

RECEIVED  
LEGISLATIVE AUDITOR  
2000 JAN -6 AM 9:19

OFFICIAL  
FILE COPY  

---

DO NOT SEND OUT  

---

(Xerox necessary  
copies from this  
copy and PLACE  
BACK in FILE)

**West Ouachita Sewerage District No. 5**  
(A Component Unit of the Ouachita Parish Police Jury)

**Financial Statements**

**For the Years Ended August 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 audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court

Release Date 1-19-2000

**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 and 1998**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report -----	1
Balance Sheets -----	3
Statements of Revenues, Expenses and Changes in Retained Earnings -----	4
Statements of Cash Flows -----	6
Notes to Financial Statements -----	7
 <b><u>Supplemental Information</u></b> 	
Schedule 1 - Schedule of Changes in Restricted Assets -----	18
Schedule 2 - Schedule of Insurance Coverage (Unaudited) -----	19
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> -----	20



John L. Luffey, MBA, CPA  
Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, CPA  
Carolyn A. Clarke, CPA

## **INDEPENDENT AUDITORS' REPORT**

**Board of Commissioners  
West Ouachita Sewerage District No. 5  
West Monroe, Louisiana**

We have audited the accompanying component unit financial statements of **West Ouachita Sewerage District No. 5 (the District)**, a component unit of the Ouachita Parish Police Jury, as of and for the years ended August 31, 1999 and 1998, as listed in the accompanying Table of Contents. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 1999 and 1998, and the results of its operations, its cash flows and changes in its retained earnings for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contract and grants.

**West Ouachita Sewerage District No. 5**  
**Page 2**

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as Supplemental Information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the District. Except for the Schedule of Insurance Coverage, this information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole. The Schedule of Insurance Coverage has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and accordingly, we express no opinion or any other form of assurance on it.



(A Professional Accounting Corporation)

**December 20, 1999**

**West Ouachita Sewerage District No. 5**  
**Balance Sheets**

Assets	August 31,	
	1999	1998
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,882,582	\$ 1,440,442
Investments	-	74,433
Accrued Interest Receivable	-	7,419
Accounts Receivable - Customers	247,632	222,128
Prepaid Insurance	5,386	6,281
Inventory	42,150	42,150
Deposits	500	500
Total Current Assets	2,178,250	1,793,353
<b>Restricted Assets (Note 3)</b>		
Cash and Cash Equivalents	752,717	708,721
Customer Deposits Escrow	61,640	61,480
Total Restricted Assets	814,357	770,201
<b>Property and Equipment</b>		
Buildings and Improvements	183,106	183,106
Furniture and Fixtures	14,022	14,022
Equipment	114,193	111,546
Vehicles	105,526	99,372
Lines, Mains and Manholes	11,150,409	11,064,635
Lift Station - Pumps	635,778	635,778
Lift Station - Structures	1,460,409	1,460,409
Treatment Plant	967,997	658,062
Total	14,631,440	14,226,930
Less: Accumulated Depreciation	(7,088,944)	(6,687,927)
Net Depreciable Assets	7,542,496	7,539,003
Land	204,907	204,907
Total Property and Equipment	7,747,403	7,743,910
<b>TOTAL ASSETS</b>	<b>\$ 10,740,011</b>	<b>\$ 10,307,464</b>

The accompanying notes are an integral part of these financial statements.

	August 31,	
	1999	1998
<b>Liabilities and Fund Equity</b>		
<b>Current Liabilities (Payable From Current Assets)</b>		
Accounts Payable	\$ 64,374	\$ 54,098
Payroll Taxes Payable	6,578	6,084
Total	<u>70,952</u>	<u>60,182</u>
<b>Current Liabilities (Payable From Restricted Assets)</b>		
Bonds Payable (Note 4)	107,949	101,618
Accrued Interest Payable	69,407	71,869
Customer Deposits	61,640	61,480
Total	<u>238,996</u>	<u>234,967</u>
Total Current Liabilities	309,948	295,149
<b>Long-Term Liabilities</b>		
Bonds Payable (Note 4)	<u>2,588,706</u>	<u>2,696,655</u>
Total Liabilities	2,898,654	2,991,804
<b>Fund Equity</b>		
Contributed Capital:		
Contributions - Federal Government	8,329,234	8,329,234
Less: Amortization - Grants	<u>(4,429,339)</u>	<u>(4,214,175)</u>
Total Federal Government	3,899,895	4,115,059
Contributions - Developers and Others	<u>1,555,346</u>	<u>1,469,572</u>
Total Contributed Capital	5,455,241	5,584,631
Retained Earnings:		
Reserved for Debt Service	272,682	252,967
Reserved for Sewer Replacement and Extension	304,678	282,269
Unreserved	<u>1,808,756</u>	<u>1,195,793</u>
Total Retained Earnings	<u>2,386,116</u>	<u>1,731,029</u>
Total Fund Equity	<u>7,841,357</u>	<u>7,315,660</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ <u>10,740,011</u></b>	<b>\$ <u>10,307,464</u></b>



