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SOUTH VERNON WATERWORKS DISTRICT NO. 1
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 general 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

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ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

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W. Micheal Elliott, CPA

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, 1999, 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, 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 June 22, 2000, 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.

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 22, 2000

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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, 1999, and have issued my report thereon dated June 22, 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.

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 of the Board of Directors and management of the South Vernon Waterworks District and the Legislative Auditor's office of the State of Louisiana. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Elliott & Assoc. "APAC"

Leesville, Louisiana
June 22, 2000

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

For the Fiscal Year Ended December 31, 1999

I have audited the financial statements of South Vernon Waterworks District No. 1 as of and for the year ended December 31, 1999, and have issued my report thereon dated June 22, 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. My audit of the financial statements as of December 31, 1999 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 No
Reportable Conditions Yes No

Compliance

Compliance Material to Financial
Statements Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No N/A
Reportable Conditions Yes No 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 N/A

South Vernon Waterworks District No. 1

Balance Sheet

December 31, 1999

ASSETS

Current assets:	
Cash (Note 2)	\$ 20,329
Accounts receivable - water sales	22,203
State revenue sharing receivable	6,855
Ad valorem taxes receivable (Note 3)	<u>25,897</u>
Total current assets	<u>75,284</u>
Restricted:	
Cash (Note 2)	119,271
Ad valorem taxes receivable (Note 3)	<u>36,114</u>
Total restricted assets	<u>155,385</u>
Organization costs (Note 4)	59,772
Less: accumulated amortization	<u>(32,875)</u>
Organization costs (net of accumulated amortization)	<u>26,897</u>
Fixed assets (Notes 5 and 8)	3,330,003
Less: accumulated depreciation	<u>(238,183)</u>
Fixed assets (net of accumulated depreciation)	<u>3,091,820</u>
 Total assets	 <u>\$3,349,386</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 11,053
Pension deduction payable-unrestricted	778
Payroll taxes payable	<u>250</u>
Total current liabilities	<u>12,081</u>
Current liabilities payable from restricted assets:	
Pension deduction payable restricted	1,031
Current maturities - general obligation bonds (Note 6)	12,000
Current maturities - FHA revenue bonds (Note 6)	28,375
Accrued interest payable (Note 6)	20,382
Meter deposits	<u>4,050</u>
Total current liabilities payable from restricted assets	<u>65,838</u>
Long-term liabilities payable from restricted assets:	
FHA revenue bonds (Note 6)	2,733,815
General obligation bonds (Note 6)	<u>266,000</u>
Total long-term liabilities payable from restricted assets	<u>2,999,815</u>
Total liabilities	<u>3,077,734</u>
Equity:	
Contributed capital - FHA (Note 8)	<u>493,562</u>
Retained earnings:	
Reserved for general obligation bond indentures	89,550
Unreserved-undesignated (Note 9)	<u>(311,460)</u>
Total retained earnings (deficit)	<u>(221,910)</u>
Total equity	<u>271,652</u>
Total liabilities and equity	<u>\$3,349,386</u>

South Vernon Waterworks District No. 1
Statement of Revenues, Expenses, and Changes in Retained Earnings
For the year ended December 31, 1999

Operating revenues:	
Charges for sales and services:	
Water sales	<u>\$ 173,056</u>
Total operating revenues	<u>173,056</u>
Operating expenses:	
Current:	
Salaries and related costs	47,726
Rent expense	3,300
Insurance expense	8,406
Professional Fees	3,540
Board per diem	3,300
Legal advertising	204
Phone & utilities	12,889
Materials and supplies	10,140
Depreciation and amortization (Notes 4 and 5)	99,452
State sales tax	5,068
Repairs and maintenance	2,603
Travel	2,930
Miscellaneous expense	2,026
Office expense	<u>3,005</u>
Total operating expenses	<u>204,589</u>
Operating income (loss)	<u>(31,533)</u>
Nonoperating revenues (expenses):	
Interest income	4,655
Interest expense (Note 6)	(152,164)
Pension fees	(1,808)
State revenue sharing	10,283
Ad valorem taxes-restricted (Note 3)	31,598
Ad valorem taxes-unrestricted (Note 3)	<u>26,135</u>
Total nonoperating revenues (expenses)	<u>(81,301)</u>
Net loss	(112,834)
Add back amortization of contributed capital	<u>13,250</u>
Decrease in retained earnings	(99,584)
Retained earnings, beginning balance	<u>(122,326)</u>
Retained earnings, ending	<u>\$(221,910)</u>
The accompanying notes are an integral part of this statement.	

