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**ASCENSION PARISH
COMMUNICATION
DISTRICT**

FINANCIAL REPORT

DECEMBER 31, 1998

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

Release Date 7-28-99

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Commissioners
Ascension Parish Communication District
Donaldsonville, Louisiana

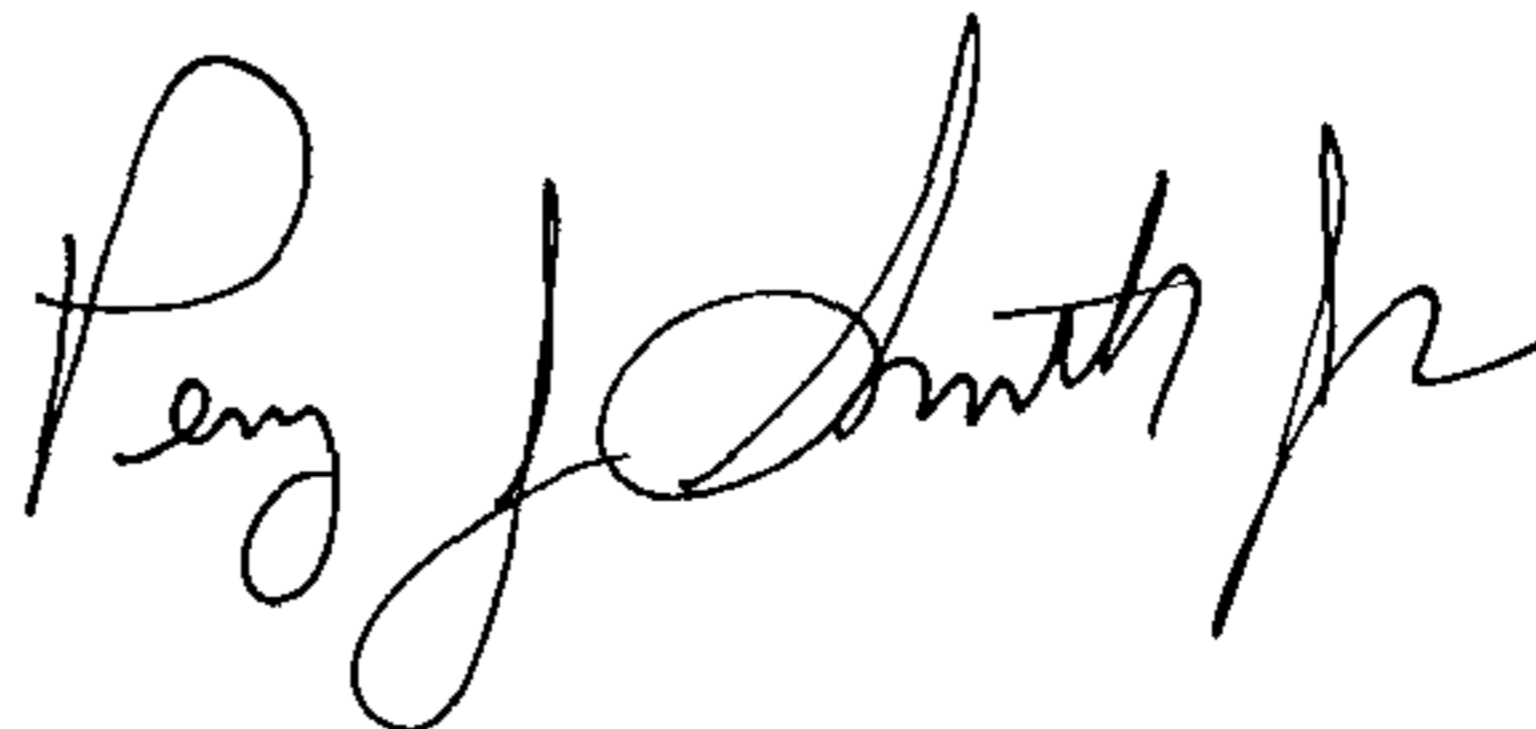
I have audited the accompanying general purpose financial statements of Ascension Parish Communication District (District), a component unit of the Ascension Parish Council, as of December 31, 1998 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit. The financial statements of the District, as of December 31, 1997, were audited by other auditors whose report dated June 1, 1998, expressed an unqualified opinion on those statements.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of the District as of December 31, 1998 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 23, 1999 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

