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WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO  
MANSFIELD, LOUISIANA

**FINANCIAL STATEMENTS**  
December 31, 1999

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

Release Date JUL 26 2000

Marsha O. Millican  
Certified Public Accountant  
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Financial Statements  
December 31, 1999

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# Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

## Independent Auditor's Report

Board of Commissioners  
Waterworks District No. 1 of the Parish of DeSoto  
Mansfield, Louisiana

I have audited the accompanying component unit financial statements of Waterworks District No. 1 of the Parish of Desoto, State of Louisiana, a development stage component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 1999. These component unit financial statements are the responsibility of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana's, management. My responsibility is to express an opinion on these component unit financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, and 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 of the Parish of Desoto, State of 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, I have also issued a report dated March 24, 2000, on my consideration of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana's internal control structure and its compliance with laws and regulations.

*Marsha O. Millican*

Certified Public Accountant  
March 24, 2000

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTOBalance Sheet  
December 31, 1999Assets

Cash	\$ 42,199
Taxes Receivable	991,980
Investments	2,607,184
Construction in Progress	9,702,972
Bond Issuance Costs	<u>77,825</u>
Total Assets	<u>\$13,422,160</u>

Liabilities and EquityLiabilities

Accounts Payable	\$ 222
Revenue Bonds Payable	9,535,000
Accrued Interest on Revenue Bonds	<u>134,478</u>
Total Liabilities	<u>9,669,700</u>

Equity

Retained Earnings:	
Reserved for Revenue Bond Retirement	321,171
Unreserved	<u>3,431,289</u>
Total equity	<u>3,752,460</u>
Total Liabilities and Equity	<u>\$13,422,160</u>

See accompanying notes to financial statement.

WATERWORKS DISTRICT NO. 1 OF LOUISIANAStatement of Revenues, Expenses, and Changes in  
Retained EarningsYear Ended December 31, 1999

Revenues:	
Ad valorem taxes	\$ 1,027,139
Miscellaneous revenues	<u>5,592</u>
Total revenues	1,032,731
Operating expenses:	
Administrative expenses	<u>21,877</u>
Operating income	1,010,854
Non-operating revenues:	
Interest income	<u>157,636</u>
Net income	1,168,490
Retained earnings - beginning of year	<u>2,583,970</u>
Retained earnings - end of year	<u>\$ 3,752,460</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTOStatement of Cash Flows - Proprietary Fund Type  
Year Ended December 31, 1999

Cash flows from operating activities:	
Ad valorem taxes received	\$ 985,595
Cash payments to suppliers	( 21,655)
Other operating income	<u>5,592</u>
Net cash provided by operating activities	<u>969,532</u>
Cash flows from capital and related financing activities:	
Construction in progress	(1,796,421)
Principal payments on revenue bonds	<u>( 265,000)</u>
Net cash provided by capital and related financing activities	<u>(2,061,421)</u>
Cash flows from investing activities:	
Investments in LAMP investments	(1,111,833)
Withdrawals from LAMP investments	2,038,607
Interest received on investments	<u>157,636</u>
Net cash provided by investing activities	<u>1,084,410</u>
Net decrease in cash	( 7,479)
Cash, beginning of year	<u>49,678</u>
Cash, end of year	<u>\$ 42,199</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,010,854
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in taxes receivable	( 41,544)
Increase in accounts payable	<u>222</u>
Net cash provided by operating activities	<u>\$ 969,532</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements  
December 31, 1999

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, was created by Ordinance No 2, of the DeSoto Parish Police Jury on July 24, 1969. The ordinance states that the purpose of the District is to facilitate plans and arrangements for feasibility studies and surveys and the financing, construction, development and operation of a water works system to provide a public water supply within the proposed District. The District is a component unit of the DeSoto Parish Police Jury and is governed by a board of nine commissioners appointed by DeSoto Parish Police Jury.

Waterworks District No. 1 of the Parish of DeSoto is in the process of constructing a \$9,900,000 water system to assist in meeting the domestic, commercial and fire protection demands in DeSoto Parish within the boundaries of the District. Construction of this system is being funded with revenues from a 5.5 mill ad valorem tax proposition passed by voters of April 5, 1997. A 1.01 mill property tax millage authorized to be levied in the years 1997 through 2006 to subsidize operation and maintenance expenses of the system was also passed April 5, 1997.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Waterworks District No. 1 of the Parish of DeSoto have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The following is a summary of the more significant accounting policies:

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

Investments. Investments are stated at cost which approximates market.

Bad Debts. Uncollectible amounts due for ad valorem taxes 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.

Cash Flows. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

2. CASH:

At December 31, 1999, all cash balances were fully insured by FDIC insurance.

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 1999

3. PER DIEM PAID TO COMMISSIONERS:

No per diem was paid to commissioners for the year ended December 31, 1999.

