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SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
KINDER, LOUISIANA

A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 1998

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

Release Date ~~JUN 10 7 33 00~~

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Mires & Company
A Professional Corporation

Certified Public Accountants

Members:
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants
Private Company Practice Section AICPA

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Southwest Allen Parish Water District No. 2
A Component Unit of the
Allen Parish Police Jury
Kinder, Louisiana

We have audited the accompanying general purpose financial statements of the Southwest Allen Parish Water District No. 2, a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Southwest Allen Parish Water District No. 2, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. The Southwest Allen Parish Water District No. 2 has included such disclosures in Note 12. 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. Accordingly, insufficient audit evidence exists to support the Southwest Allen Parish Water District No. 2's disclosures with respect to the year 2000 issue made in Note 12. Further, we do not provide assurance that the Southwest Allen Parish Water District No. 2 is or will be year 2000 ready, that the Southwest Allen Parish Water District No. 2's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Southwest Allen Parish Water District No. 2 does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence

Board of Commissioners
Southwest Allen Parish Water District No. 2
May 21, 1999

regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Allen Parish Water District No. 2, a component unit of the Allen Parish Police Jury, as of December 31, 1998, and the results of its operations and cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 1999 on our consideration of the Southwest Allen Parish Water District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental 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 of the Southwest Allen Parish Water District No. 2. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, the information is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Mires & Company, CPAs, APC

Mires and Company, CPAs, APC
May 21, 1999

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GENERAL PURPOSE FINANCIAL STATEMENTS

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
December 31, 1998

	GOVERNMENTAL FUND TYPE	PROPRIETARY FUND TYPE	ACCOUNT GROUP
	Debt Service	Enterprise	Long-Term Debt
ASSETS			
Cash.....	\$ 51,340	\$ 662,339	\$ -
Receivables:			
Taxes - net.....	29,040	-	-
Accounts - net.....	-	59,280	-
Interest.....	7	4,075	-
Due from other fund.....	204,432	-	-
Prepaid insurance.....	-	-	-
Restricted assets:			
Bond sinking fund:			
Cash.....	-	26,585	-
Bond reserve fund:			
Cash.....	-	50,085	-
Bond contingency fund:			
Cash.....	-	78,476	-
Rent deposits:			
Cash.....	-	5,845	-
Fixed assets - net.....	-	1,996,258	-
Amount available in debt service fund.....	-	-	204,154
TOTAL ASSETS	\$ 284,819	\$ 2,882,943	\$ 204,154

See accompanying notes.

TOTALS

(Memorandum Only)

	1998	1997
\$	713,679	\$ 741,426
	29,040	27,432
	59,280	50,702
	4,082	4,435
	204,432	21,030
	-	2,913
	26,585	28,804
	50,085	48,398
	78,476	73,758
	5,845	4,787
	1,996,258	1,875,036
	204,154	206,641
\$	3,371,916	\$ 3,085,362

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
December 31, 1998

	GOVERNMENTAL FUND TYPE Debt Service	PROPRIETARY FUND TYPE Enterprise	ACCOUNT GROUP Long-Term Debt
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable.....	\$ -	\$ 17,894	\$ -
Due to other fund.....	-	204,432	-
Payable from restricted assets:			
Revenue bonds.....	-	14,000	-
Accrued interest.....	-	13,866	-
Rent deposits.....	-	4,175	-
General obligation bonds payable.....	-	-	204,154
Revenue bonds payable.....	-	444,000	-
Capital lease obligation.....	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>698,367</u>	<u>204,154</u>
Fund equity			
Contributed capital.....	-	779,000	-
Retained earnings:			
Reserve for debt service.....	-	127,280	-
Unreserved.....	-	1,278,296	-
Fund balance:			
Reserve for debt service.....	204,154	-	-
Unreserved.....	80,665	-	-
TOTAL FUND EQUITY	<u>284,819</u>	<u>2,184,576</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 284,819</u>	<u>\$ 2,882,943</u>	<u>\$ 204,154</u>

See accompanying notes.

