities similar to those found in the private sector, where the determination of net income is necessary for sound financial administration. Proprietary funds differ from governmental funds in that *their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator.* The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Enterprise Fund - Account for operations a) that are financed and operated in a manner similar to 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; or b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

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

The enterprise fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. 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 purchase of various operating supplies are regarded as expenditures at the time purchased.

D. Cash and Cash Equivalents

Consistent with GASB Statement 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting", the District defines cash and cash equivalents as follows:

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents (Continued)

Cash equivalents - all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

E. Accounts Receivable

All receivables are reported at their gross value and, where applicable are reduced by the estimated portion that is expected to be uncollectible.

F. Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 1999, \$28,765, were considered to be uncollectible.

G. Prepaid Expenses

Payments to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid expenses.

H. Fixed Assets

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activities are included on its balance sheet. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Depreciation of all exhaustible fixed assets used by the District is charged as an expense against its operations. Depreciation will be provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water system	
Distribution system	40 years
Automobiles	5 years
Machinery and equipment	3-15 years
Buildings	15 years

All fixed assets are stated at historical cost.

I. Restricted Assets

The Enterprise Fund, based upon certain bond covenants, is required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt. These assets consist of bank savings accounts.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Equity

Unreserved retained earnings for the proprietary fund represents the net assets available for future operations or distribution. Reserved retained earnings for the proprietary fund represents the net assets that have been legally identified for specific purposes. Contributed capital is recorded in the Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

K. Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

NOTE 2 CASH AND CASH EQUIVALENTS

At December 31, 1999, the District had cash and cash equivalents totaling \$80,805, as follows:

Demand deposit accounts	\$	61,767
Interest bearing demand deposit accounts		<u>19,038</u>
Total		<u><u>\$ 80,805</u></u>

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. 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. As of December 31, 1999, the District had \$83,222 in bank deposits. These deposits were secured from risk by \$83,222 of federal deposit insurance.

NOTE 3 RESTRICTED ASSETS

At December 31, 1999, the District had the following restricted assets:

Revenue bond sinking fund	\$	<u><u>19,038</u></u>
---------------------------	----	----------------------

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 4 FIXED ASSETS

A summary of fixed assets for the year ended December 31, 1999, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation</u>
Land	\$ 72,530	\$ 0	\$ 72,530	\$ 0
Distribution system	4,464,357	(1,108,007)	3,356,350	111,609
Automobiles	12,771	(639)	12,132	639
Machinery and equipment	9,261	(1,431)	7,830	1,431
Buildings	7,923	(116)	7,807	116
Total	<u>\$ 4,566,842</u>	<u>\$ (1,110,193)</u>	<u>\$ 3,456,649</u>	<u>\$ 113,795</u>

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Changes during the year			
Balance, Beginning of year	\$ 4,536,887	\$ (996,398)	\$ 3,540,489
Additions			
Automobiles	12,771	0	12,771
Machinery and equipment	9,261	0	9,261
Buildings	7,923	0	7,923
Depreciation	0	(113,795)	(113,795)
Balance, End of year	<u>\$ 4,566,842</u>	<u>\$ (1,110,193)</u>	<u>\$ 3,456,649</u>

NOTE 5 LONG-TERM DEBT

The following is a summary of the long-term debt for the year ended December 31, 1999:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Revenue bonds 1982	5.00%	2022	\$ 433,000	\$ 359,123
Revenue bonds 1990	5.00%	2030	1,975,000	1,853,278
Revenue bonds 1991	5.00%	2022	137,313	120,587
Revenue bonds 1993	5.25%	2033	675,000	648,135
Total			<u>\$ 3,220,313</u>	<u>\$ 2,981,123</u>

The annual requirements to amortize debt outstanding at December 31, 1999, including interest payments are as follows:

<u>Year Ended December 31,</u>	<u>1982 Revenue Bonds</u>	<u>1990 Revenue Bonds</u>	<u>1991 Revenue Bonds</u>	<u>1993 Revenue Bonds</u>	<u>Total</u>
2000	\$ 51,346	\$ 245,866	\$ 17,616	\$ 82,026	\$ 396,854
2001	25,673	116,071	8,808	41,013	191,565
2002	25,673	116,071	8,808	41,013	191,565
2003	25,673	116,071	8,808	41,013	191,565
2004	25,673	116,071	8,808	41,013	191,565
Thereafter	462,114	3,017,846	158,544	1,189,377	4,827,881
Total	<u>\$ 616,152</u>	<u>\$ 3,727,996</u>	<u>\$ 211,392</u>	<u>\$ 1,435,455</u>	<u>\$ 5,990,995</u>