June 23, 1999



ASCENSION PARISH COMMUNICATION DISTRICT
Donaldsonville, Louisiana

COMBINED BALANCE SHEET--ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 1998

	<u>Governmental</u>		<u>Account Groups</u>		<u>Totals</u>	
	<u>Fund Type</u>		<u>General</u>	<u>General Long</u>	<u>(Memorandum only)</u>	
	<u>General Fund</u>		<u>Fixed Assets</u>	<u>Term Debt</u>	<u>1998</u>	<u>1997</u>
ASSETS						
Cash	\$ 105,800	\$ -	\$ -	\$ -	\$ 105,800	\$ 144,462
Certificates of deposit	95,727	-	-	-	95,727	90,734
Commissions receivable	23,787	-	-	-	23,787	21,669
Accrued interest receivable	850	-	-	-	850	962
General fixed assets	-	784,841	-	-	784,841	750,137
Amount to be provided for retirement of general long-term debt	-	-	90,958	-	90,958	144,121
Total assets	<u>\$ 226,164</u>	<u>\$ 784,841</u>	<u>\$ 90,958</u>	<u>\$ -</u>	<u>\$ 1,101,963</u>	<u>\$ 1,152,085</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,103
Certificate of indebtedness payable	-	-	90,958	-	90,958	144,121
Total liabilities	-	-	90,958	-	90,958	205,224
FUND BALANCE						
Investments in general fixed assets	-	784,841	-	-	784,841	750,137
Unreserved-undesignated	226,164	-	-	-	226,164	196,724
Total fund balance	<u>226,164</u>	<u>784,841</u>	<u>-</u>	<u>-</u>	<u>1,011,005</u>	<u>946,861</u>
Total liabilities and fund balance	<u>\$ 226,164</u>	<u>\$ 784,841</u>	<u>\$ 90,958</u>	<u>\$ -</u>	<u>\$ 1,101,963</u>	<u>\$ 1,152,085</u>

The accompanying notes are an intergral part of this statement.

ASCENSION PARISH COMMUNICATION DISTRICT
Donaldsonville, Louisiana

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND

For the years ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
REVENUES		
Fees and charges	\$ 274,522	\$ 253,706
Interest income	<u>8,597</u>	<u>9,559</u>
Total revenues	<u>283,119</u>	<u>263,265</u>
EXPENDITURES		
Current:		
Telephone	146,431	140,297
Legal and professional	6,141	6,134
Lease and Rentals	4,955	-
Repairs and maintenance	549	395
Fees	529	-
Office expense	13	603
Training	-	811
Capital outlay	34,705	73,294
Debt service:		
Principal retirement	53,163	45,879
Interest	<u>7,193</u>	<u>9,448</u>
Total expenditures	<u>253,679</u>	<u>276,861</u>
Excess of revenues over expenditures	29,440	13,596
OTHER FINANCING SOURCES		
Proceeds of certificates of indebtedness	<u>-</u>	<u>190,000</u>
Excess of revenues and other sources over expenditures	29,440	176,404
FUND BALANCE		
Beginning of year	<u>196,724</u>	<u>20,320</u>
End of year	<u>\$ 226,164</u>	<u>\$ 196,724</u>

The accompanying notes are an intergral part of this statement.

ASCENSION PARISH COMMUNICATION DISTRICT
Donaldsonville, Louisiana

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND**

For the year ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Fees and charges	\$ 274,420	\$ 274,522	\$ 102
Interest income	8,715	8,597	(118)
Total revenues	283,135	283,119	(16)
EXPENDITURES			
Current:			
Telephone	147,218	146,431	787
Other contracting service	30,403	-	30,403
Legal and professional	3,325	6,141	(2,816)
Leases & rentals	5,400	4,955	445
Repairs and maintenance	2,179	549	1,630
Fees	-	529	(529)
Office expense	542	13	529
Capital outlay	65,359	34,705	30,654
Debt service:			
Principal retirement	53,163	53,163	-
Interest	7,193	7,193	-
Total expenditures	314,782	253,679	61,103
Excess (deficit) of revenues over expenditures	\$ (31,647)	29,440	\$ 61,087
FUND BALANCE			
Beginning of year		196,724	
End of year		\$ 226,164	

The accompanying notes are an intergral part of this statement.