TOTALS
(Memorandum Only)

1998	1997
\$ 17,894	\$ 15,523
204,432	21,030
14,000	13,000
13,866	14,259
4,175	3,675
204,154	206,641
444,000	458,000
902,521	732,128
779,000	780,954
127,280	123,701
1,278,296	1,170,193
204,154	206,641
80,665	71,745
2,469,395	2,353,234
\$ 3,371,916	\$ 3,085,362

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND TYPE
Year Ended December 31, 1998

	1998	1997
Revenues:		
Ad valorem taxes - net.....	\$ 29,040	\$ 27,432
Interest.....	2,474	5,233
TOTAL REVENUES	31,514	32,665
Expenditures:		
Debt service:		
Principal retirement.....	2,487	2,685
Interest.....	22,594	22,878
TOTAL EXPENDITURES	25,081	25,563
Excess of revenues over expenditures.....	6,433	7,102
FUND BALANCE - BEGINNING.....	278,386	271,284
FUND BALANCE - ENDING	\$ 284,819	\$ 278,386

See accompanying notes.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPE
Year Ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes - net.....	\$ 26,000	\$ 29,040	\$ 3,040
Interest.....	6,000	2,474	(3,526)
TOTAL REVENUES	<u>32,000</u>	<u>31,514</u>	(486)
Expenditures:			
Debt service:			
Principal retirement.....	3,000	2,487	513
Interest.....	24,000	22,594	1,406
TOTAL EXPENDITURES	<u>27,000</u>	<u>25,081</u>	1,919
Excess of revenues over expenditures.....	5,000	6,433	1,433
FUND BALANCE - BEGINNING.....	<u>278,386</u>	<u>278,386</u>	-
FUND BALANCE - ENDING	<u>\$ 283,386</u>	<u>\$ 284,819</u>	\$ 1,433

See accompanying notes.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
Year Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
OPERATING REVENUES:		
Charges for services.....	\$ 546,008	\$ 494,549
Miscellaneous.....	15,604	13,926
TOTAL OPERATING REVENUES	<u>561,612</u>	<u>508,475</u>
OPERATING EXPENSES:		
Advertising.....	3,375	2,238
Bad debts.....	21	-
Bank charges.....	101	8
Computer service.....	280	2,448
Contract labor.....	30,048	12,579
Depreciation.....	66,097	67,524
Dues.....	75	250
Insurance - general.....	12,788	13,840
Insurance - health.....	13,820	14,126
Miscellaneous.....	2,113	1,839
Office.....	6,908	6,459
Per diem.....	1,700	1,550
Postage.....	4,613	4,255
Professional fees.....	5,850	5,500
Repairs and maintenance.....	27,122	25,836
Retirement.....	7,627	6,882
Salaries.....	124,650	105,084
Supplies.....	66,792	66,342
Taxes and licenses.....	2,149	1,108
Transportation.....	9,031	13,173
Travel.....	565	61
Utilities.....	73,178	72,435
Vehicle lease.....	12,177	10,134
TOTAL OPERATING EXPENSES	<u>471,080</u>	<u>433,671</u>
OPERATING INCOME	90,532	74,804
NON-OPERATING REVENUES (EXPENSES):		
Interest income.....	37,027	37,871
Interest expense.....	(23,156)	(23,806)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>13,871</u>	<u>14,065</u>
NET INCOME	104,403	88,869

See accompanying notes.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
Year Ended December 31, 1998

	1998	1997
Add current year's depreciation on fixed assets acquired by funds externally restricted for capital expenditures that reduce contributed capital.....	\$ 7,279	\$ 7,279
Increase in retained earnings.....	111,682	96,148
RETAINED EARNINGS - BEGINNING.....	1,293,894	1,197,127
PRIOR PERIOD ADJUSTMENT.....	-	619
RETAINED EARNINGS - BEGINNING, RESTATED.....	1,293,894	1,197,746
RETAINED EARNINGS - ENDING	\$1,405,576	\$1,293,894

