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VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
VARNADO, LOUISIANA

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ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 1999

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Release Date APR 12 2000

**Varnado Waterworks District  
Washington Parish Council  
Varnado, Louisiana**

**General Purpose Financial Statements  
Year Ended December 31, 1999  
With Supplemental Schedules**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Varnado Waterworks District  
Washington Parish Council  
Varnado, Louisiana

We have audited the accompanying general purpose financial statements of the Varnado Water Works District, Louisiana, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Varnado Water Works District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Varnado Water Works District, Louisiana, as of December 31, 1999, 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*, we have also issued our report dated February 1, 2000 on our consideration of the Varnado Waterworks District, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Varnado Waterworks District, Louisiana, taken as a whole. The 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 Varnado Water Works District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

Kentwood, Louisiana  
February 1, 2000

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Statement A

**PROPRIETARY FUND - ENTERPRISE FUND  
(All Fund Types and Account Groups)**

**Balance Sheet  
December 31, 1999**

**ASSETS**

Current Assets:

Cash	\$ 468,991
Investments at Cost	373,646
Accounts Receivable	48,694
Due From Other Governments	5,080
	896,411
Total Current Assets	896,411

Restricted Assets:

Customer Deposits - Cash	16,017
Bond Reserve Account -	
Cash	20,585
Investments	70,807
Depreciation and Contingency Account -	
Cash	20,435
Investments	84,786
	212,630
Total Restricted Assets	212,630

Property, Plant and Equipment:

Land	35,512
Utility Plant, in Service	3,187,199
	3,222,711
Total Property, Plant and Equipment	3,222,711
Less: Accumulated Depreciation	(1,538,934)
	1,683,777
Net Property, Plant and Equipment	1,683,777
Total Assets	\$ 2,792,818

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana

Statement A

PROPRIETARY FUND - ENTERPRISE FUND  
(All Fund Types and Account Groups)

Balance Sheet  
(Continued)  
December 31, 1999

LIABILITIES AND FUND EQUITY

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$ 11,090
Sales Tax Payable	615
Payroll Taxes Payable	1,791
Retainage Payable	-
Due to Other Governments	122
Revenue Bonds Payable - Current	<u>34,000</u>

Total Current Liabilities (Payable From Current Assets) 47,618

Current Liabilities (Payable From Restricted Assets)

Customer Deposits	<u>24,760</u>
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Long-Term Liabilities:

Revenue Bonds Payable Long-Term	<u>938,407</u>
---------------------------------	----------------

Total Liabilities 1,010,785

Fund Equity:

Memberships	41,500
Contributed Capital	1,428,178
Less Accumulated Amortization	<u>(834,621)</u>

Net Contributed Capital 635,057

Retained Earnings:

Reserved for RUS Bond Interest and Redemption	91,392
Reserved for RUS Bond Depreciation and Contingency	105,221
Unreserved	<u>950,363</u>

Total Retained Earnings 1,146,976

Total Fund Equity 1,782,033

Total Liabilities and Fund Equity \$ 2,792,818

(Concluded)

The accompanying notes are an integral part of this statement.

VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana

Statement B

PROPRIETARY FUND - ENTERPRISE FUND

Statement of Revenues, Expenses, and  
Changes in Unreserved Retained Earnings  
For the Year Ended December 31, 1999

**OPERATING REVENUES**

Charges for Services:

Water Sales	\$ 347,339
Installations	10,380
Penalties	8,345
Billing Fees	74,980
Reconnect Fees	2,690
Net (Decrease) in Fair Market of Investments	(52,485)
Other Revenues	1,740

Total Operating Revenues

392,989

**OPERATING EXPENSES**

Salaries	81,113
Truck Expense	1,938
Office Expense	7,292
Maintenance Supplies	17,116
Utilities	41,934
Plant Maintenance	3,367
Repairs and Installations	3,889
Director Fees	6,250
Travel	4,241
Telephone	2,582
Insurance	14,237
Accounting Fees	6,054
Conventions	576
Legal Fees	960
Membership Dues	175
NSF Checks	310
Mowing	1,905
Advertising	-
Bank Charges	1
Miscellaneous	57
Depreciation Expense	114,539
Payroll Taxes	6,508