**ASCENSION PARISH COMMUNICATION DISTRICT
DONALDSONVILLE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

As provided by Louisiana Revised Statutes 33:9101 - 9106, the Communication District was created to provide emergency communications to the residents of Ascension Parish. The District was created by the Ascension Parish Council who appoints a board to manage the operations of the District. Each member serves on a voluntary basis. The District serves approximately 72,000 residents and a geographic area of approximately 303 square miles. There currently are no employees and the Ascension Parish Sheriff, by appointment of the Board, serves as the District's director without compensation.

The accounting and reporting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of certain significant accounting policies:

Reporting Entity

As the governing authority of the parish, for reporting purposes, the Ascension Parish Council is the financial reporting entity for Ascension Parish. The financial reporting entity consists of (a) the primary government (Council), (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 Ascension Parish Council 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 council 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 council.
2. Organizations for which the Council does not appoint a voting majority but are fiscally dependent on the council.

**ASCENSION PARISH COMMUNICATION DISTRICT
DONALDSONVILLE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Council appoints all members to the District's Board of Commissioners, the District was determined to be a component unit of the Ascension Parish Council, 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 council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Fund Accounting

The financial transactions of the District are recorded in individual fund and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Each account group represents a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect net expendable available financial resources.

The various funds and account groups are reported by type in the combined financial statements. The amounts shown in the "Total (Memorandum Only)" column in the accompanying general purpose financial statements represent a summation of the combined financial statement line items of the fund type and account groups and are presented only for analytical purposes. This summation includes the caption "amounts to be provided" which is not an asset in the usual sense. Consequently, amounts shown in the "Total (Memorandum Only)" columns are not comparable to consolidated financial statements and do not represent the total resources available or total revenues and expenditures of the District.

The District uses the following fund categories, fund types and account groups.

Governmental Fund Type

General Fund - The General Fund is the operating fund of the District. The General Fund was established in compliance with Louisiana Revised Statute 33:9106, which provides that a percentage of the telephone bills collected throughout the parish be transmitted to the District to defray its expenditures.

**ASCENSION PARISH COMMUNICATION DISTRICT
DONALDSONVILLE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

Account Group

The account group is not a fund. It is concerned only with the measurement of financial position, not with measurement of results of operations. Account groups are used to establish accounting control and accountability for the District's general fixed assets and general long-term debt.

General Fixed Asset Account Group - The General Fixed Asset Account Group is used to account for all fixed assets of the District.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for all long-term obligations of the District.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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 accompanying component unit financial statements have been prepared on the modified accrual basis of accounting. The governmental unit uses the following practices in recording revenues and expenditures:

Revenues

Commissions on telephone bills are recorded in the year earned. Interest income is accrued for reporting purposes.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Budget Practices

The budget for fiscal year 1998 was completed and made available for public inspection at the Sheriff's office prior to April 6, 1999. A public hearing was held for suggestions and comments from taxpayers. The District formally adopted the fiscal year 1998 budget after the public hearing. The budget for the General Fund was prepared on the modified accrual basis of accounting.

**ASCENSION PARISH COMMUNICATION DISTRICT
DONALDSONVILLE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

Budget Practices (continued)

When actual revenues within a fund are failing to meet estimated annual budgeted revenues by five percent or more, and/or actual expenditures are exceeding estimated budgeted expenditures by five percent or more, the budget should be amended to reflect such changes and adopted by the District in an open meeting. Budgeted amounts included in the financial statements include the original adopted budget by the District.

Cash and Cash Equivalents

Cash equivalents are defined as investments in certificates of deposit with maturities of three months or less from date purchased. At December 31, 1998, the District did not have cash equivalents.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date financial statements. Actual results could differ from those estimates.