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 5 LONG-TERM DEBT (CONTINUED)

Under the terms of the outstanding revenue bonds, all income and revenue (hereafter referred to as revenue) of every nature, earned or derived from operations of the District are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

- a) From "Water System Revenue Fund", there must be paid all reasonable and necessary expenses of operating and maintaining the System.
- b) Each month, there will be set aside into a fund called the "Water System Revenue Bond and Interest Sinking Fund" an amount constituting 1/12 of the total principal and interest maturing in the ensuing year. Such amounts shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.
- c) Each month, there shall be set aside into a "Water System Reserve Fund" a sum at least equal to five percent (5%) of the annual debt payment until such time as there has been accumulated in said fund a sum equal to the highest combined principal and interest amount falling due in any year. Such money is to be maintained solely for the purpose of paying the principal and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.
- d) Funds will also be set aside into a "Depreciation and Contingency Fund" at the rate of \$975 per month. Money in this fund shall be used to pay the principal and interest on bonds for which there is not sufficient money in the Sinking or Reserve Fund.

Due to insufficient revenues, the District was unable to make monthly deposits as specified above and was therefore in breach of the requirements to maintain certain amounts in the reserve and depreciation and contingency funds at December 31, 1999. The United States of America, Farmers Home Administration has the right to call the bonds if the District is in violation of the bond agreement. The District has, however, obtained a waiver, not to call the bonds, from the Farmers Home Administration for the year ended December 31, 1999. See management letter for finding of the District being in violation of bond covenants at December 31, 1999.

NOTE 6 LEASE OBLIGATIONS

The Ebarb Waterworks District No. 1 is obligated under two lease agreements accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the District's fixed assets.

The first lease agreement is with the Louisiana Department of Transportation and Development, Sabine River Authority for the use of 37.5 acres of land for thirty years expiring on September 18, 2009, with an option for an additional thirty years. The agreement requires no lease payments, but rather the development of community and recreation facilities. The lease can be terminated at the option of the Sabine River Authority for failure to comply with lease requirements.

The second lease agreement is with the Louisiana Department of Transportation and Development, Sabine River Authority for the use of a water intake, treatment and distribution facility for 40 years which expires on August 21, 2029. Although the lease agreement requires no lease payments, the District must maintain the intake, treatment and distribution facilities and provide portable water to recreational facilities developed by the Sabine River Authority in the area. The lease can be terminated at the option of the Sabine River Authority for failure to fulfill any one or any portion of the lease requirements.

The Ebarb Waterworks District No. 1 was not obligated under any capital lease commitments at December 31, 1999.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 7 CONCENTRATION OF WATER SUPPLY

Although other sources are available, the District obtained all of its water supply from the Sabine River Authority (60%) and the Belmont Water System (40%) during 1999.

NOTE 8 RETIREMENT COMMITMENTS

All employees of Ebarb Waterworks District No. 1 are covered by the Social Security System. Employees contribute 6.2 percent of their total salary to the System, while the District contributes a like amount. For the year ended December 31, 1999, total contributions to the system were \$3,574, of which the District contributed \$1,787 and employees contributed \$1,787. Total payroll for the year ended December 31, 1999 was \$28,817 and total payroll covered by the system was \$28,817. Any future deficit in this system will be financed by the United States Government. The District has no further liability to the system for the year ended December 31, 1999.

NOTE 9 LITIGATION AND CLAIMS

The Ebarb Waterworks District No. 1 is a defendant in several lawsuits. Management and legal counsel for the District believe that the potential claims against the District not covered by insurance and not included in the financial statements as estimated claims would not materially affect the District's financial position. At December 31, 1999, the District has estimated claims payable of \$65,931.

NOTE 10 RISK MANAGEMENT

The Ebarb Waterworks District No. 1 is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the District.

NOTE 11 GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the District as a going concern. The District has sustained substantial losses in recent years which has resulted in an accumulated deficit of \$1,022,650 in unreserved retained earnings at December 31, 1999. Combining contributed capital and reserved retained earnings with unreserved retained earnings results in total fund equity of \$142,388.