Total Operating Expense

315,044

Net Operating Income

77,945

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana

Statement B

PROPRIETARY FUND - ENTERPRISE FUND

Statement of Revenues, Expenses, and  
Changes in Unreserved Retained Earnings  
(Continued)  
For the Year Ended December 31, 1999

NON-OPERATING REVENUE (EXPENSES):

Interest Income	\$ 47,720
Bond Interest Expense	<u>(57,836)</u>
Total Non-Operating Revenue (Expenses)	<u>(10,116)</u>
Net Income (Loss)	67,829
Unreserved Retained Earnings, Beginning of Year	838,968
Add: Amortization of Contributions	47,606
Less: (Increase) in Reserve for Revenue Bond Retirement	(2,474)
(Increase) in Reserve for Revenue Bond Contingency	<u>(1,566)</u>
Unreserved Retained Earnings, End of Year	<u>\$ 950,363</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Statement C

**PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Cash Flows  
For the Year Ended December 31, 1999**

<b>Cash flows from operating activities:</b>		
Operating Income		\$ 77,945
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	\$ 114,539	
Changes in Accounts Receivable	(5,364)	
Changes in Due From Other Governments	976	
Changes in Accounts Payable and Accrued Expenses	4,210	
Changes in Retainage Payable	(6,358)	
Changes in Due to Other Governments	17	
Changes in Current Liabilities Payable from Restricted Assets	<u>1,190</u>	
Total adjustments		<u>109,210</u>
Net cash provided by operating activities		187,155
<b>Cash flows from capital and related financing activities:</b>		
Retirement of Revenue Bonds	(36,602)	
Interest Expense	(57,836)	
Capital Additions	<u>(20,804)</u>	
Net cash used by capital and related financing activities		(115,242)
<b>Cash flows from investing activities:</b>		
Interest Income	47,720	
Investment Purchases	<u>72,777</u>	
Net cash provided by investing activities		<u>120,497</u>
Net cash increase (decrease) for year		192,410
Cash at beginning of year		<u>333,618</u>
Cash at end of year		<u>\$ 526,028</u>

The accompanying notes are an integral part of this statement.



**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999

**INTRODUCTION**

Varnado Waterworks District was established in 1975, by an ordinance of the Washington Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3813, describes and defines the boundaries of the water district, and provides for a 8-member governing board of commissioners appointed by the Washington Parish Council.

Varnado Waterworks District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments. Varnado Waterworks District serves 1,297 water customers.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying general purpose financial statements of the Varnado Waterworks District 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.

**B. REPORTING ENTITY**

The district is a component unit of the Washington Parish Council, the financial reporting entity. The Council 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 fund maintained by the district and does not present information on the Council, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**C. FUND ACCOUNTING**

The Varnado Waterworks District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

**Revenues**

Fees for water services are recorded as revenues after the meters are read. Penalties are recorded after the grace period for payment of water services has expired. All other revenues are recorded when the service has been provided.

**Expenditures**

All operating expenses, except depreciation, are recorded when they are incurred. Depreciation is recorded each month over the life of the asset. Interest expense is recorded each month as the notes are paid.

**E. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law and any other state of the United States, or under the laws of the United States.

**F. INVESTMENTS**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the district's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The following disclosures are required by GASB Statement No. 31:

1. The district uses the quoted market prices to estimate the fair value of the investments.
2. None of the investments are reported at amortized cost.
3. The district has investments in one investment pool. The investment pool is LAMP, and the fair value of the position in the pool is the same as the value of the pool shares.
4. *There is no involuntary participation in an external investment pool.*

the time liabilities are incurred. The

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

**G. INVENTORIES**

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

**H. PREPAID ITEMS**

Purchase of items regarded as having a future economical use are an expense when purchased, and prepaid amounts for such items are not recorded as assets at the close of the fiscal year.