Note 2 - Cash

Under law LRS 39:1211-1245 and 33:2955, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At year-end, the carrying amount of the District's deposits was \$201,527 and the bank balance was \$218,899. Of the bank balance, \$200,000 was covered by federal depository insurance and \$18,899 was covered by collateral held by the pledging bank's agent in the District's name.

Note 3 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>1/1/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/98</u>
Building Improvements	\$ 45,040	\$ -	\$ -	\$ 45,040
Equipment	<u>705,096</u>	<u>34,705</u>	<u>-</u>	<u>739,801</u>
	<u>\$750,136</u>	<u>\$34,705</u>	<u>\$ -</u>	<u>\$784,841</u>

**ASCENSION PARISH COMMUNICATION DISTRICT
DONALDSONVILLE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

Note 4 - Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the year ended December 31, 1998:

	Certificates of <u>Indebtedness</u>
Payable, January 1, 1998	\$144,121
Additions	-
Deletions	<u>53,163</u>
Payable, December 31, 1998	<u>\$ 90,958</u>

Long-term debt payable at December 31, 1998 is comprised of the following individual issue:

Certificates of Indebtedness

\$190,000 certificates of indebtedness dated January 27, 1997
due in monthly installments of \$5,030 through August 2000
including interest at 6%.

\$90,958

The annual requirements to amortize all debt outstanding as of December 31, 1998, including interest of \$ 4,607, are as follows:

<u>Year Ending December 31,</u>	Certificates of <u>Indebtedness</u>
1999	\$55,327
2000	<u>40,238</u>
	<u>\$95,565</u>

Note 5 – Related Party

The District receives support for office facilities and personnel from the Ascension Parish Sheriff at no cost. These activities are not reflected in the District's financial statements.

**ASCENSION PARISH COMMUNICATION DISTRICT
DONALDSONVILLE, LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

Note 6 – Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The District has completed an inventory of its emergency communications equipment that may be affected by the Year 2000 issue and that is necessary to conducting operations. Based on this inventory, the District is in the awareness stage. Remediation may be necessary for the system to be Year 2000 compliant. The District has implemented a contingency plan as a result of the unique nature of the system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

Members of the Board of Commissioners
Ascension Parish Communication District
Donaldsonville, Louisiana

I have audited the general purpose financial statements of Ascension Parish Communication District (District), a component unit of the Ascension Parish Council, as of and for the year ended December 31, 1998, and have issued my report thereon dated June 23, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 98-3 and 98-4.