**West Ouachita Sewerage District No. 5  
Statements of Revenues, Expenses and  
Changes in Retained Earnings**

	<u>Year Ended August 31, 1999</u>		<u>Year Ended August 31, 1998</u>	
<b>Operating Revenues</b>				
Sewerage Fees	\$ 1,530,320	97.40 %	\$ 1,486,651	97.43 %
Inspection Fees	27,400	1.74	22,200	1.45
New Connection Fees	10,050	0.64	10,700	0.70
Miscellaneous	3,424	0.22	6,384	0.42
Total Operating Revenues	<u>1,571,194</u>	<u>100.00</u>	<u>1,525,935</u>	<u>100.00</u>
<b>Operating Expenses</b>				
Advertising	863	0.05	919	0.06
Assessor's Fees	2,772	0.18	2,793	0.18
Bad Debt Expense	10,147	0.65	7,050	0.46
Collection Expense	69,256	4.41	57,056	3.74
Commissioners' Fees	1,515	0.10	1,515	0.10
Depreciation	412,823	26.27	402,895	26.40
Dues and Subscriptions	281	0.02	272	0.02
Gas and Oil	7,404	0.47	9,682	0.63
Insurance	44,854	2.85	38,334	2.51
Maintenance and Repairs	139,064	8.85	92,612	6.07
New Connection Tap	1,750	0.11	2,750	0.18
Office Expense	4,179	0.27	4,150	0.27
Payroll Taxes	5,252	0.33	5,050	0.33
Pension and Retirement Expense	10,678	0.68	9,792	0.64
Postage	465	0.03	511	0.03
Professional Fees	27,606	1.76	16,956	1.11
Salaries and Wages	144,172	9.18	134,485	8.81
Taxes and Licenses	700	0.04	748	0.05
Telephone	4,815	0.31	5,048	0.33
Travel	599	0.04	489	0.03
Treatment Plant Operations	190,240	12.11	199,537	13.08
Utilities	116,242	7.40	112,304	7.36
Total Operating Expenses	<u>1,195,677</u>	<u>76.10</u>	<u>1,104,948</u>	<u>72.41</u>
<b>Income From Operations</b>	<b>375,517</b>	<b>23.90</b>	<b>420,987</b>	<b>27.59</b>

(Continued)

**West Ouachita Sewerage District No. 5  
Statements of Revenues, Expenses and  
Changes in Retained Earnings (Concluded)**

	<u>Year Ended August 31, 1999</u>		<u>Year Ended August 31, 1998</u>	
<b>Nonoperating Revenues (Expenses)</b>				
Property Tax and Interest	87,092	5.54	97,250	6.37
Interest Revenue	101,717	6.47	71,143	4.66
Franchise Fees	11,000	0.70	12,022	0.79
Gain on Sale of Assets	2,002	0.13	4,641	0.30
Interest Expense	<u>(137,406)</u>	<u>(8.75)</u>	<u>(142,295)</u>	<u>(9.33)</u>
Total Nonoperating Revenues (Expenses)	<u>64,405</u>	<u>4.10</u>	<u>42,761</u>	<u>2.80</u>
<b>Net Income</b>	439,922	27.21	463,748	30.39
<b>Depreciation on Fixed Assets Acquired By Federal Grants</b>	<u>215,165</u>	<u>13.69</u>	<u>218,850</u>	<u>14.34</u>
<b>Increase in Retained Earnings</b>	655,087	<u>40.90 %</u>	682,598	<u>44.73 %</u>
<b>Retained Earnings at Beginning of Year</b>	<u>1,731,029</u>		<u>1,048,431</u>	
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$ 2,386,116</u>		<u>\$ 1,731,029</u>	

The accompanying notes are an integral part of these financial statements.



