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SOUTH VERNON WATERWORKS DISTRICT NO. 1
FINANCIAL STATEMENTS
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 7-14-99

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UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
South Vernon Waterworks District No. 1
Rosepine, Louisiana

I have audited the accompanying general-purpose financial statements of the South Vernon Waterworks District No. 1, a component unit of the Vernon 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 South Vernon Waterworks District No. 1's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with 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 South Vernon Waterworks District No. 1 as of and for the year ended December 31, 1998, and the results of its operations and cash flows 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 21, 1999, on my consideration of the South Vernon Waterworks District No. 1's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

The year 2000 supplementary information on page 21 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it. In addition, I do not provide assurance that the South Vernon Waterwork's District No. 1 is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly state, in all material respects, in relation to the basic financial statements taken as a whole.

Elliott & Assoc. "APAC"

Leesville, Louisiana

June 21, 1999

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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
South Vernon Waterworks District No. 1
Rosepine, Louisiana

I have audited the financial statements of the South Vernon Waterworks District No. 1 as of and for the year ended December 31, 1998, and have issued my report thereon dated June 21, 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 South Vernon Waterworks District No. 1's 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the South Vernon Waterworks District No. 1's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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. I noted no matters involving the internal

control over financial reporting and its operation that I consider to be material weaknesses.

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

Elliott & Assoc. "APAC"
Leesville, Louisiana
June 21, 1999

South Vernon Waterworks District No. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended December 31, 1998

I have audited the financial statements of South Vernon Waterworks District No. 1 as of and for the year ended December 31, 1998, and have issued my report thereon dated June 21, 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. My audit of the financial statements as of December 31, 1998 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses () Yes (X) No

Reportable Conditions () Yes (X) No

Compliance

Compliance Material to Financial Statements () Yes (X) No

b. *Federal Awards*

Internal Control

Material Weaknesses () Yes () No (X) N/A

Reportable Conditions () Yes () No (X) N/A

Type of Opinion On Compliance For Major Programs

Unqualified () Qualified ()

Disclaimer () Adverse ()

N/A (X)

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?

() Yes () No (X) N/A

c. Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
None	None

Dollar threshold used to distinguish between Type A and Type B Programs: \$ N/A

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?
 Yes No N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

See independent auditor's report.

South Vernon Waterworks District No. 1

Balance Sheet

December 31, 1998

ASSETS

Current assets:

Cash (Note 2)	\$ 101,057
Accounts receivable - water sales	19,717
State revenue sharing receivable	6,790
Ad valorem taxes receivable (Note 3)	<u>20,909</u>

Total current assets 148,473

Restricted:

Cash (Note 2)	106,020
Ad valorem taxes receivable (Note 3)	<u>29,505</u>

Total restricted assets 135,525

Organization costs (Note 4)	59,772
Less: accumulated amortization	<u>(20,920)</u>

Organization costs (net of accumulated amortization) 38,852

Fixed assets (Notes 5 and 8)	3,318,137
Less: accumulated depreciation	<u>(150,685)</u>

Fixed assets (net of accumulated depreciation) 3,167,452

Total assets \$3,490,302

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 1,493
Pension deduction payable-unrestricted	709
Payroll taxes payable	<u>246</u>
Total current liabilities	<u>2,448</u>
Current liabilities payable from restricted assets:	
Pension deduction payable restricted	940
Current maturities - general obligation bonds (Note 6)	11,000
Current maturities - FHA revenue bonds (Note 6)	26,913
Accrued interest payable (Note 6)	18,613
Meter deposits	<u>3,300</u>
Total current liabilities payable from restricted assets	<u>60,766</u>
Long-term liabilities payable from restricted assets:	
FHA revenue bonds (Note 6)	2,764,601
General obligation bonds (Note 6)	<u>278,000</u>
Total long-term liabilities payable from restricted assets	<u>3,042,601</u>
Total liabilities	<u>3,105,815</u>
Equity:	
Contributed capital - FHA (Note 8)	<u>506,813</u>
Retained earnings:	
Reserved for general obligation bond indentures	74,759
Unreserved-undesigned (Note 9)	<u>(197,085)</u>
Total retained earnings (deficit)	<u>(122,326)</u>
Total equity	<u>384,487</u>
Total liabilities and equity	<u>\$3,490,302</u>

Exhibit B

South Vernon Waterworks District No. 1
Statement of Revenues, Expenses, and Changes in Retained Earnings
For the year ended December 31, 1998

Operating revenues:	
Charges for sales and services:	
Water sales	<u>\$ 171,205</u>
Total operating revenues	<u>171,205</u>
Operating expenses:	
Current:	
Salaries and related costs	45,843
Rent expense	3,025
Insurance expense	299
Professional Fees	5,260
Board per diem	3,420
Legal advertising	385
Phone & utilities	12,032
Materials and supplies	10,371
Depreciation and amortization (Notes 4 and 5)	98,848
State sales tax	4,853
Repairs and maintenance	6,394
Travel	2,448
Miscellaneous expense	1,226
Office expense	<u>3,206</u>
Total operating expenses	<u>197,610</u>
Operating income (loss)	<u>(26,405)</u>
Nonoperating revenues (expenses):	
Interest income	7,226
Interest expense (Note 6)	(154,733)
Pension fees	(1,649)
State revenue sharing	10,186
Ad valorem taxes-restricted (Note 3)	33,723
Ad valorem taxes-unrestricted (Note 3)	<u>23,724</u>
Total nonoperating revenues (expenses)	<u>(81,523)</u>
Net loss	(107,928)
Add back amortization of contributed capital	<u>13,250</u>
Decrease in retained earnings	(94,678)
Retained earnings, beginning balance	<u>(27,648)</u>
Retained earnings, ending	<u>\$(122,326)</u>

The accompanying notes are an integral part of this statement.