Internal Control Over Financial Reporting

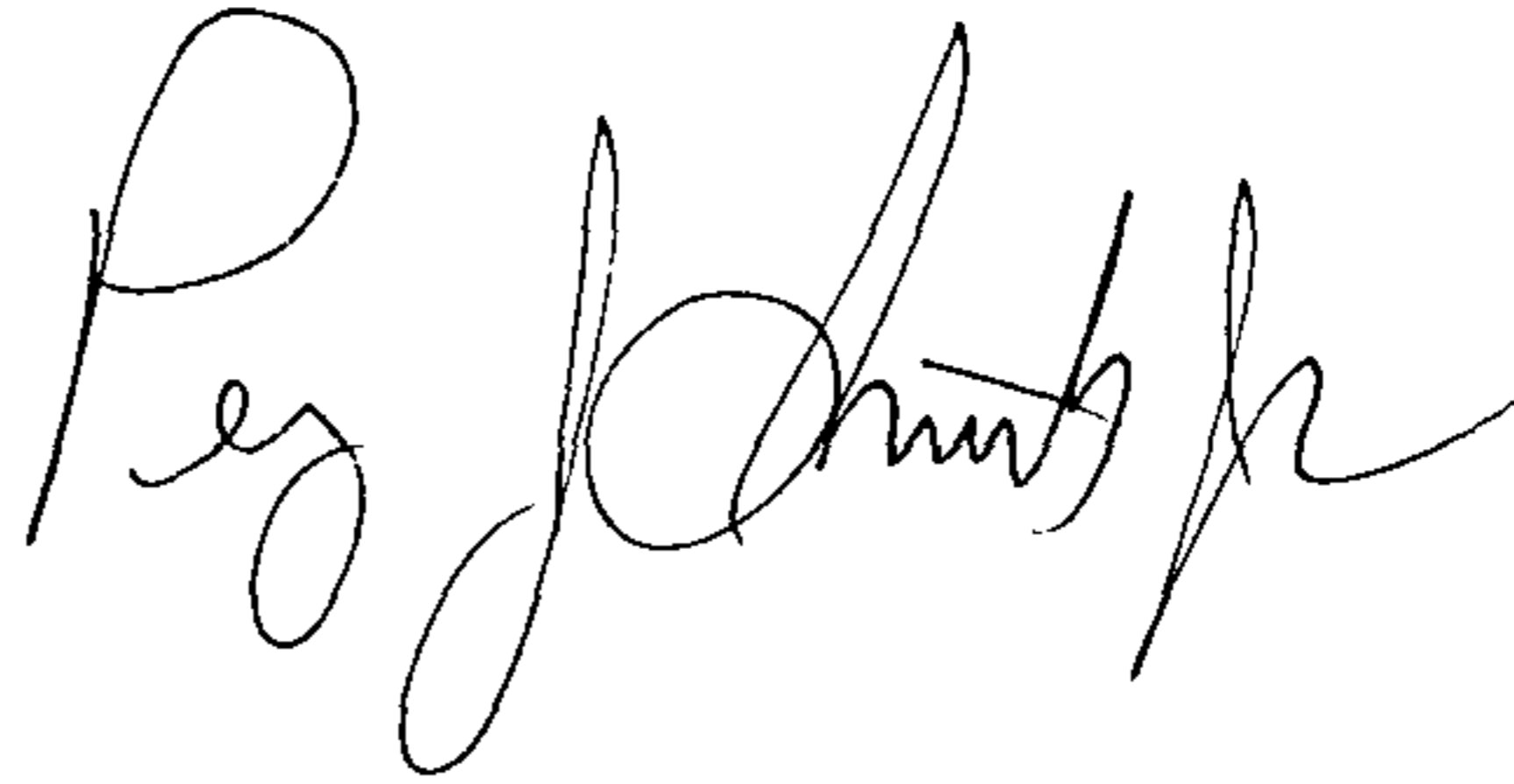
In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment,

could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1 and 98-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 98-2 to be a material weakness.

This report is intended for the information of management, the Ascension Parish Council and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

June 23, 1999

A handwritten signature in black ink, appearing to read "Peggy J. Smith". The signature is written in a cursive, flowing style with a large initial "P" and a distinct "J".

**ASCENSION PARISH COMMUNICATION DISTRICT
DONALDSONVILLE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

SUMMARY OF AUDIT RESULTS

- A) The type of report issued on the general purpose financial statements: **Unqualified opinion**
- B) Reportable conditions in internal control were disclosed by the audit of financial statements:
See 98-1 & 98-2.
Material weaknesses: **98-2**
- C) Noncompliance which is material to the general purpose financial statements: **None**
- D) Findings relating to the financial statements reported in accordance with Government Auditing Standards: **See 98-3 & 98-4**

REPORTABLE CONDITIONS

SEGREGATION OF DUTIES - 98-1

Observation: Due to the limited size of the District's accounting personnel, the segregation of duties is inadequate to provide effective internal control.

Recommendation: No action is recommended.

Management's corrective action plan: We concur with the recommendation.

PRE-SIGNED CHECKS – 98-2

Observation: The District maintains approximately 7 to 12 pre-signed checks in storage on an on-going basis.

Recommendation: It is recommended that the District prohibit the practice of pre-signing checks prior to the disbursement of funds. The District has established a policy requiring two signatures with all check disbursements. The practice of pre-signing checks circumvents the established control procedure. The District may consider establishing a threshold for the requirement of two signatures on all check disbursements. For example, small items could only require one signature thereby eliminating the finding.

Management's corrective action plan: Management intends to prohibit the pre-signing of checks requiring dual signatures. In addition, the District will consider adopting a policy to establish a threshold for requiring dual signatures on check disbursements.