**I. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**J. FIXED ASSETS**

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of 25 to 30 years for water wells and lines and 10 to 15 years for equipment.

**K. COMPENSATED ABSENCES**

The district has the following policy relating to vacation and sick leave:

Employees receive 2 weeks of paid vacation after being employed for 1 to 5 years, and 3 weeks of paid vacation for 6 years and over. Employees are not allowed to carry over vacation from one year to the next.

Employees accrue ½ day per month of employment for sick leave up to a maximum of 45 days.

**L. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

**M. FUND EQUITY**

**Contributed Capital**

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This amortization is closed to the contributed capital account.

**Reserves**

*Reserves represent those portions of fund equity legally segregated for a specific future use.*

**2. CASH AND CASH EQUIVALENTS**

At December 31, 1999, the district has cash and cash equivalents (book balances) totaling \$526,028, as follows:

Demand Deposits	\$ 84,894
Interest-bearing Demand Deposits	16,017
Time Deposits	198,622
LAMP	226,495
Total	<u>\$ 526,028</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 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, 1999, the district has \$300,898 in deposits (collected bank balances). These deposits are secured from risk by \$298,622 federal deposit insurance and \$2,276 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 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.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

**3. INVESTMENTS**

Investments are categorized onto these three categories of credit risk:

1. Insured or registered, or securities held by the municipality or its agent in the district's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the district's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the district's name

All investments held by the district fall into category I credit risk, defined as "insured or registered, or securities held by the district or its agent in the district's name." In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all investments are carried at fair market value, with the estimated fair market value based on quoted market prices.

At December 31, 1999, the district's investment balances were as follows:

<u>Type of Investment</u>	<u>Carrying amount</u>	<u>Market Value</u>
Government Money Market	\$ 44,650	\$ 44,650
FHLB	144,422	144,422
FHLM	326,061	326,061
FNMA	14,106	14,106
Total	<u>\$529,239</u>	<u>\$529,239</u>

In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 1999, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Office Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Therefore LAMP is considered a cash equivalent.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

**4. RECEIVABLES**

The following is a summary of accounts receivables at December 31, 1999:

Current	\$ 44,185
31-60 Days	5,103
61-90 Days	869
Over 90 Days	505
Total	<u>50,662</u>
Less: Allowance for Bad Debts	<u>(1,968)</u>
Accounts Receivable, Net	<u><u>\$ 48,694</u></u>

**5. CONSTRUCTION IN PROGRESS**

As of December 31, 1999, the district had no construction in progress.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

**6. FIXED ASSETS**

A summary of fixed assets at December 31, 1999, follows:

Description	Life Yrs	Cost	Accumulated Depreciation	Net	Depreciation Current
<i>Phase I (1979)</i>					
Old Water System	25	\$ 53,497	\$ 43,869	\$ 9,628	\$ 2,140
Land & Right of Way		5,597	-	5,597	-
Water Distribution System	30	569,585	389,214	180,371	18,986
Water Well	30	65,467	44,732	20,735	2,182
<i>Phase II (1980)</i>					
Water Distribution System	30	212,668	138,235	74,433	7,089
Water Well	30	87,721	57,018	30,703	2,924
Well Site & Pump Station	30	21,885	14,232	7,653	730
Improvements	30	12,433	2,682	9,751	414
<i>Phase III (1984)</i>					
Water Distribution System	30	294,633	156,587	138,046	9,821
Water Well	30	107,154	57,152	50,002	3,572
Pump Station Controls	30	248,997	132,800	116,197	8,300
Elevated Storage Tank	30	238,169	127,024	111,145	7,939
Land & Right of Way		13,225	-	13,225	-
<i>Phase IV (1989)</i>					
Land		2,000	-	2,000	-
Water Distribution System	30	897,130	314,001	583,129	29,904
Improvements	30	200,266	12,861	187,405	6,676
Chlorinator	5	9,080	3,836	5,244	1,396
Fence	7	4,328	721	3,607	618
Land		14,690	-	14,690	-
Buildings	30	121,528	20,060	101,468	4,401
Office Equipment	5	8,743	7,058	1,685	1,367
Equipment	7	12,294	3,520	8,774	1,756
Vehicle	5	21,620	13,332	8,288	4,324
Totals		<u>\$3,222,710</u>	<u>\$ 1,538,934</u>	<u>\$ 1,683,776</u>	<u>\$ 114,539</u>

All assets are depreciated by the straight-line method.