South Vernon Parish Waterworks District No. 1
Statement of Revenues, Expenses, and Changes in Retained Earnings
Budget and Actual (GAAP Basis)
For the year ended December 31, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues:			
Charges for sales and services:			
Water sales	\$170,000	\$ 173,056	\$ 3,056
Total operating revenues	<u>170,000</u>	<u>173,056</u>	<u>3,056</u>
Operating expenses:			
Current:			
Salaries and related benefits	52,500	47,726	4,774
Rent expense	3,300	3,300	---
Insurance expense	8,250	8,406	(156)
Professional fees	6,500	3,540	2,960
Board per diem	3,350	3,300	50
Legal advertising	1,250	204	1,046
Phone and utilities	14,000	12,889	1,111
Materials and supplies	8,200	10,140	(1,940)
Depreciation and amortization	100,000	99,453	547
State sales tax	5,000	5,068	(68)
Repairs and maintenance	5,250	2,603	2,647
Travel	1,850	2,930	(1,080)
Miscellaneous expense	3,310	2,025	1,285
Office expense	1,850	3,005	(1,155)
Total operating expenses	<u>214,610</u>	<u>204,589</u>	<u>10,021</u>
Operating income (loss)	<u>(44,610)</u>	<u>(31,533)</u>	<u>13,077</u>
Nonoperating revenues (expenses):			
Interest income	500	4,655	4,155
Interest expense (Note 6)	(152,000)	(152,164)	(164)
Pension fees	(2,150)	(1,808)	342
State revenue sharing	11,500	10,283	(1,217)
Ad valorem taxes - restricted	32,769	31,598	(1,171)
Ad valorem taxes - unrestricted	24,731	26,135	1,404
Total nonoperating revenues (expenses)	<u>(84,650)</u>	<u>(81,301)</u>	<u>3,349</u>
Net loss	(129,260)	(112,834)	16,426
Add back amortization of contributed capital	<u>13,250</u>	<u>13,250</u>	<u>---</u>
Decrease in retained earnings	(116,010)	(99,584)	16,426
Retained earnings, beginning balance	<u>(122,326)</u>	<u>(122,326)</u>	<u>---</u>
Retained earnings, ending	<u>\$(238,336)</u>	<u>\$(221,910)</u>	<u>\$ 16,426</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, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ (31,533)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	87,498
Amortization	11,955
Changes in assets and liabilities:	
Accounts receivable	(2,486)
Accounts payable	9,632
Customer deposits	750
Retirement deductions payable	<u>(1,717)</u>
Net cash (used) by operating activities	<u>74,099</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	<u>31,365</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	24,989
Acquisition of property, plant and equipment	(11,866)
Repayment of indebtedness	(40,324)
Interest paid	<u>(150,395)</u>
Net cash (used) by capital financing activities	<u>(177,596)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>4,655</u>
Decrease in cash	(67,477)
CASH, BEGINNING OF YEAR	<u>207,077</u>
CASH, END OF YEAR	<u>\$139,600</u>
CLASSIFIED AS	
Current Assets	\$ 20,329
Restricted Assets	<u>119,271</u>
Totals	<u>\$139,600</u>

The accompanying notes are an integral part of this statement.

South Vernon Waterworks District No. 1

Notes to the Financial Statements

December 31, 1999

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, 1999, the District had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits)	<u>\$ 20,329</u>	<u>\$119,271</u>	<u>\$139,600</u>

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) were \$139,600, and the bank balances were \$140,496. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$100,000
Uncollateralized (In accordance with GAAP - See below)	<u>40,496</u>
	<u>\$140,496</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 \$306,395 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, 1999, taxes of 10 mils and 13.25 mils were levied on property with assessed valuation totaling \$2,464,890 and was dedicated toward operations and maintenance and the sinking fund, respectively.