COMPLIANCE FINDINGS

BUDGET – 98-3

Observation: The District did not comply with the following requirements of LRS 39:1304(c), 1305, 1306, and 1307:

- a. All action necessary to adopt and finalize the budget should be completed prior to year end. The adopted budget should contain the same information as that required for the proposed budget.
- b. The proposed budget should be submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the budget year.
- c. To the extent that proposed expenditures were greater than \$250,000, the budget should be made available for public inspection and should be advertised in the official journal. The advertisement should include the date, time, and place of the public hearing. A budget summary should be published in the official journal at least 10 days prior to the public hearing. Notice should also be published certifying that all actions required by the Local Government Budget Act have been completed.
- d. The proposed budget should be made available for public inspection at the required location.
- e. The budget, as adopted, did not contain a budget message.
- f. LRS 39:1310 requires amendment to the general fund budget when actual expenditures exceed appropriations by five percent or more.

Recommendation: It is recommended that the District comply with the above listed budget requirements in the future by preparing and adopting an operating budget prior to the inception of the fiscal year. In addition, the budget should be monitored, on an interim basis, to determine the necessity for amendment.

Management's corrective action plan: Management of the District has obtained professional assistance to monitor budget activity on an interim basis. In addition, it will receive assistance on an annual basis with the adoption of the District's operating budget.

FIXED ASSET MANAGEMENT – 98-4

Observation: The District did not conduct a physical inventory of its fixed asset inventory during the year ended December 31, 1998.

Recommendation: It is recommended that the District comply with LRS 39:324 concerning the physical inventory of property.

Management's corrective action plan: Management is committed to conducting such an inventory during the year ending December 31, 1999.

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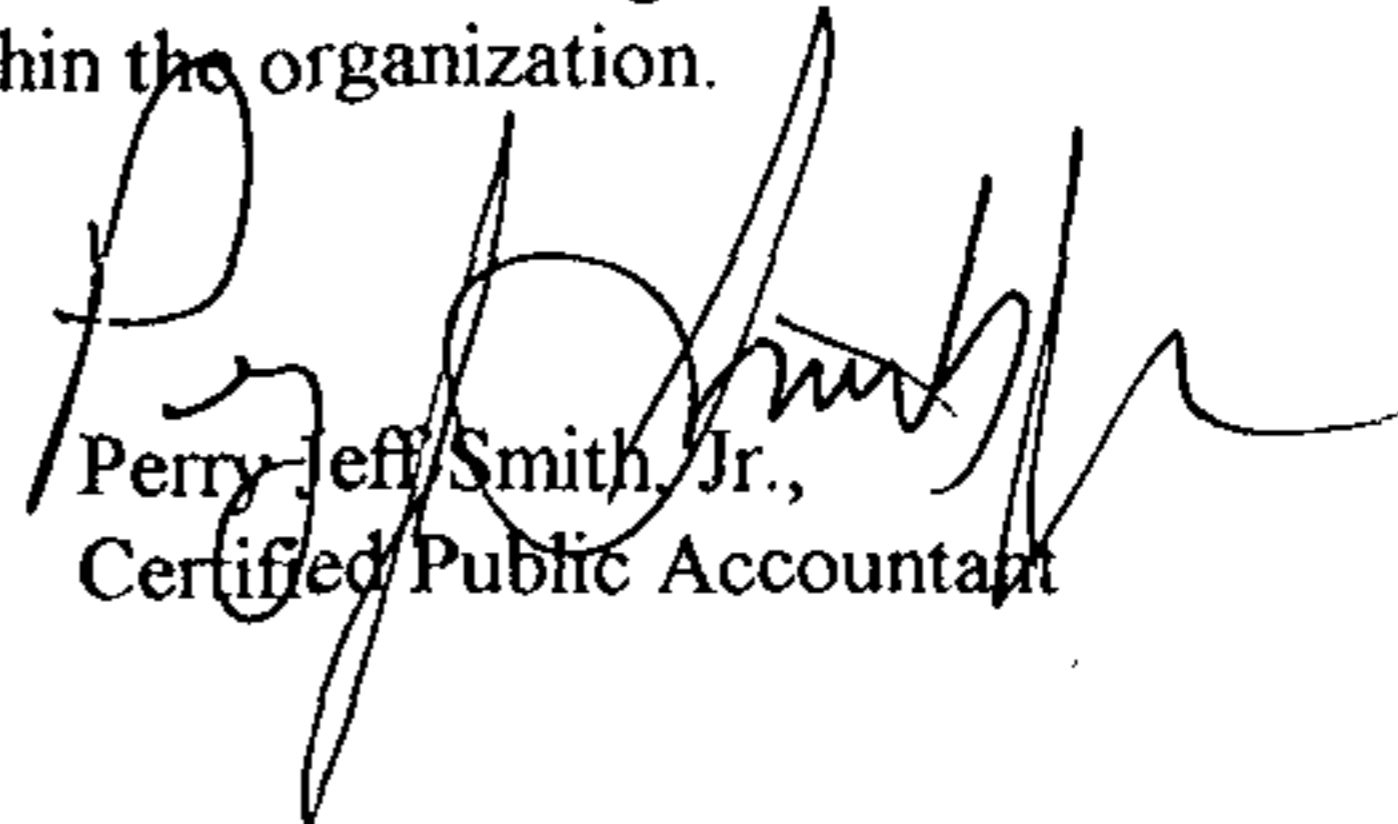
Members of the Board of Commissioners of
the Ascension Parish Communication District
Donaldsonville, Louisiana