The utility plant and equipment in service records were reconstructed from the original construction files of the U.S. Department of Agriculture, Rural Utility Service.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

**7. LONG-TERM DEBT**

The following is a summary of bond transactions of the Varnado Waterworks District for the year ended December 31, 1999:

	1977 RUS Utility Revenue	1979 RUS Utility Revenue	1988 RUS Utility Revenue	Total
Bonds Payable January 1, 1999	\$ 190,363	\$ 2,411	\$ 816,235	\$ 1,009,009
Bonds Retired	(19,716)	(2,411)	(14,475)	(36,602)
Bonds Payable December 31, 1999	<u>\$ 170,647</u>	<u>\$ -</u>	<u>\$ 801,760</u>	<u>\$ 972,407</u>

Bonds Payable at December 31, 1999, are comprised of the following individual Issues:

	Current Amount 12/31/99	Long-Term Amount 12/31/99	Total Principal Balance 12/31/99
1977 Revenue Bonds: \$395,000 utility bonds sold to RUS, dated 11/19/76; due in annual installments of \$5,000 - \$20,000 through November 16, 2017; interest at 5%	\$ 15,500	\$ 152,147	\$ 167,647
1988 Revenue Bonds: \$925,000 utility bonds sold to RUS, dated 3/29/88; due in annual installments of \$6,000 - \$55,000 through June 15, 2029; interest at 5.875%	18,500	786,260	804,760
	<u>\$ 34,000</u>	<u>\$ 938,407</u>	<u>\$ 972,407</u>



**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

The annual requirements to amortize all debt outstanding as of December 31, 1999, including interest payments of \$725,154 are as follows:

Year Ending December 31,	1977 RUS Revenue	1988 RUS Revenue	Total
2000	\$ 26,986	\$ 62,765	\$ 89,751
2001	26,986	62,765	89,751
2002	26,986	62,765	89,751
2003	26,986	62,765	89,751
2004	26,986	62,765	89,751
2005-2009	71,962	313,825	385,787
2010-2014	-	313,825	313,825
2015-2019	-	313,825	313,825
2020-2023	-	235,369	235,369
	<u>\$ 206,892</u>	<u>\$ 1,490,669</u>	<u>\$ 1,697,561</u>

**8. FLOW OF FUNDS, RESTRICTIONS ON USE**

The voters of the district approved the issuance of \$395,000, \$76,000, and \$925,000 of the utility revenue bonds in elections held January, 1977, November 13, 1978, and April 13, 1988. The governing authority of the district adopted a resolution on October 4, 1977, authorizing issuance of \$395,000 of the water revenue bonds - 1977 Series. On November 16, 1977, the district sold the \$395,000 authorized bonds to Farmers Home Administration now known as USDA Rural Utility Service. The governing authority of the district adopted a resolution on March 29, 1979, authorizing the issuance of \$ 76,000 of the utility revenue bonds - 1979 Series. On November 16, 1977, the district sold the \$76,000 authorized bonds to RUS, also. The bond issues were issued for forty (40) years, twenty-four (24) years, and forty (40) years respectively, payable with interest at the rate of five percent (5%) per annum for the 1976 & 1977 bond issues, and five and seven-eights percent (5.875%) per annum on the 1988 bond issue. The bonds and any installment may be paid prior to the due date and maturity thereof at a price of par and accrued interest to the date of prepayment. The proceeds of the bonds were restricted to use for construction and improvements to the district's water system and are subject to the provisions of the above adopted resolutions. The 1977 issue of \$395,000, was used to construct Phase I of the district's waterworks system. The 1979 issue of \$76,000 was used to construct Phase II. The 1988 issue of \$925,000 was used to construct Phase IV.