**West Ouachita Sewerage District No. 5**  
**Statements of Cash Flows**

	Year Ended August 31,	
	1999	1998
<b>Cash Flows From Operating Activities</b>		
Income From Operations	\$ 375,517	\$ 420,987
Adjustments to Reconcile Income (Loss) From Operations to Net Cash Provided by Operating Activities:		
Depreciation	412,823	402,895
Change in Current Assets and Current Liabilities	(6,418)	(107,555)
Net Cash Provided by Operating Activities	781,922	716,327
<b>Cash Flows From Noncapital Financing Activities</b>		
Property Tax Millage	87,092	97,250
Franchise Fee	11,000	12,022
Net Cash Provided by Noncapital Financing Activities	98,092	109,272
<b>Cash Flows Used By Capital and Related Financing Activities</b>		
Principal Paid on Bonds	(101,618)	(95,998)
Interest Paid on Bonds	(139,868)	(144,634)
Net Cash Used by Capital and Related Financing Activities	(241,486)	(240,632)
<b>Cash Flows From Investing Activities</b>		
Purchase of Capital Assets, Net	(330,542)	(52,426)
Interest Received	101,717	73,544
Proceeds From Sale of Equipment	2,002	6,204
Sale of Investments, Net	74,431	973,934
Net Cash Provided (Used) by Investing Activities	(152,392)	1,001,256
<b>Net Increase in Cash and Cash Equivalents</b>	486,136	1,586,223
<b>Cash and Cash Equivalents at Beginning of Year</b>	2,149,163	562,940
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 2,635,299	\$ 2,149,163
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
<b>Contribution of Sewerage Collection System</b>	\$ 85,774	\$ 69,738
<b>Cash and Cash Equivalents on the Balance Sheet as:</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,882,582	\$ 1,440,442
Restricted Assets:		
Cash and Cash Equivalents	752,717	708,721
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	\$ 2,635,299	\$ 2,149,163

The accompanying notes are an integral part of these financial statements.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

**Note 1 - Summary of Significant Accounting Policies**

*A. History*

West Ouachita Sewerage District No. 5 (the District), was created on January 24, 1974, by the Ouachita Parish Police Jury through adoption of Ordinance No. 7386, and therefore is a component of the Ouachita Parish Police Jury (the Police Jury) and is an integral part of the Police Jury reporting entity. As a governmental entity, the District is exempt from federal and state income taxes. It is governed by a board of commissioners composed of three property taxpayers residing within the District.

The District was constructed with an EPA grant which financed 75% of the construction and engineering costs. Bonds were sold to provide the funds needed for the local share.

*B. Reporting Entity*

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. In June 1991 the GASB issued Statement Number 14 *The Financial Reporting Entity*. This Statement established criteria for determining which component units of government should be considered part of the primary government for financial reporting purposes.

The basic criteria for determining a component unit is accountability. As the Ouachita Parish Police Jury appoints a voting majority of the board of commissioners of the District, has the ability to impose its will upon the District and the District has financial dependence upon the Police Jury, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying general purpose 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 primary governmental unit or other component units that comprise the primary government reporting entity.

*C. Basis of Accounting*

The District recognizes income on the accrual basis of accounting. Customers are billed monthly for services received during the month. The District has elected not to apply financial accounting Standards Board Statements and Interpretations issued since November 30, 1989 unless they are adopted by GASB.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

Total connection fees were approximately \$10,050 and \$10,700 for the years ended August 31, 1999 and 1998, respectively. The rates charged for services are as follows:

1. Residential, commercial, multi-housing and multi-unit services are charged \$15 per month.
  - a. The multi-housing is based on a 100% occupancy factor.
  - b. The multi-unit is based on a physical count each month.
2. Institutional billing is based on average monthly water use with 80% wastewater return factor.
3. Industrial billing is based on average monthly water use plus Industrial Cost Recovery factor and surcharge for excessive pollutant concentration.

*D. Accounts Receivable*

Receivables are primarily composed of amounts due from residential customers living in the district. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The difference between the use of the direct write-off method and the allowance method for accounting for bad debts is not material to the financial statements of the District.

