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**ROCKY BRANCH WATER WORKS DISTRICT**  
*Farmerville, Louisiana*

**AUDIT REPORT**

As of and For the Two Years Ended December 31, 1999 and 1998

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 08-09-00

**Jimmie Self, CPA**  
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**ROCKY BRANCH WATER WORKS**

**Component Unit Financial Statements As of and For the Year Ended  
December 31, 1999  
*With Supplemental Information Schedules***

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Rocky Branch Water Works  
Farmerville, Louisiana  
June 26, 2000

I have audited the accompanying general purpose financial statements of Rocky Branch Water Works, a component unit of The Union Parish Police Jury, as of and for the years ended December 31, 1998 and 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District'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 Audit 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 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 Rocky Branch Water Works as of December 31, 1998 and 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The financial information listed as supplemental information schedules in the table of contents is presented for purposes of additional analysis, and is not a required part of the financial

statements of Rocky Branch Water Works. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated June 26, 2000, on my consideration of Rocky Branch Water Work's internal control structure and a report dated June 26, 2000, on its compliance with certain provisions of laws, regulations, and grants.

A handwritten signature in cursive script that reads "Jimmie Self, CPA".

JIMMIE SELF, CPA

June 26, 2000

ROCKY BRANCH WATERWORKS DISTRICT  
 UNION PARISH POLICE JURY  
 FARMERVILLE, LOUISIANA  
 PROPRIETARY FUND - ENTERPRISE FUND  
 All Fund Types and Account Groups  
 Balance Sheet, December 31, 1999

ASSETS:

Current Assets:

|                      |    |              |
|----------------------|----|--------------|
| Cash                 | \$ | 105,448      |
| Accounts Receivable  |    | <u>1,204</u> |
| Total Current Assets |    | 106,652      |

Restricted Assets:

|                         |  |                |
|-------------------------|--|----------------|
| Cash                    |  | <u>119,827</u> |
| Total Restricted Assets |  | 119,827        |

Property, Plant and Equipment

|                               |  |                  |
|-------------------------------|--|------------------|
| Land                          |  | 4,500            |
| Water system                  |  | 395,297          |
| Less accumulated depreciation |  | <u>(209,383)</u> |

Net Property, Plant and Equipment

|  |  |                |
|--|--|----------------|
|  |  | <u>190,414</u> |
|--|--|----------------|

TOTAL ASSETS: \$ 416,893

LIABILITIES AND FUND EQUITY:

LIABILITIES:

Current Liabilities (Payable  
from Current Assets):

\$ (732)

Accrued Expenses

Total Current Liabilities (732)

(Payable from Current Assets):

Current Liabilities (payable from restricted assets)

Bond Debt (5,000)

Total Current Liabilities (payable from restricted assets) (5,000)

Total Current Liabilities

Long-Term Liabilities:

Long-term Bond Debt (59,000)

Total Long-Term Liabilities: (59,000)

TOTAL LIABILITIES: (64,000)

Fund Equity:

Retained Earnings:

Reserved for Bond Debt (41,951)

Unreserved (310,210)

TOTAL FUND EQUITY: (352,161)

TOTAL LIABILITIES AND FUND EQUITY: \$ (416,893)

The accompanying notes are an integral part of this statement.

ROCKY BRANCH WATERWORKS DISTRICT  
 UNION PARISH POLICE JURY  
 FARMERVILLE, LOUISIANA  
 PROPRIETARY FUND - ENTERPRISE FUND  
 STATEMENTS OF REVENUES, EXPENSES AND  
 CHANGES IN RETAINED EARNINGS  
 FOR THE YEAR ENDED DECEMBER 31, 1999/1998