Under the terms of the bond proceeds to the district, the bonds are payable as to principal and interest solely from the income and revenues derived from the operations of the combined water system of the district after provisions have been made for the payment of the reasonable and necessary expenses of administering, operating, and maintaining of the system.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

The district is to maintain its water rates at minimum amounts and increase these rates as necessary in accordance with its loan agreements with RUS.

Each month there will be set aside into a fund called "Bond and Interest Sinking (Redemption) Fund" a sum equal to one-twelfth (1/12) of the next principal payment due, together with such proportionate sum as may be required as the same respectfully become due on such date. Money in the Sinking Fund shall be deposited as trust funds and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments. Alternately, RUS has set up a payment schedule whereby the district can make payments directly to its office. This eliminates the need of the "Bond and Interest Sinking Fund".

There shall also be set aside into a "Utility System Revenue Bond Reserve Fund" at a rate of \$400 per month, after the construction becomes revenue producing, until there is accumulated therein an amount equal to the highest annual debt service payment in any future year. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Bond and Interest Sinking Fund, as to which there would otherwise be default. The district fully funded the Reserve Fund for the year ended December 31, 1999.

Funds will also be set aside into a "Depreciation and Contingency Fund", after completion of the project, at the rate of \$398 per month. Money in this fund will be used for the making of extraordinary repairs or replacements to the system which are necessary to keep the system in operating condition, enhance its revenue producing capacity or provide for a higher degree of service for which money is not available as a maintenance and operation expense. Money in this fund may also be used to pay principal and interest on the bonds falling due at any time there is not sufficient money for payments in other bond funds. The district fully funded the Depreciation and Contingency Fund for the year ended December 31, 1999.

All the revenues, received in any year and not required to be paid in such year into any of the noted funds, shall be regarded as surplus and may be used for any lawful corporate purpose.

## 9. FUND EQUITY

Reserved Retained Earnings is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account, based on assets held by the water district that are restricted for bond payments. The purpose of the reserved retained earnings is to service the revenue bonds.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999  
(Continued)

**10. INTERGOVERNMENTAL AGREEMENT**

The Varnado Waterworks District entered into a service agreement with the Bogue Lusa Water Works District and the Varnado Gas District. The Varnado Waterworks District will perform all necessary functions involving billing of customers, collection of customer's accounts, keeping and furnishing necessary financial information and records on a monthly basis to Bogue Lusa Water Works District and Varnado Gas District. The Varnado Waterworks District also performs meter reading for Varnado Gas District. The fee for this service is \$1.75 per customer per month for Bogue Lusa Water Works and \$2.35 per customer per month for Varnado Gas District, payable monthly. Varnado Waterworks District will provide all system repair and maintenance customarily done by its own personnel. Accurate hourly records of personnel records involved in repairs shall be kept and Bogue Lusa Water Works District and Varnado Gas District will be billed monthly at two times the employees hourly rate. All materials, parts and supplies will be paid directly by the district which incurred the cost. Varnado Waterworks District employees will keep accurate mileage records for the service truck used for maintenance and repairs and will bill the other districts 35 cents per mile for work done on their respective systems. Periodically, an accounting will be made of the costs of the services provided under the agreement. Cash settlements will be made between the districts, so each district pays its portion of the actual costs.