See accompanying notes.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUND TYPE
Year Ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
OPERATING REVENUES:			
Charges for services.....	\$ 530,000	\$ 546,008	\$ 16,008
Miscellaneous.....	10,000	15,604	5,604
TOTAL OPERATING REVENUES	<u>540,000</u>	<u>561,612</u>	<u>21,612</u>
OPERATING EXPENSES:			
Advertising.....	2,500	3,375	(875)
Bad debts.....	75	21	54
Bank charges.....	-	101	(101)
Computer service.....	2,000	280	1,720
Contract labor.....	20,000	30,048	(10,048)
Depreciation.....	75,000	66,097	8,903
Dues.....	300	75	225
Insurance - general.....	17,000	12,788	4,212
Insurance - health.....	14,000	13,820	180
Miscellaneous.....	12,000	2,113	9,887
Office.....	7,500	6,908	592
Per diem.....	2,000	1,700	300
Postage.....	4,500	4,613	(113)
Professional fees.....	7,000	5,850	1,150
Repairs and maintenance.....	45,000	27,122	17,878
Retirement.....	10,000	7,627	2,373
Salaries.....	100,000	124,650	(24,650)
Supplies.....	68,000	66,792	1,208
Taxes and licenses.....	20,000	2,149	17,851
Transportation.....	15,000	9,031	5,969
Travel.....	150	565	(415)
Utilities.....	70,000	73,178	(3,178)
Vehicle lease.....	-	12,177	(12,177)
TOTAL OPERATING EXPENSES	<u>492,025</u>	<u>471,080</u>	<u>20,945</u>
OPERATING INCOME	<u>47,975</u>	<u>90,532</u>	<u>42,557</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income.....	35,000	37,027	2,027
Interest expense.....	(30,000)	(23,156)	6,844
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>5,000</u>	<u>13,871</u>	<u>8,871</u>
NET INCOME	52,975	104,403	51,428

See accompanying notes.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
 A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUND TYPE
 Year Ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Add current year's depreciation on fixed assets acquired by funds externally restricted for capital expenditures that reduce contributed capital.....	\$ 7,279	\$ 7,279	\$ -
Increase in retained earnings.....	60,254	111,682	51,428
RETAINED EARNINGS - BEGINNING.....	<u>1,293,894</u>	<u>1,293,894</u>	-
RETAINED EARNINGS - ENDING	\$1,354,148	\$1,405,576	\$ 51,428

See accompanying notes.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
Year Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income.....	\$ 90,532	\$ 74,804
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation.....	66,097	67,524
(Increase) decrease in:		
Accounts receivable.....	(8,218)	3,152
Prepaid expenses.....	2,913	-
Increase (decrease) in:		
Accounts payable.....	2,371	(11,790)
Rent deposits.....	500	450
Accrued interest payable.....	(393)	(394)
Due to other fund.....	183,402	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>337,204</u>	<u>133,746</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Contributions from customers.....	5,325	7,275
Acquisition of fixed assets.....	(187,319)	(36,675)
Principal paid on revenue bonds.....	(13,000)	(13,000)
Interest paid on revenue bonds.....	<u>(23,550)</u>	<u>(24,200)</u>
NET CASH PROVIDED (USED) FROM (FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(218,544)</u>	<u>(66,600)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments.....	<u>37,421</u>	<u>38,266</u>
NET CASH PROVIDED (USED) FROM (IN) INVESTING ACTIVITIES	<u>37,421</u>	<u>38,266</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	156,081	105,412
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>667,249</u>	<u>561,837</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 823,330	\$ 667,249

See accompanying notes.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

INTRODUCTION

The Southwest Allen Parish Water District No. 2 is a political subdivision of the State of Louisiana. It was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural area of Southwest Allen Parish. The District is governed by a board of commissioners composed of five compensated members appointed by the Allen Parish Police Jury.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Southwest Allen Parish Water District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

The District is a component unit of the Allen Parish Police Jury, the financial reporting entity. The police jury is financially accountable for the District because it appoints a voting majority of the board and has the ability to impose its will on them.

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.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds and account groups are used by the District:

Governmental Fund Type:

Debt Service Fund-

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary Fund Type:

Enterprise Fund-

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis is financed through user charges.

General Long-Term Debt Account Group:

The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from government funds.

C. 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District.

State statutes authorize the District to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Deposits:

At December 31, 1998, the District has cash and cash equivalents (book balances) totaling \$874,670 as follows:

Interest-bearing demand deposits.....	\$ 412,449
Time deposits.....	462,221
Total	\$ 874,670

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 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 December 31, 1998, the District has \$877,188 in deposits (collected bank balances). These deposits are secured from risk by \$300,000 of federal deposit insurance and \$577,188 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statements No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

E. Accounts Receivable

Uncollectible amounts due for receivables are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible. This method does not result in a charge to bad debts that is materially different from the amount that would be charged if the reserve method were used.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Fixed Assets

All fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of each class of depreciable property is computed using the straight-line method. Estimated useful lives are as follows:

Building.....	27 years
Distribution system.....	50 years
Furniture & fixtures.....	5-7 years
Equipment.....	5 years

G. Statement of Cash Flow

For purpose of the statement of cash flows, for the enterprise fund, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash equivalents. The statement reflects ending cash and cash equivalents of \$823,330 which represents unrestricted and restricted amounts of \$662,339 and \$160,991, respectively.