|  | <u>1,999</u>     | <u>1,998</u>     |
|--|------------------|------------------|
| SERVICE INCOME                                 | (82,619)         | (75,052)         |
| OTHER  | (15,074)         | (11,896)         |
| <b>TOTAL OPERATING REVENUES:</b>               | <u>(97,693)</u>  | <u>(86,948)</u>  |
| <b>OPERATING EXPENSES:</b>                     |                  |                  |
| ADVERTISING                                    | 228              |                  |
| REIMBURSEMENTS                                 | 15,459           | 13,216           |
| BANK CHARGES                                   | 100              | 320              |
| EDUCATION                                      | 310              | 250              |
| SALES TAX                                      | 2,010            | 2,090            |
| DEPRECIATION                                   | 15,684           | 14,647           |
| LEGAL & PROFESSIONAL                           | 700              | 2,058            |
| SALARIES                                       | 15,450           | 11,850           |
| PAYROLL TAXES                                  | 1,362            | 837              |
| FEES & TAXES                                   | 360              | 370              |
| LATE NOTICE FEES                               |                  | 690              |
| EQUIPMENT REPAIR                               | 8,060            |                  |
| UTILITIES                                      | 10,159           | 9,300            |
| MATERIAL & SUPPLIES                            | 2,677            | 6,737            |
|  |                  | 832              |
| INSURANCE                                      | 3,444            | 3,765            |
| OFFICE EXPENSE                                 | 3,223            | 313              |
| CASUAL LABOR                                   |                  | 797              |
| BAD CHECKS                                     | 700              | 799              |
| CARDS  | 1,057            | 1,104            |
| MISC   | 108              | 1,100            |
| PER DIEM                                       | 600              | 630              |
| NEW METER INSTALLATION                         | 1,400            |                  |
| OTHER  | 110              | 906              |
| METER DEPOSIT REFUND                           | 2,000            | 600              |
| <b>TOTAL OPERATING EXPENSES:</b>               | <u>85199.93</u>  | <u>73211.46</u>  |
| <b>OPERATING INCOME (LOSS):</b>                | <b>(12,493)</b>  | <b>(13,737)</b>  |
| <b>NONOPERATING REVENUES (EXPENSES):</b>       |                  |                  |
| INTEREST INCOME                                | (7,668)          | (6,741)          |
| INTEREST EXPENSE                               | 3,500            | 6,919            |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES):</b> | <u>(4,168)</u>   | <u>178</u>       |
| <b>NET INCOME (LOSS):</b>                      | <b>(16,661)</b>  | <b>(13,559)</b>  |
| <b>RETAINED EARNINGS AT BEGINNING OF YEAR:</b> | <u>(335,500)</u> | <u>(321,941)</u> |
| <b>RETAINED EARNINGS AT END OF YEAR:</b>       | <u>(352,161)</u> | <u>(335,500)</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS STATEMENT.

s/a RBWWINCOME99

**ROCKY BRANCH WATERWORKS DISTRICT  
UNION PARISH POLICE JURY  
FARMERVILLE, LOUISIANA**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1999/1998**  
Increase (decrease) in Cash and Cash Equivalents.

|   | 1999                  | 1998                  |
|---|-----------------------|-----------------------|
| <b>Cash flows from operating activities:</b>                                      |                       |                       |
| Net Income  |                       |                       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                       |                       |
| Depreciation  | 16,661                | 13,559                |
| Changes in Assets and Liabilities   |                       |                       |
| Increase/decrease in accounts receivable  | (97)                  | 0                     |
| Increase/decrease in payables   |                       | (831)                 |
| Total Adjustments   | <u>15,587</u>         | <u>13,816</u>         |
| Net Cash Provided (Used) By Operating Activities                                  | <u>32,248</u>         | <u>27,375</u>         |
| <b>Cash Flows From Investing Activities</b>                                       |                       |                       |
| Purchase of Equipment   | (25,920)              | (13,455)              |
| Net Cash Provided (Used) By Investing Activities                                  | <u>(25,920)</u>       | <u>(13,455)</u>       |
| <b>Cash Flows From Financing Activities</b>                                       |                       |                       |
| Payment of Bond Principal   | (6,000)               | (5,000)               |
| Purchase of Equipment   |                       |                       |
| Net Cash Provided (Used) For Capital and Related Financing Activities:            | <u>(6,000)</u>        | <u>(5,000)</u>        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                       | <u>328</u>            | <u>8,920</u>          |
| Cash and Cash Equivalents at Beginning of Year                                    | <u>224,946</u>        | <u>216,026</u>        |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                   | <u><u>225,274</u></u> | <u><u>224,946</u></u> |
| <b>Supplemental disclosures of cash flow information:</b>                         |                       |                       |
| Cash paid during the year for interest  | <u>3,500</u>          | <u>6,919</u>          |

**Disclosure of accounting policy:**

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.

*The accompanying notes are an integral part of this statement.*

CASHFLOW



**ROCKY BRANCH WATER WORKS DISTRICT  
OF UNION PARISH  
Farmerville, Louisiana**

**Notes To The Financial Statements  
As of and For the Two Years Ended December 31, 1999 and 1998**

**INTRODUCTION**

The Rocky Branch Waterworks District was created by the Union Parish Police Jury, as authorized by Louisiana Revised Statute 33:3811. The waterworks district is governed by a five-member board of commissioners who are residents of and own real estate in the district. The board is appointed by the police jury and is compensated for its responsibility of providing water service to users within the boundaries of the district. The district serves approximately 300 residential and 50 commercial customers. The district has two employees.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying General purpose financial statements of the Rocky Branch Water Works 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**

As the governing authority of the parish, for reporting purposes, the Union Parish Police Jury is the financial reporting entity for Union Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Union Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or



- 
- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
  2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
  3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury has the authority to perform the above three steps, the district was determined to be a component unit of the Union Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

#### **C. FUND ACCOUNTING**

The Rocky Branch Water Works District of Union Parish 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.*

#### **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 is 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**

Revenues consist of income from users of the sewer line in the district. Billing is done monthly, and the payments are collected and deposited; Interest income is a result of bank accounts bearing interest.