In planning and performing my audit of the financial statements of the Ascension Parish Communications District (the District) for the year ended December 31, 1998, I considered internal control over financial reporting and compliance to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control. 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 Parish's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the 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.

My consideration of internal control would not necessarily disclose all matters in internal control over financial reporting and compliance 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, none of the observations described in Attachment A are believed to be reportable conditions or material weaknesses and are noted for your consideration.

This report is intended solely for the information and use of management, the Ascension Parish Council, the Louisiana Legislative Auditor, and others within the organization.


Perry Jeff Smith, Jr.,
Certified Public Accountant

June 23, 1999

OPERATIONAL RECOMMENDATIONS

LEGAL COUNSEL – 98-1

Observation: Currently, the District does not retain the services of legal counsel. With the complex nature of administering public funds, the District should consider identifying an attorney with the qualifications to assist the District with administering its operations.

Recommendation: The District should either contact the Ascension Parish Council to retain the services of Parish legal counsel or contract with an attorney capable of rendering services relating to municipalities.

Management's corrective action plan: Management intends to obtain the services of an attorney on an as needed basis to assist the District with legal issues as they arise.

INSURANCE – 98-2

Observation: The District does not incur any insurance costs. The District should contact the management of the Ascension Parish Council to determine the extent to which it has insurance coverage.

Recommendation: We recommend that the District determine its insurance needs, such as: public officials insurance, general liability and property damage insurance. The risk associated with the operations of the District certainly require the coverage of insurance.

Management's corrective action plan: The District intends to contact the Ascension Parish Council to determine the extent to which it is covered by the Parish's insurance plan. If additional insurance is needed, the District plans to purchase the necessary coverage.

FINANCIAL REPORTING – 98-3

Observation: The District receives a cash receipts and disbursements recap at each board meeting depicting the date of receipts, check disbursement listing and ending cash balance. The District does not maintain a formal general ledger system that produces financial statements. In addition, expenditures are not compared to the adopted budget.

Recommendation: Based on the limited staff available to the District, the preparation of financial statements in-house is probably not feasible. As such, the District could contract with an accounting firm to prepare its financial statements on a monthly or quarterly basis with cost being nominal. Upon accepting this practice, the District will enhance financial reporting to the Board with essential comparison to the adopted budget.

Management's corrective action plan: Management has contacted an accounting firm to prepare its financial statements on a regular basis in the format as described above.

INVESTMENTS – 98-4

Observation: Management of the District indicated a desire to identify investments with more liquidity than the certificates of deposit currently being utilized. The certificates of deposit are yielding a 4.5% annual interest rate.

Recommendation: We recommend that the District consider investing its idle funds in U.S. Treasury notes and bills. Currently, treasury notes and treasury bills are yielding in excess of 5% per annum. In addition, treasury notes and bills can be called prior to maturity without penalty and on a piecemeal basis. The District could liquidate the investment to acquire the funds needed without retiring the entire amount, as in a certificate of deposit.

Management's corrective action plan: Management intends to explore this investment option to determine if it meets the needs of the District.