South Vernon Waterworks District No. 1
Statement of Cash Flows
For the year ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ (26,405)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	86,894
Amortization	11,954
Changes in assets and liabilities:	
Accounts receivable	(5,094)
Accounts payable	532
Customer deposits	450
Retirement deductions payable	<u>(1,919)</u>
Net cash (used) by operating activities	<u>66,412</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	<u>33,118</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	37,913
Acquisition of property, plant and equipment	(25,279)
Repayment of indebtedness	(20,486)
Interest paid	<u>(212,039)</u>
Net cash (used) by capital financing activities	<u>(219,891)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>7,226</u>
Decrease in cash	(113,135)
CASH, BEGINNING OF YEAR	<u>320,212</u>
CASH, END OF YEAR	<u>\$207,077</u>
CLASSIFIED AS	
Current Assets	\$101,057
Restricted Assets	<u>106,020</u>
Totals	<u>\$207,077</u>

The accompanying notes are an integral part of this statement.

South Vernon Waterworks District No. 1

Notes to the Financial Statements

December 31, 1998

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vernon Parish Police Jury is a political subdivision of the State of Louisiana. The Vernon Parish Police Jury is the reporting entity for Vernon Parish as defined by NCGA Statement 3, "Defining the Governmental Reporting Entity."

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governments. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

South Vernon Waterworks District No. 1, "District," is a component unit of the Vernon Parish Police Jury as defined by GASB codification Section 2100. The District was created by the Vernon Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The District is governed by a board of five commissioners appointed by the Vernon Parish Police Jury, who are responsible for providing water service within the boundaries of the district.

A. FUND ACCOUNTING

South Vernon Waterworks District No. 1 is organized and operated on a fund basis as a Proprietary Fund Type-Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the 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.

South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF ACCOUNTING

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

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets 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.

C. BAD DEBTS

Uncollectible amounts due for ad valorem taxes and water sales 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.

D. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash, demand deposits, interest earning demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less.

E. FIXED ASSETS

The fixed assets of the waterworks district are accounted for on the balance sheet of the Enterprise Fund. The fixed assets of the District as shown on the balance sheet are recorded at historical cost. Depreciation is computed by the straight line method based on the estimated useful life of the individual assets.

F. INTEREST EXPENSE

The District expenses interest as it is incurred for accounting purposes and has not capitalized any previous interest expense.

South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 2--CASH AND INVESTMENT COLLATERAL

Under state law, 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 United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

At December 31, 1998, the District had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits)	<u>\$101,057</u>	<u>\$106,020</u>	<u>\$207,077</u>

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) were \$207,077, and the bank balances were \$268,354. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$100,000
Uncollateralized (In accordance with GAAP - See below)	<u>168,354</u>
	<u>\$268,354</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times at least equal the amount on deposit with the fiscal agent.

The uncollateralized amount shown above is secured by pledged securities with a market value of \$107,077 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose 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.

South Vernon Waterworks District No. 1
Notes to the Financial Statements (Continued)

NOTE 3--RECEIVABLE

The District utilized the Vernon Parish Sheriff's Office to collect its property taxes using the assessed values determined by the tax assessor of Vernon Parish.

For the year ended December 31, 1998, taxes of 10 mils and 13.25 mils were levied on property with assessed valuation totaling \$2,241,780 and was dedicated toward operations and maintenance and the sinking fund, respectively.

For the year ended December 31, 1998 total taxes levied were \$52,122. The receivable at December 31, 1998 consisted entirely of the current year assessment. A reserve for bad debts for ad valorem taxes is not deemed necessary at this time by management.

Receivables at December 31, 1998 consist of the following:

Ad valorem taxes--unrestricted	\$20,909
Ad valorem taxes--restricted	29,505
Water sales	19,717
State revenue sharing	<u>6,790</u>
Total	<u>\$76,921</u>

NOTE 4--ORGANIZATION COSTS

Amortization of organization costs is computed on the straight-line method over five years. The breakdown of organization costs and accumulated amortization is as follows:

Balance, December 31, 1997	\$59,772
Less: Accumulated amortization	<u>(20,920)</u>
Balance, December 31, 1998	<u>\$38,852</u>

Amortization expense for the year ended December 31, 1998, was \$11,954.