### Expenses

Expenses are reported when the liability occurs.

Repairs capitalized in 98-13,455

Repairs capitalized in 99-7,423

### E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and other money market accounts. 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, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. The district has no investments.

### F. RESTRICTED ASSETS

Certain proceeds of the enterprise fund resources are set aside for specific payments and are classified on the balance sheet as restricted assets because their use is limited by applicable requirements. Restricted assets include the "customer deposits" account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers discontinue service.

### G. FIXED ASSETS

Fixed assets of the district are valued at historical cost and are included on the balance sheet of the fund, net of accumulated depreciation. Construction period interest is immaterial and is not 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 periods from 5 to 40 years.

### H. COMPENSATED ABSENCES

The district does not have a formal leave policy.

### I. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

**J. 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 not amortized.

**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 \$ 225,275 as follows:

|                   |                       |
|-------------------|-----------------------|
| Demand Deposits   | 105,448               |
| Restricted Assets | 119,827               |
| <b>TOTAL</b>      | <u><u>225,275</u></u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits 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 \$224,683 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$381,617 of pledged securities held by the custodial bank in the name of First Tennessee Bank.

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.

Rocky Branch Water Works District  
 Of Union Parish  
 Farmerville, Louisiana  
 Notes to the Financial Statements (continued)

**3. RECEIVABLES**

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

| <u>Class of Receivable</u> | <u>Current Assets</u> | <u>Total</u> |
|----------------------------|-----------------------|--------------|
| Accounts Receivable        | 1,204                 | 1,204        |

Management has determined that the amounts of the receivables that are uncollectible are immaterial; therefore, no provision for uncollectible receivables has been included in these financial statements.

**4. FIXED ASSETS**

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

|              | <u>Cost</u>    | <u>Accumulated<br/>Depreciation</u> | <u>Net</u>     |
|--------------|----------------|-------------------------------------|----------------|
| Land         | 4,500          | 0                                   | 4,500          |
| Water System | <u>395,299</u> | <u>209,384</u>                      | <u>190,415</u> |
| Total        | <u>399,799</u> | <u>209,384</u>                      | <u>190,415</u> |

**5. PENSION PLAN**

The district has no pension plan, except social security benefits resulting from salary withholding and employer mandated payments.

**6. LONG-TERM LIABILITIES**

The following is a summary of long-term transactions during the year:

|  |               |
|--|---------------|
| Long-Term liability payable at<br>January 1, 1995 (including<br>current portion)   | 75,000        |
| Payments during<br>1998:   | 5,000         |
| 1999:  | <u>5,000</u>  |
| Long-Term liability payable at<br>December 31, 1998 (including<br>current portion) | 70,000        |
| Less current portion   | 6,000         |
| Long-Term liability payable at<br>December 31, 1998                                | <u>64,000</u> |

The long-term liability at December 31, 1999, and 1998, consists of a note payable to the United States Department of Agriculture, Farmers Home Administration, under the Water and Waste Disposal Systems for Rural Communities Loan Program (CFDA 10.418).



Rocky Branch Water Works District  
 Of Union Parish  
 Farmerville, Louisiana  
 Notes to the Financial Statements (continued)

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The original loan was dated May 1, 1969, in the amount of \$152,000 with an interest rate of five per cent. The loan agreement requires the district to establish and maintain:

1. An amortization account with monthly deposits of 1/12 of the annual principal and interest payment to pay promptly and fully the principal and interest on the loan as it becomes due and payable.
2. A reserve account with monthly deposits of 5 percent of the required monthly amortization account deposit. The monthly deposits must continue until there has been accumulated the sum of \$9,600 in the reserve account. The purpose of the reserve account is to pay the principal and interest on the loan on default of the amortization account.
3. A depreciation and contingencies account with monthly deposits of \$10 with no maximum amount established to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the district properly.