**SUPPLEMENTAL INFORMATION**

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Schedule 1

**PROPRIETARY FUND - ENTERPRISE FUND  
(All Fund Types and Account Groups)**

**Comparative Balance Sheet  
December 31, 1999 and 1998**

<b>ASSETS</b>	<u>1999</u>	<u>1998</u>
Current Assets:		
Cash	\$ 468,991	\$ 318,035
Investments	373,646	409,443
Accounts Receivable	48,694	43,330
Due From Other Governments	<u>5,080</u>	<u>6,056</u>
Total Current Assets	<u>896,411</u>	<u>776,864</u>
Restricted Assets:		
Customer Deposits - Cash	16,017	15,583
Bond Reserve Account -		
Cash	20,585	-
Investment	70,807	88,918
Depreciation and Contingency Account -		
Cash	20,435	-
Investment	<u>84,786</u>	<u>103,655</u>
Total Restricted Assets	<u>212,630</u>	<u>208,156</u>
Property, Plant and Equipment:		
Land	35,512	31,262
Utility Plant, in Service	<u>3,187,199</u>	<u>3,170,645</u>
Total Property, Plant and Equipment	3,222,711	3,201,907
Less: Accumulated Depreciation	<u>(1,538,934)</u>	<u>(1,424,395)</u>
Net Property, Plant and Equipment	<u>1,683,777</u>	<u>1,777,512</u>
Total Assets	<u>\$ 2,792,818</u>	<u>\$ 2,762,532</u>

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

**PROPRIETARY FUND - ENTERPRISE FUND  
(All Fund Types and Account Groups)**

Schedule 1

**Comparative Balance Sheet  
December 31, 1999 and 1998  
(Continued)**

**LIABILITIES AND FUND EQUITY**

	1999	1998
<b>Liabilities:</b>		
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts Payable	\$ 11,090	\$ 6,888
Sales Tax Payable	615	601
Payroll Taxes Payable	1,791	1,797
Retainage Payable	-	6,358
Due to Other Governments	122	105
Revenue Bonds Payable - Current	34,000	34,411
<b>Total Current Liabilities (Payable From Current Assets)</b>	<b>47,618</b>	<b>50,160</b>
<b>Current Liabilities (Payable From Restricted Assets)</b>		
Customer Deposits	24,760	23,570
<b>Long-Term Liabilities:</b>		
Revenue Bonds Payable Long-Term	938,407	974,598
<b>Total Liabilities</b>	<b>1,010,785</b>	<b>1,048,328</b>
<b>Fund Equity:</b>		
Memberships	41,500	41,500
Contributed Capital	1,428,178	1,428,178
Less Accumulated Amortization	(834,621)	(787,015)
<b>Net Contributed Capital</b>	<b>635,057</b>	<b>682,663</b>
<b>Retained Earnings:</b>		
Reserved for RUS Bond Interest and Redemption	91,392	88,918
Reserved for RUS Bond Depreciation and Contingency	105,221	103,655
Unreserved	950,363	838,968
<b>Total Retained Earnings</b>	<b>1,146,976</b>	<b>1,031,541</b>
<b>Total Fund Equity</b>	<b>1,782,033</b>	<b>1,714,204</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 2,792,818</b>	<b>\$ 2,762,532</b>

(Concluded)

The accompanying notes are an integral part of this statement.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Schedule 2

**PROPRIETARY FUND - ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
UNRESERVED RETAINED EARNINGS  
(BUDGET AND ACTUAL)**