H. Budgets and Budgetary Accounting

A budget is adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds. All annual appropriations lapse at fiscal year end.

In November of each year, the budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

I. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers or customers. Reserves represent those

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

portions of fund equity legally segregated for debt service.

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement. At December 31, 1998 the District's liability for compensated absences could not be reasonable estimated.

K. Total Columns on Statements

Total columns on the component unit financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows 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.

L. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

NOTE 2 - AD VALOREM TAXES

For the year ended December 31, 1998 taxes of 3.80 mills were levied on property with assessed valuations totalling \$7,878,710 and were dedicated as follows:

Bond Sinking	3.80 mills
--------------	------------

Total taxes levied were \$29,939.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
 A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998

NOTE 2 - AD VALOREM TAXES

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15 of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

NOTE 3 - FIXED ASSETS

A summary of changes in proprietary fund fixed assets for the year ended December 31, 1998 is as follows:

	Fixed Assets		
	Beginning Of Year	Net Additions (Deletions)	End of Year
Building	\$ 103,449	\$ -	\$ 103,449
Distribution system.....	2,591,505	98,191	2,689,696
Furniture, fixtures, & equipment	148,856	12,296	161,152
Construction in progress.....	-	76,832	76,832
Land.....	32,400	-	32,400
	<u>2,876,210</u>	\$ 187,319	<u>3,063,529</u>
Less accumulated depreciation	<u>1,001,174</u>		<u>1,067,271</u>
TOTALS	\$ 1,875,036		\$ 1,996,258

Depreciation expense was \$66,097 for the year ended December 31, 1998.

NOTE 4 - LONG-TERM DEBT

A. Debt Outstanding

The following is a summary of bond transactions of the District for the year ended December 31, 1998:

	General Obligation	Revenue	Total
Bonds payable, January 1, 1998..	\$ 206,641	\$ 471,000	\$ 677,641
Bonds retired.....	<u>2,487</u>	<u>13,000</u>	<u>15,487</u>
Bonds payable December 31, 1998.	\$ 204,154	\$ 458,000	\$ 662,154

Bonds payable at December 31, 1998 are comprised of the following individual issues:

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

NOTE 4 - LONG-TERM DEBT

General obligation bond

\$218,614 Refunding Bond dated 04/06/89; Due in annual installments of \$671 - \$23,732 through April 7, 2019; interest at 11.0%. The right to prepay the whole or any part of the principal amount may be made on any interest payment date, but not until after April 1, 1999. (this issue secured by levy and collection of ad valorem taxes)..... \$ 204,154

Revenue bond

\$648,000 Utility Revenue Bonds dated 05/24/77; due in annual installments of \$10,000 - \$36,000 through May 24, 2017; interest at 5.0%. The right to prepay the whole or any part of the principal amount may be made on any interest payment date, but not until after April 1, 1999. \$ 458,000

B. Debt Service Requirements to Maturity

The annual requirements to amortize all debts outstanding as of December 31, 1998, including interest payments of \$556,674 are as follows:

<u>Year Ending</u> <u>December 30,</u>	<u>General</u> <u>Obligation</u>	<u>Revenue</u>	<u>Total</u>
1999.....	\$ 25,598	\$ 36,900	\$ 62,498
2000.....	25,066	37,200	62,266
2001.....	25,534	37,450	62,984
2002.....	24,951	37,650	62,601
2003.....	26,368	37,800	64,168
Thereafter.....	<u>369,861</u>	<u>534,450</u>	<u>904,311</u>
	\$ <u>497,378</u>	\$ <u>721,450</u>	\$ <u>1,218,828</u>

NOTE 5 - COMPONENTS OF RESTRICTED ASSETS

Enterprise Fund:

	<u>Revenue</u> <u>Bond</u> <u>Sinking</u>	<u>Revenue</u> <u>Bond</u> <u>Reserve</u>	<u>Revenue</u> <u>Bond</u> <u>Contingency</u>	<u>Customer</u> <u>Deposits</u>	<u>Totals</u>
Cash.....	\$ 26,585	\$ 50,085	\$ 78,476	\$ 5,845	\$ 156,991

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond sinking" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond reserve" account is used to report resources set aside to make up potential future

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
 A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 1998

NOTE 5 - COMPONENTS OF RESTRICTED ASSETS

deficiencies in the bond sinking account. The "bond contingency" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

The amount of retained earnings reserved for revenue bond retirement is detailed as follows:

Restricted assets: revenue bond sinking, reserve and contingency funds.....	\$ 155,146
Less:	
Current maturities of revenue bonds, payable from restricted assets.....	14,000
Accrued interest, payable from restricted assets.....	13,866
Retained Earnings Reserved	\$ 127,280

NOTE 6 - CONTRIBUTED CAPITAL

During the year, contributed capital changed by the following amount:

Contribution from customers.....	\$ 5,325
Depreciation of fixed assets acquired by funds externally restricted for capital expenditures.....	(7,279)
	(1,954)
CONTRIBUTED CAPITAL, BEGINNING.....	780,954
CONTRIBUTED CAPITAL, ENDING	\$ 779,000

NOTE 7 - RETIREMENT COMMITMENTS

The District contributes to a pension plan through the National Rural Water Association for all eligible employees. Total payroll for the District was \$124,650 and total payroll for covered employees was \$108,955.

Covered employees are required to contribute 3.0% of their total compensation. The District is required to contribute 7.0% of total compensation. Total contributions made by the District and employees were \$7,627 and \$3,295, respectively.

Full time employee membership is mandatory as a condition of employment. Eligibility requirements consist of minimum age of 21, twelve months of service and 1,000 hours worked. Vesting is automatic and at 100%.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of,

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
December 31, 1998

NOTE 8 - RISK MANAGEMENT

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 any significant uninsured losses to the District. Settle claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

During 1997 the District recorded a prior period adjustment for the effects of reclassifying a capital lease to an operating lease.

NOTE 10 - OPERATING LEASES

During the year 1997 the District signed lease agreements with Ford Credit for the lease of two vehicles. One lease is for twenty four months at \$327 per month with the option to purchase the vehicle at the end of the lease term. The other lease is for 36 months at \$574 per month with the option to purchase the vehicle at the end of the lease term. The District does not intend to purchase these vehicles at the end of the lease term.

NOTE 11 - YEAR 2000

The District is aware of the possible problems that the year 2000 could cause. Management has assessed its computer system and water distribution system and is in the process of instituting procedures that will ensure compliance by December 31, 1999.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
SUPPLEMENTAL SCHEDULE
December 31, 1998

Schedule of Compensation Paid to Commissioners:

Per diem paid commissioners for the year ended December 31, 1998 were as follows:

	<u>Per Diem</u>
Lee White.....	\$ 275
Percy Morehead.....	250
William B. Jackson.....	300
Johnny Wallace.....	300
Patricia Odom.....	275
	<u>\$ 1,400</u>

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
SUPPLEMENTAL SCHEDULE
December 31, 1998

BOARD OF DIRECTORS (UNAUDITED):

William Jackson - President
12898 Hwy 165
Kinder, LA 70648
318-738-2795
January 1995 to present

Percy Morthead - Secretary/Treasurer
463 Rostrom Road
Kinder, LA 70648
318-738-2311
January 1995 to present

Lee White - Vice President
4435 Hwy 383
Kinder, LA 70648
318-738-5138
January 1995 to present

Patricia Odom
P.O. Box 154
Kinder, LA 70648
318-738-5993
January 1995 to present

Johnny Wallace
333 Little Mill Road
Kinder, LA 70648
318-738-5484
January 1995 to present

Year to year elections

NUMBER OF RESIDENTIAL USERS ON THE SYSTEM (UNAUDITED)
1,494

NUMBER OF COMMERCIAL USERS ON THE SYSTEM (UNAUDITED)
26

NUMBER OF COMMERCIAL USERS HAVING METER LARGER THAN RESIDENTIAL SIZE (UNAUDITED)
26

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
 A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
 SUPPLEMENTAL SCHEDULE
 December 31, 1998

PRESENT RATES

Allen Parish - Residential:

<u>Units</u>	<u>Per Unit</u>	<u>Per 1,000 gallons</u>
First 2,000 gallons	\$10.00	Minimum charge
Next and up	0.001750	\$1.75

Jeff Davis Parish Residential:

<u>Units</u>	<u>Per Unit</u>	<u>Per 1,000 gallons</u>
First 2,000 gallons	\$11.00	Minimum charge
Next and up	0.001750	\$1.75

Commercial:

<u>Units</u>	<u>Per Unit</u>	<u>Per 1,000 gallons</u>
First 15,000 gallons	\$20.00	Minimum charge
Next and up	0.001750	\$1.75

Town of Kinder:

<u>Units</u>	<u>Per Unit</u>	<u>Per 1,000 gallons</u>
0.00 gallons and up	0.000850	\$0.85

Allen Correctional Center:

<u>Units</u>	<u>Per Unit</u>	<u>Per 1,000 gallons</u>
0.00 gallons and up	0.000850	\$0.85

School:

<u>Units</u>	<u>Per Unit</u>	<u>Per 1,000 gallons</u>
0.00 gallons and up	0.001000	\$1.00

Grand Casino Coushatta:

<u>Units</u>	<u>Per Unit</u>	<u>Per 1,000 gallons</u>
0.00 gallons and up	0.000900	\$0.90

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
 A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
 SUPPLEMENTAL INFORMATION SCHEDULE
 SCHEDULE OF FINDINGS
 For the Year Ended December 31, 1998

We have audited the financial statements of the Southwest Allen Parish Water District No. 2 as of and for the year ended December 31, 1998, and have issued our report dated May 21, 1999. 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. Our audit of the financial statements as of December 31, 1998 resulted in a qualified opinion.

Section I Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:			
Material Weaknesses	<u> X </u>	Yes	No
Reportable Conditions	<u> X </u>	Yes	No
Compliance:			
Compliance Material to Financial Statements		Yes	<u> X </u> No

Section II Financial Statement Findings

98-1 I/C (Material weakness)

Segregation of duties: Because of the lack of a large staff, more specifically accounting personnel, there is a problem with segregation of duties necessary for proper controls. One person is currently performing the function of preparing disbursements, and reconciling the bank statements. We do note that this situation is inherent to most entities of this type and is difficult to solve due to the funding limitations of the District. We recommend that the board of commissioners take an active interest in the review of all of the financial information. This was also a prior year finding.

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
SUPPLEMENTAL INFORMATION SCHEDULE
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS (UNAUDITED)
For the Year Ended December 31, 1998

Section I Internal Control and Compliance Material to the Financial Statements:

98-1 I/C Segregation of duties:

This is an ongoing finding that cannot be corrected due to lack of financial resources.

Contact person - Wayne Fontenot, manager

INDEPENDENT AUDITORS' REPORT SECTION



Mires & Company
A Professional Corporation

Certified Public Accountants

Members:
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants
Private Company Practice Section AICPA

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
Southwest Allen Parish Water District No. 2
A Component Unit of the
Allen Parish Police Jury
Kinder, Louisiana

We have audited the general purpose financial statements of the Southwest Allen Parish Water District No. 2, a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 21, 1999, which was qualified because insufficient audit evidence exists to support the Southwest Allen Parish Water District No. 2's disclosures with respect to the year 2000 issue. Except as discussed in the preceding sentence, 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 Southwest Allen Parish Water District No. 2's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southwest Allen Parish Water District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the

SOUTHWEST ALLEN PARISH WATER DISTRICT NO. 2
A COMPONENT UNIT OF THE ALLEN PARISH POLICE JURY
SUPPLEMENTAL INFORMATION SCHEDULE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 1998

Section 1 - Internal Control and Compliance Material to the Financial Statements

97-1 I/C (Ongoing finding) Segregation of duties:

Corrective action taken - Due to lack of sufficient financial resources, this finding cannot be resolved. See 98-1 I/C.

Board of Commissioners
Southwest Allen Parish Water District No. 2
A Component Unit of the
Allen Parish Police Jury
Page 2

Southwest Allen Parish Water District No. 2'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 as item 98-1 1/C.

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. Our 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, we consider item 98-1 1/C to be a material weakness.

This report is intended solely for the information and use of management, the Board of Commissioners, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Mires & Company, CPAs, APC

Mires and Company, CPAs, APC
May 21, 1999

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