At December 31, 1999, and 1998, the reserve balances for the amortization account, reserve account, and depreciation and contingencies account are as follows:

|                                      | <u>1998</u>   | <u>1999</u>   |
|--------------------------------------|---------------|---------------|
| Amortization Account                 | 13,438        | 15,488        |
| -Reserve Account                     | 12,937        | 14,820        |
| Depreciation & Contingencies Account | <u>23,365</u> | <u>24,525</u> |
| TOTAL                                | <u>49,740</u> | <u>54,833</u> |

The annual requirements to amortize all long-term debt outstanding as of December 31, 1999, are as follows:

|            | <u>Principal</u> | <u>Interest</u> | <u>Total</u>  |
|------------|------------------|-----------------|---------------|
| 2000       | 4,500            | 3,500           | 8,000         |
| 2001       | 4,500            | 3,250           | 7,750         |
| 2002       | 4,500            | 3,000           | 7,500         |
| 2003       | 4,500            | 2,850           | 7,350         |
| 2004       | 4,500            | 2,600           | 7,100         |
| Thereafter | <u>43,000</u>    | <u>14,435</u>   | <u>57,435</u> |
| TOTAL      | <u>65,000</u>    | <u>26,635</u>   | <u>91,635</u> |

**7. OTHER POST-EMPLOYMENT BENEFITS**

None.

**8. RELATED PARTY TRANSACTIONS**

None.

**9. LITIGATION AND CLAIMS**

None.

**10. SUBSEQUENT EVENTS**

None.

**11. OTHER SUPPORT**

None.



**SUPPLEMENTARY INFORMATION**

**ROCKY BRANCH WATERWORKS DISTRICT**  
Rocky Branch, Louisiana

**Supplemental Information Schedule**  
**As of and For the Years Ended December 31, 1998 and 1999**

**COMPENSATION PAID TO BOARD MEMBERS**

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

***Schedule of Compensation Paid Board Members as of and for the Years Ended  
December 31, 1998 and 1999***

|                              | 1998             | 1999          |
|------------------------------|------------------|---------------|
| Jerry Farrar                 | \$ 120.00        | 150.00        |
| Wayne Bareswill              | 180.00           | 150.00        |
| J. C. Ainsworth, (President) | 180.00           | 150.00        |
| Phillip Smith                | 90.00            | 120.00        |
| Steve Smith                  | 60.00            | 30.00         |
|                              | <u>\$ 630.00</u> | <u>600.00</u> |

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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  
Rocky Branch Water Works  
Farmerville, Louisiana  
June 26, 2000

I have audited the general purpose financial statements of the Rocky Branch Water Works, a component unit of the Union Parish Police Jury, as of and for the years ended December 31, 1999 and 1998 and have issued my report thereon dated June 26, 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 Rocky Branch Water Works, Farmerville, La.'s, general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provision 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned cost as items #1 and 2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Rocky Branch Water Works, Farmerville, La.'s, internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose 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 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 general purpose financial statements

being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 for the information of the Rocky Branch Water Work's management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Jimmie Self, CPA  
Monroe, Louisiana  
June 26, 2000

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**COMMUNICATION OF REPORTABLE CONDITIONS TO MANAGEMENT**

Board of Commissioners  
Village of Grayson  
Grayson, Louisiana  
June 25, 2000

In planning and performing my audit of the general purpose financial statements of Village of Grayson for the year ended December 31, 1999, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control. However, I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control that, in my judgement, could adversely affect Village of Grayson ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

The Rocky Branch Water Works District does not have adequate segregation of duties, which has been noted as not cost beneficial.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information and use of Rocky Branch Water Works, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.



Jimmie Self, CPA  
Monroe, Louisiana  
June 25, 2000

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**Management Recommendations**

Board of Directors  
Rocky Branch Water Works  
Farmerville, Louisiana  
June 26, 2000

The prior year audit findings:

Corrected, except for inadequate segregation of duties, which has been noted as not cost – beneficial to correct.

During my audit, the following came to my attention:

- (1) The Rocky Branch Water Works, because it is cost-prohibitive cannot solve the problem of inadequate segregation of duties.

Recommendations:

- (1) Due to inadequate segregation of duties, 2 members of the Board should sign all checks. Also no person should sign a check made payable to him or her.



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Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 1999

I have audited the financial statements of Rocky Branch Water Works District as of and for the years ended December 31, 1999 and 1998, and have issued my report dated June 26, 2000. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. [and the provisions of OMB Circular A 133.] My audit of the financial statements as of December 31, 1999 resulted in an unqualified opinion (qualified, adverse, disclaimer).

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      Reportable Conditions \_\_\_ yes \_\_\_ no

Type of Opinion On Compliance      Unqualified       Qualified \_\_\_  
For Major Programs                      Disclaimer \_\_\_      Adverse \_\_\_

Are their findings required to be reported in accordance with Circular A-133, Section 510(a)?      \_\_\_ yes \_\_\_ no

c. Identification of Major Programs:

CFDA Number (s) None      Name of Federal Program (or Cluster) \_\_\_\_\_

Dollar threshold used to distinguish between Type A and Type B Programs:

\$3% of total federal awards - 100 M of less - \$300,000

Is the auditee a "low-risk", as defined by OMB Circular A-133? \_\_\_ yes \_\_\_ no N/A