*E. Inventory*

Inventory consists of new and used pumps and is valued at cost as determined by specific identification method.

*F. Property and Equipment*

Contributions from the Federal government through an EPA grant were credited to an equity account. This grant is amortized through depreciation of the assets acquired with the proceeds.

Upon completion of new subdivisions, developers donate their system to the District for servicing and maintenance. These systems are recorded at fair market value at the date of contribution to an equity account.

Property and equipment are recorded at their total cost and depreciated on the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

Buildings and Improvements	15-40 Years
Lift Station Structure	40 Years
Lift Station Pumps	20 Years
Gravity Lines, Force Mains and Manholes	40 Years
Equipment	3-20 Years
Vehicles	5 Years
Furniture and Fixtures	3-15 Years

Interest on the bonds and interim notes during the construction period through January 29, 1985, and all costs associated with the bond issue, have been added to the cost of the constructed assets and are being depreciated accordingly. Customers are billed a flat rate for new connection taps which covers the cost of the tap to the District; therefore, new connection costs are expensed rather than capitalized.

*G. Statements of Cash Flows*

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

*H. Compensated Absences*

The District's policy for paid vacation, which is non-cumulative, is as follows:

Employment 1 – 3 years	1 week per year
4 – 9 years	2 weeks per year
After 9 years	3 weeks per year

Employees accrue sick leave as follows:

Employment less than 6 months	0 days per year
6 months – 1 year	4 days per year
1 – 3 years	8 days per year
After 3 years	12 days per year

Sick leave may be carried forward from year to year with no limit on the number of hours that may be accrued. An employee will be compensated up to a maximum of 30 days accumulated sick leave only upon normal retirement. The financial statements do not include any accruals for compensated absences because the amount cannot be estimated.



**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

*I. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 - Cash and Investments**

The District's cash and investments consist of petty cash, deposits with financial institutions and certificates of deposit. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by Federal deposit insurance. At August 31, 1999, the carrying amount of the District's deposits and investments was \$2,635,299. Of that amount, \$403,031 was on deposit with financial institutions. The entire bank balance was insured or collateralized by securities held by the financial institution or its agent in the District's name (GASB Category 1). An additional \$2,232,268 was invested through the Louisiana Asset Management Program. In accordance with GASB Statement No. 31, the District has elected to account for its investments using amortized cost.

Under state law, the District may invest funds in obligations of the United States, in federally-insured investments, or in time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Assets Management Pool, Inc. (LAMP), a non-profit corporation formed by a initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

In accordance with GASB Codification I50.165 the investment in LAMP at August 31, 1999, is not categorized in the three risk categories provided by GASB Codification I50.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. Only local governments having contracted to participate 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 portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, 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.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

**Note 3 - Restricted Assets**

Under terms of the revenue bond indentures, the District is required to establish and maintain a bond reserve fund equal to 5% of the principal and interest payment requirements until this fund reaches \$159,734 (the highest annual debt service payable in any future year). Tax collections for fiscal year 1999 and 1998 in the amounts of \$87,092 and \$97,250, respectively, were received from a special 4.2 mill tax assessment in 1999 and 1998. This tax assessment is restricted for the payment of general obligation bond principal and interest. In addition, \$710 a month must be transferred to a sewer replacement and extension fund and one-twelfth of the current year's principal and interest on revenue bonds must be deposited monthly into a bond and interest redemption fund.

Restricted assets were composed of the following:

	<u>Total</u>	<u>Cash and Option Accounts</u>	<u>Louisiana Asset Management Program</u>
<b>August 31, 1999:</b>			
Bond and Interest Redemption Fund	\$ 232,865	\$ 232,865	\$ -
Bond Reserve Fund	215,177	15,109	200,068
Sewer Replacement And Extension Fund	<u>304,675</u>	<u>16,276</u>	<u>288,399</u>
<b>TOTALS</b>	<b>\$ <u>752,717</u></b>	<b>\$ <u>264,250</u></b>	<b>\$ <u>488,467</u></b>
	<u>Total</u>	<u>Cash and Option Accounts</u>	<u>Louisiana Asset Management Program</u>
<b>August 31, 1998:</b>			
Bond and Interest Redemption Fund	\$ 228,755	\$ 228,755	\$ -
Bond Reserve Fund	197,697	7,134	190,563
Sewer Replacement and Extension Fund	<u>282,269</u>	<u>7,569</u>	<u>274,700</u>
<b>TOTALS</b>	<b>\$ <u>708,721</u></b>	<b>\$ <u>243,458</u></b>	<b>\$ <u>465,263</u></b>



**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

Effective October, 1992, the District began collecting \$20 from each new customer in the District as a refundable deposit. As of August 31, 1999 and 1998, customer deposits totaled \$61,640 and \$61,480, respectively. These deposits were being held by M-N Utilities, the company that bills and collects the sewer user fees for the District.