For the year ended December 31, 1999 total taxes levied were \$57,309. The receivable at December 31, 1999 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, 1999 consist of the following:

Ad valorem taxes--unrestricted	\$25,897
Ad valorem taxes--restricted	36,114
Water sales	22,203
State revenue sharing	<u>6,855</u>
Total	<u>\$91,069</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, 1998	\$59,772
Less: Accumulated amortization	<u>(32,875)</u>
Balance, December 31, 1999	<u>\$26,897</u>

Amortization expense for the year ended December 31, 1999, 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, 1999:

	<u>Balance,</u> <u>12/31/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>12/31/98</u>
Land	\$ 15,000	\$ ---	\$ ---	\$ 15,000
Autos and trucks	16,219	---	---	16,219
Office equipment and fixtures	11,473	2,500	---	13,973
Water system	<u>3,275,445</u>	<u>9,366</u>	<u>---</u>	<u>3,284,811</u>
Total	<u>\$3,318,137</u>	<u>\$ 11,866</u>	<u>\$ ---</u>	<u>\$3,330,003</u>

Depreciation expense for the year ended December 31, 1999, was \$87,498.

NOTE 6--GENERAL LONG-TERM DEBT

Bonds payable at December 31, 1999 is comprised of the following issue:

Bonds payable, December 31, 1998	\$289,000
Bonds issued	---
Bonds retired	<u>(11,000)</u>
Bonds payable, December 31, 1999	<u>\$278,000</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, 1999 is comprised as follows:

	<u>FHA Rev. Bonds</u>	<u>FHA Rev. Bonds Series A</u>
Balance at 12/31/97	\$2,701,851	\$ 89,663
Additions	---	---
Payments	<u>(28,382)</u>	<u>(942)</u>
Balance at 12/31/98	<u>\$2,673,469</u>	<u>\$ 88,721</u>

The FHA Rev. Bonds are being paid in a monthly payment of \$13,098 including principal and interest at 4.875%. 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, 1999, including interest payments of \$3,288,453, are as follows:

2000	\$ 190,684
2001	189,819
2002	190,138
2003	190,389
2004	190,569
2004-2008	949,800
2009-2013	949,509
2014-2018	819,362
2019-2023	817,799
2024-2028	812,018
2029-2033	812,018
2034-2036	<u>216,538</u>
Total	<u>\$6,328,643</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, 1999 were as follows:

Balance at December 31, 1998	\$506,813
Additions	---
Amortization	<u>(13,250)</u>
Balance at December 31, 1999	<u>\$493,563</u>

NOTE 9--RETAINED EARNINGS DEFICIT

The District has an unreserved - undesignated deficit of \$311,460 at December 31, 1999. The Board revised its water rates in mid 1997 and the fiscal year 1998 and 1999 financials reflected such increase. Furthermore, the District has continued to increase its total customer base in 1999 and feels that the year 2000's customer base increase will offset any deficit spending in 2000 exclusive of depreciation expense.

Furthermore, the District has applied for a \$562,719 CDBG grant to expand its system to increase its existing customer base by approximately 335 customers.

SUPPLEMENTARY INFORMATION

South Vernon Waterworks District No. 1

Supplementary Information

For the year ended December 31, 1999

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	11	\$ 660
Bill Churchman	10	600
Deborah Dixon	12	720
Teddy Eaves	12	720
E. Grady Stephens	<u>10</u>	<u>600</u>
Total	<u>55</u>	<u>\$ 3,300</u>

See independent auditor's report.

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

For the Fiscal Year Ended December 31, 1999

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

There were no prior year findings relating to internal control and compliance material to the financial statements.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
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, 1999

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

N/A

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

N/A

SECTION III MANAGEMENT LETTER

N/A

See independent auditor's report.