Management plans to eliminate the deficit in unreserved retained earnings through a combination of actions:

- 1) Management has implemented strict cost control procedures to reduce expenses.
- 2) Management has hired full time employees to reduce cost of outside contractors.
- 3) Management has decided to purchase treated water rather than use the District's old plant that is very costly to operate.
- 4) Management has negotiated and will continue to negotiate a reduction in the cost of purchasing treated water.
- 5) Management implemented a rate increase during 1999 and will consider further increases as necessary.
- 6) Management has begun enforcing their disconnect policy on past due accounts.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO BOARD OF COMMISSIONERS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Members</u>	<u>Meetings Attended</u>	<u>Compensation Amount</u>
Charles Jones	17	\$ 1,020
Don Bell	17	1,020
Rudolph Duplissey	12	720
James A. "Buddy" Veuleman	11	660
Kathy Davis	3	180
Arthur G. Honea	4	240
Arry L. Swindoll	12	<u>720</u>
		<u>\$ 4,560</u>

HINES, JACKSON & HINES

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 • 133 EAST FIFTH STREET
NATCHITOCHES, LA 71457

Telephone (318) 352-6458
FAX (318) 352-0404
hjhcpa@worldnetla.net

FRANK S. HINES, CPA
LEWIS C. HINES, CPA
E. MERLIN SQUYRES, CPA
JAY H. SHEFFIELD, CPA

A. NEILL JACKSON, JR., CPA
1926-1999

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
Ebarb Waterworks District No. 1
P. O. Box 1366
Zwolle, LA 71486

We have audited the general purpose financial statements of Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 1999, and have issued our report thereon dated June 20, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Ebarb Waterworks District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under Government Auditing Standards. A description of the findings can be found in findings 99-1 and 99-2 of the accompanying Corrective Action Plan For Current Year Audit Findings, Schedule #3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ebarb Waterworks District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the Ebarb Waterworks District No. 1 and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than the specified parties.

Hines, Jackson & Hines

Natchitoches, Louisiana
June 20, 2000

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
97-1	12/31/96	The District is in violation of revenue bond covenants requiring funding of reserve and depreciation and contingency accounts.	Partially	Funding of reserve and depreciation and contingency accounts will continue until the District is in compliance with bond covenants.
97-2	12/31/97	The District was not recording minutes of meetings and publishing them in the local newspaper.	Yes	This finding has been resolved.

EBARB WATERWORKS DISTRICT NO. 1
ZWOLLE, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Correct Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
99-1	The District is in violation of revenue bond covenants requiring funding of reserve and depreciation and contingency accounts.	The District will continue to fund the reserve and depreciation and contingency accounts until they are in compliance with bond covenants.	Charles Jones, President	6/30/2000
99-2	One situation exist where a member of the immediate family of a member of the governing board was hired on an as needed basis when no one else was available to work in the office due to illness or vacations. Violation of R. S. 42:1119 - Nepotism.	The Board will find a trustworthy person that is not related to any of the board members to fill in when office personnel can not be at work due to illness or vacation.	Charles Jones, President	6/30/2000

HINES, JACKSON & HINES

CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 2188 • 133 EAST FIFTH STREET
NATCHITOCHES, LA 71457

Telephone: (318) 352-6458
FAX (318) 352-0404
hjhcpa@worldnetla.net

FRANK S. HINES, CPA
LEWIS C. HINES, CPA
E. MERLIN SQUYRES, CPA
JAY H. SHEFFIELD, CPA

A. NEILL JACKSON, JR., CPA
1926-1999

Board of Commissioners
Ebarb Waterworks District No. 1
P. O. Box 1366
Zwolle, LA 71486

We are writing this letter as a follow-up to our recent audit of the general purpose financial statements of the Ebarb Waterworks District No. 1, Zwolle, Louisiana, a component unit of the Sabine Parish Police Jury, as of December 31, 1999, and for the year then ended. We offer the following observations and recommendations, which are intended to help improve record keeping procedures and general operations of the Waterworks District and are intended to be constructive in nature:

1. Existing Condition:

The resolution authorizing the revenue bonds required the District to establish and fund reserve and depreciation and contingency accounts. As of December 31, 1999, the District has not fully funded the required accounts and is in violation of the revenue bond covenants.

Recommended Action:

The District should continue to fund the reserve and depreciation and contingency accounts until they are in compliance with bond covenants.

Management's Response:

The District will continue to fund the reserve and depreciation and contingency accounts until they are in compliance with bond covenants.

2. Existing Condition:

One situation exist where a member of the immediate family of a member of the governing board was hired on an as needed basis when no one else was available to work in the office due to illness or vacations. Violation of R. S. 42:1119 - Nepotism.

Recommended Action:

The Board should try to find a trustworthy person that is not related to any of the board members to fill in when office personnel can not be at work due to illness or vacations.

Management's Response:

The Board will find a trustworthy person that is not related to any of the board members to fill in when office personnel can not be at work due to illness or vacation.

These comments and recommendations are not all inclusive and are not intended to be critical of anyone. We would like to thank the Waterworks District's management and staff for their courtesy and cooperation during our engagement. If you have any questions or concerns, please let us know.

Hines, Jackson & Hines

Natchitoches, Louisiana
June 20, 2000