South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 5--FIXED ASSETS

The following represents changes in fixed assets for the year ended December 31, 1998:

	Balance, <u>12/31/97</u>	<u>Additions</u>	<u>Deletions</u>	Balance, <u>12/31/98</u>
Land	\$ 15,000	\$ ---	\$ ---	\$ 15,000
Autos and trucks	16,219	---	---	16,219
Office equipment and fixtures	11,473	---	---	11,473
Water system	<u>3,250,166</u>	<u>25,279</u>	<u>---</u>	<u>3,275,445</u>
Total	<u>\$3,292,858</u>	<u>\$ 25,279</u>	<u>\$ ---</u>	<u>\$3,318,137</u>

Depreciation expense for the year ended December 31, 1998, was \$86,894.

NOTE 6--GENERAL LONG-TERM DEBT

Bonds payable at December 31, 1998 is comprised of the following issue:

Bonds payable, December 31, 1997	\$299,000
Bonds issued	---
Bonds retired	<u>(10,000)</u>
Bonds payable, December 31, 1998	<u>\$289,000</u>

The above represents \$318,000 in general obligation bonds dated May 1, 1994; due in annual installments of \$1,000-\$26,000 through 2024; interest at 5.40%-9.00%. The first principal installment was due on March 1, 1996.

South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 6--GENERAL LONG-TERM DEBT (Continued)

FHA Revenue Bonds payable at December 31, 1998 is comprised as follows:

	FHA Rev. Bonds	FHA Rev. Bonds Series A
Balance at 12/31/97	\$2,712,000	\$ 90,000
Additions	---	---
Payments	<u>(10,149)</u>	<u>(337)</u>
Balance at 12/31/98	<u>\$2,701,851</u>	<u>\$ 89,663</u>

The FHA Rev. Bonds are being paid in a monthly payment of \$13,098 including principal and interest at 4.785%. The FHA Rev. Bonds Series A are being paid in a monthly payment of \$435 including principal and interest at 4.875%

The annual requirements to amortize all revenue and general obligation bonds outstanding as of December 31, 1998, including interest payments of \$3,452,388, are as follows:

1999	\$ 190,718
2000	190,684
2001	189,819
2002	190,138
2003	190,389
2004-2008	949,709
2009-2013	950,350
2014-2018	845,437
2019-2023	818,113
2024-2028	813,050
2029-2033	812,019
2034-2036	<u>392,476</u>
Total	<u>\$6,532,902</u>

South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 7--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

	<u>LIMITS OF COVERAGE</u>
Workmen's compensation	\$ statutory
Auto liability	500,000
Commercial general liability	1,000,000
District-owned buildings and equipment	696,000

The District covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The District was not involved in any litigation nor did it have asserted claims lodged against it.

NOTE 8--Contributed Capital - FHA Grant

Changes in contributed capital for the year ended December 31, 1998 were as follows:

Balance at December 31, 1997	\$520,063
Additions	---
Amortization	<u>_(13,250)</u>
Balance at December 31, 1998	<u>\$506,813</u>

NOTE 9--RETAINED EARNINGS DEFICIT

The District has an unreserved - undesignated deficit of \$197,085 at December 31, 1998. The Board revised its water rates in mid 1997 and the fiscal year 1998 financials reflected such increase. Furthermore, the District has continued to increase its total customer base in 1998 and feels that 1999's customer base increase will offset any deficit spending in 1999 exclusive of depreciation expense.

SUPPLEMENTARY INFORMATION

South Vernon Waterworks District No. 1

Supplementary Information

For the year ended December 31, 1998

Schedule 1

COMPENSATION OF BOARD MEMBERS

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 session of the Legislature.

As provided by Louisiana Revised Statute 33:4564, District board members received \$60 per diem for attendance at meetings of the board in 1997.

	<u>Number Attended</u>	<u>Amount</u>
Barbara Bartlett	7	\$ 420
Bill Churchman	12	720
Deborah Dixon	11	660
Teddy Eaves	12	720
Margaret Goins	4	240
E. Grady Stephens	<u>11</u>	<u>660</u>
Total	<u>57</u>	<u>\$ 3,420</u>

South Vernon Waterworks District No. 1
SCHEDULE OF PRIOR YEAR FINDINGS

For the Fiscal Year Ended December 31, 1998

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

The audit report for the year ended December 31 1997, contained a finding related to the report not being issued within the six months of the close of its' December 31, 1997 year-end. This was a violation of LA R.S. #24:513 (A)(5)(a), but did not effect the financial statements. The current year report will be issued to the Legislative Auditor within the statutory period.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FED-
ERAL AWARDS**

There were no prior year findings relating to internal control and compliance material to federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter with prior year audit report.

See independent auditor's report.

South Vernon Waterworks District No. 1
MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Fiscal Year Ended December 31, 1998

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENT**

N/A

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FED-
ERAL AWARDS**

N/A

SECTION III MANAGEMENT LETTER

N/A

See independent auditor's report.

South Vernon Waterworks District No. 1
Required Supplemental Information
Year 2000 Supplementary Information
December 31, 1998

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

The District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, water accounts receivable, and cash receipts.

The District's water billing hardware and software is now Year 2000 compatible as well as its accounting hardware and software.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the 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, the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

See independent auditor's report.