**For the Year Ended December 31, 1999  
and Actual For the Year Ended December 31, 1998**

<b>OPERATING REVENUES</b>	Budget	Actual	Variance- Favorable (Unfavorable)	1998 Actual
<b>Charges for Services:</b>				
Water Sales	\$ 344,500	\$ 347,339	\$ 2,839	\$ 340,983
Installations	11,000	10,380	(620)	13,250
Penalties	8,400	8,345	(55)	8,096
Billing Fees	77,000	74,980	(2,020)	66,851
Reconnect Fees	2,750	2,690	(60)	2,710
Net (Decrease) in Fair Market of Investments	-	(52,485)	(52,485)	-
Other Revenues	1,690	1,740	50	1,314
	445,340	392,989	(52,351)	433,204
 <b>OPERATING EXPENSES</b>				
Salaries	80,000	81,113	(1,113)	80,408
Truck Expense	300	1,938	(1,638)	688
Office Expense	7,000	7,292	(292)	7,557
Maintenance Supplies	15,000	17,116	(2,116)	18,092
Utilities	42,000	41,934	66	38,717
Plant Maintenance	4,000	3,367	633	2,438
Repairs and Installations	4,500	3,889	611	5,483
Director Fees	6,000	6,250	(250)	5,500
Travel	4,500	4,241	259	4,254
Telephone	3,000	2,582	418	3,565
Insurance	16,000	14,237	1,763	17,435
Accounting Fees	6,500	6,054	446	6,105
Conventions	500	576	(76)	560
Legal Fees	1,000	960	40	615
Membership Dues	200	175	25	150
NSF Checks	400	310	90	231
Mowing	2,000	1,905	95	1,855
Advertising	100	-	100	336
Bank Charges	100	1	99	50
Miscellaneous	-	57	(57)	-
Depreciation Expense	104,000	114,539	(10,539)	110,157
Payroll Taxes	7,000	6,508	492	7,152
	304,100	315,044	(10,944)	311,348
 <b>Net Operating Income</b>	141,240	77,945	(63,295)	121,856

(Continued on the following Page)

The accompanying notes are an integral part of this statement.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Schedule 2

**PROPRIETARY FUND - ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
UNRESERVED RETAINED EARNINGS  
(BUDGET AND ACTUAL)**

**For the Year Ended December 31, 1999  
and Actual For the Year Ended December 31, 1998**

	Budget	Actual	Variance- Favorable (Unfavorable)	1998 Actual
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Interest Income	\$ 40,500	\$ 47,720	\$ 7,220	\$ 51,972
Bond Interest Expense	<u>(60,000)</u>	<u>(57,836)</u>	<u>2,164</u>	<u>(57,988)</u>
Total Non-Operating Revenue (Expenses)	<u>(19,500)</u>	<u>(10,116)</u>	<u>9,384</u>	<u>(6,016)</u>
<b>Net Income (Loss)</b>	<u>\$ 121,740</u>	67,829	<u>\$ (53,911)</u>	115,840
<b>Unreserved Retained Earnings</b>				
Beginning of Year		838,968		700,144
Add: Amortization of Contributions		47,606		47,606
Less: (Increase) in Reserve for Revenue				
Bond Retirement		(2,474)		(11,627)
(Increase) in Reserve for Revenue				
Bond Contingency		<u>(1,566)</u>		<u>(12,995)</u>
<b>Unreserved Retained Earnings, End of Year</b>		<u>\$ 950,363</u>		<u>\$ 838,968</u>

(Concluded)

The accompanying notes are an integral part of this statement.



**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

**Schedule 3**

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
For the Year Ended December 31, 1999**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

NAME	Amount
Homer Seal, Commissioner	\$750
T. A. Magee, Commissioner	750
Wayne Seal, Commissioner	850
Freddie Jefferrson, Vice-President	750
Melodysee Peters, Commissioner	700
Berkley Thomas, President	850
Ancel Williams, Commissioner	850
Argil Boone, Commissioner	750
Total Compensation Paid	\$6,250

Board of Commissioners	Address	Term of Office
Homer Seal,	62823 Main St. Angie, LA 70426	01/01/96 - 12/31/2000
T. A. Magee	20551 Windy Ridge Rd. Bogalusa, LA 70427	01/01/97 - 12/31/01
Wayne Seal	61269 Dollar Road Angie, LA 70426	01/01/99 - 12/31/02
Freddie Jefferrson	31110 School Rd. Angie, LA 70426	01/01/97 - 12/31/01
Melodysee Peters	24279 Old Columbia Road Angie, LA 70426	01/01/99 - 12/31/02
Berkley Thomas	20078 Edwards Drive Bogalusa, LA 70427	01/01/96 - 12/31/99
Ancel Williams	63293 Fornea Road Angie, LA 70426	01/01/96 - 12/31/99
Argil Boone	61768 Seal Road Angie, LA 70426	01/01/96 - 12/31/2000