4. TAXES RECEIVABLE:

Ad valorem taxes are collected by the DeSoto Parish Sheriff and remitted to the District on a monthly basis. For the year ended December 31, 1999, taxes of 6.51 mills were levied on property with assessed valuations totaling \$ 158,402,407. Of the total millage, 5.5 mills are dedicated to bond retirement and 1.01 mills are dedicated for general operating purposes.

Total taxes levied were \$1,027,139. Taxes receivable at December 31, 1999 consisted of the following:

Taxes receivable	\$1,001,662
Less: Allowance for uncollectible taxes	<u>( 9,682)</u>
Total	<u>\$ 991,980</u>

5. INVESTMENTS:

Investments consist of funds invested in the Louisiana Asset Management Pool (LAMP). LAMP was established and is administered by LAMP, Inc., a nonprofit corporation organized under the law of the State of Louisiana. LAMP accepts deposits from public entities. Upon the making of an investment, a public entity becomes a member of LAMP, Inc., similar to a corporate shareholder, and is authorized to exercise certain rights with respect to the governance of the corporation. At December 31, 1999, funds on deposit with LAMP (at cost) totaled \$ 2,607,184.

Total net assets of LAMP at December 31, 1999 were as follows:

	Face Amount	Market Value
U S Treasury Bills	\$ 25,000,000	\$ 24,982,882
Federal Home Loan Bank Notes	107,660,000	107,446,874
FHL Mtg Discount Notes	82,000,000	81,152,179
FNMA Notes	112,500,000	110,869,200
Federal Farm Credit Bank Notes	20,000,000	20,000,000
Student Loan Mkt Notes	118,000,000	117,978,736
Repurchase Agreements	222,231,000	<u>222,231,000</u>
Total Investments		684,660,871
Less: Liabilities		<u>( 1,171,779)</u>
Net Assets		<u>\$ 683,489,092</u>

(Continued)



WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements  
December 31, 1999

5. INVESTMENTS: (CONTINUED)

The District's investments are categorized to give an indication of the level of risk assumed by the District at December 31, 1999. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or in the District's name.	\$ -
Category 2 - Collateralized with securities held by the pledging institution or by its agent in the District's name.	-
Category 3 - Uncollateralized	<u>2,607,184</u>
Total investments	<u>\$ 2,607,184</u>

6. CONSTRUCTION IN PROGRESS:

Construction in progress consists of costs incurred during the construction of the \$9,900,000 water system. At December 31, 1999, the project was substantially complete. Capitalized interest included in construction in progress totalled \$1,237,328.

7. BONDS PAYABLE:

The District issued \$9,900,000 of general obligation bonds dated October 1, 1997, for the purpose of constructing a waterworks system with the first principal payment of \$100,000 due on April 1, 1998. Interest payments are due on April 1, and October 1 annually with interest rates varying from 8% to 4.5% over the life of the bond issue.

The annual requirements to amortize all long-term debt outstanding as of December 31, 1998, including interest payments of \$ 4,819,725 are as follows:

<u>Year Ending December 31</u>	<u>Total</u>
2000	811,925
2001	812,725
2002	811,525
2003	813,125
2004	814,725
2005 - 2017	<u>10,290,700</u>
Totals	<u>\$ 14,354,725</u>

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements  
December 31, 1999

8. PENDING LITIGATION AND CONTINGENT LIABILITIES:

On December 29, 1998, the District passed a resolution to issue \$500,000 Water Revenue Bonds for the purpose of providing funds to construct and acquire a water treatment plant and to pay other costs of acquiring and constructing a waterworks system for the District. Three municipalities filed suit to prevent the District from issuing these bonds and using funds from the original bond issue to build a water treatment plant. During the year ended December 31, 1999, the lawsuit was dropped when the District agreed to purchase water from two of the municipalities.

9. YEAR 2000 ISSUES:

The internal accounting systems of the District are Year 2000 compliant.

# **Marsha O. Millican**

**CERTIFIED PUBLIC ACCOUNTANT**

## INDEPENDENT AUDITOR'S 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 Directors  
Waterworks District No. 1  
of the Parish of DeSoto  
Mansfield, Louisiana

I have audited the financial statements of Waterworks District No. 1 of the Parish of DeSoto as of and for the year ended December 31, 1999, and have issued my report thereon dated March 24, 2000. 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; and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

### Compliance

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of the Parish of DeSoto'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 Waterworks District No. 1 of the Parish of DeSoto'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. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Waterworks District No. 1 of the Parish of DeSoto's ability to record, process, summarize and report financial

report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item #1.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Commissioners, and federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties.

*Frank O. Mallica*

Certified Public Accountant  
March 24, 2000

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Schedule of Findings and Questioned Costs

December 31, 1999

	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
#1	<p>Criteria: The segregation of duties is inadequate to provide effective internal control. This was a finding for the prior year.</p> <p>Cause: The condition is due to economic and space limitations.</p> <p>Recommendation: No action is recommended.</p> <p>Management's Response: We concur with the finding.</p>	-0-