The accompanying notes are an integral part of this statement.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Schedule 4

**SCHEDULE OF INSURANCE  
For the Year Ended December 31, 1999**

Insurance Company	Coverage	Amount	Period
CNA Surety Company Bond # 18216102	Position Fidelity Bond:		11/16/99
	President	\$ 100,000	11/16/00
	Vice-President	100,000	
	Board Member	100,000	
	Office Manager	100,000	
	Clerk	25,000	
Travelers Indemnity Company Police BM T1 50 08 93	Boiler & Machinery Coverage :	\$ 405,000	02/28/99
	Water Pumping Station		02/28/00
Gulf Insurance Company Policy GA 0427424	Commercial General Liability:		02/28/99
	Products Completed Operations	\$ 1,000,000	02/28/00
	Personal & Advertising Injury	1,000,000	
	Fire, Lighting, Explosion Damage	1,000,000	
	Medical Expense	5,000	
	Commercial Property:		
	With Pumps	300,000	
	Office Building	85,000	
	Contents	20,000	
	Metal Building	8,000	
	Business Auto:		
	Liability	1,000,000	
	Uninsured Motorist	1,000,000	
	Comprehensive	AVC per Auto	
	Collision	AVC per Auto	
Public Officials' Liability			
Any One Claim	1,000,000		
Annual Aggregate	1,000,000		
LA Worker's Compensation Corporation Policy 401271	Worker's Compensation	Statutory Limits	Continuing Policy

The accompanying notes are an integral part of this statement.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

Schedule 5

**SCHEDULE OF CHANGES IN ASSETS RESTRICTED  
FOR USDA RURAL UTILITY SERVICE  
AND  
SCHEDULE OF WATER CUSTOMERS  
For the Year Ended Year Ended December 31, 1999**

	Bond Reserve	Bond Depreciation and Contingency	Total
Cash Balance, January 1, 1999	\$88,918	\$103,655	\$192,573
Cash Receipts:			
Transfers From Operating Account	4,800	4,776	9,576
Interest Earned	5,990	6,971	12,961
Net (Decrease) in Fair Market of Investments	(8,316)	(10,181)	(18,497)
Cash Disbursements	-	-	-
Cash Balance, December 31, 1999	\$91,392	\$105,221	\$196,613

**SCHEDULE OF WATER CUSTOMERS**

As of December 31, 1999, the district had the following number of customers.

Water-Residential	1,270
Water-Commercial	21
Water-School	5
Water-Prison	1
Total Water Customers	1,297

The accompanying notes are an integral part of this statement.

VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana

Schedule 6

Summary Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 1999

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

Reference Number 98-1:

Finding Incurred

December, 1998

Description of Finding

It was noted that the Varnado Water Works District had not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue. It was also noted that management of the Varnado Water Works District cannot assure that parties with which the Varnado Water Works District does business will be year 2000 ready.

Corrective Action Taken

Yes

Section II - Management Letter

No Section II Findings.

**VARNADO WATERWORKS DISTRICT  
WASHINGTON PARISH COUNCIL  
Varnado, Louisiana**

**Schedule 7**

**Corrective Action Plan for  
Current Year Audit Findings  
For the Year Ended December 31, 1999**

**Section I - Internal Control and Compliance Material to the Financial Statements**

No Section I Findings

**Section II - Management Letter**

No Section II Findings.

**BRUCE HARRELL & CO.**  
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MEMBERS  
American Institute of CPAs  
Society of Louisiana CPAs

**REPORT BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Varnado Waterworks District  
Washington Parish Council  
Varnado, Louisiana

We have audited the general purpose financial statements of the Varnado Waterworks District, as of and for the year ended December 31, 1999, and have issued our report thereon dated February 1, 2000. We have 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 Varnado Waterworks District 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 in 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 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 our audit, we considered the Varnado Waterworks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Louisiana Legislative Auditor, and the USDA Rural Utility Service. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation  
Kentwood, Louisiana  
February 1, 2000