**Note 4 - Bonds Payable**

Bonds in the amount of \$2,696,655 and \$2,798,273 at August 31, 1999 and 1998, respectively, consist of the following:

1. Revenue bonds (1977 Issue and 1985 Issue) in the amount of \$1,651,655 and \$1,723,273 at August 31, 1999 and 1998, respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on April 12th. These bonds are secured and payable solely from the income to be derived from the operation of the system after provision has been made for payment of the reasonable and necessary expenses for administration, operation and maintenance.
2. General obligation bonds in the amount of \$1,045,000 and \$1,075,000, at August 31, 1999 and 1998, respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on December 12th. These bonds are secured by a special tax in excess of all other taxes on all the property subject to taxation within the territorial limits of the District, under the constitution and laws of Louisiana, sufficient in amount to pay the principal and interest thereon.

Maturity schedules consist of the following:

Revenue Bonds (1977 Issue)		Revenue Bonds (1985 Issue)		General Obligation Bonds	
Maturity Dates	Principal	Maturity Dates	Principal	Maturity Dates	Principal
April 12, 2000	45,000	April 12, 2000	27,949	December 12, 1999	35,000
2001	50,000	2001	29,346	2000	35,000
2002	50,000	2002	30,814	2001	35,000
2003	55,000	2003	32,354	2002	40,000
2004	55,000	2004	33,972	2003	40,000
2005-2017	1,065,000	2005-2010	177,220	2004-2017	860,000
	<u>\$ 1,320,000</u>		<u>\$ 331,655</u>		<u>\$ 1,045,000</u>

The aggregate principal payments and sinking fund requirements of indebtedness maturing during the next five fiscal years and to maturity, including interest of \$1,406,420 are as follows:

**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

<u>Year</u>	<u>Sinking Fund Requirements</u>
2000	242,734
2001	243,734
2002	239,484
2003	245,054
2004	240,484
2005-2009	1,202,835
2010-2014	1,003,250
2015-2018	685,500
	<u>\$ 4,103,075</u>

**Note 5 - Property Taxes**

A tax on real property and business personal property located within the boundaries of Ouachita Parish is levied by the Police Jury. Property taxes are levied by the Police Jury on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Property Tax Calendar

Assessment Date	January 1, 1998
Levy Date	November 15, 1998
Tax Bills Mailed	November 16, 1998
Total Taxes Are Due	December 31, 1998
Penalties and Interest Are Added	January 1, 1999
Lien Date	June 4, 1999
Tax Sale – 1998 Delinquent Property	June 18, 1999

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value.

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

All property within the District was assessed 4.2 mills in 1999 for the payment of general obligation bond principal and interest of the District.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

**Note 6 - Long-Term Leases**

On February 21, 1975, the District entered into a 25-year lease with the City of West Monroe (the City) for joint use of the Regional Wastewater Treatment Facility owned by the City. During 1984, the treatment plant was reconstructed with a cost to the District of \$443,016. The operation and maintenance of the treatment facility is prorated between the District and the City based on usage. The cost to the District was \$190,240 and \$199,537 for the years ended August 31, 1999 and 1998, respectively.

**Note 7 - Commissioners' Fees**

The members of the Board of Commissioners are paid \$40 per regular meeting and \$25 per special meeting. Payments during the year ended August 31, 1999, were as follows:

<u>Commissioner</u>	<u>Regular Meetings</u>	<u>Special Meetings</u>	<u>Compensation</u>
Johnny Hebert – President	12	1	\$ 505
Jerry Burrows – Vice President	12	1	505
Fred Hall – Secretary	12	1	505
Total			<u>\$ 1,515</u>

**Note 8 - Franchise Fee**

The District entered into a franchise agreement with a corrugated container plant located outside their taxing district boundaries. This agreement calls for payment of an unrestricted franchise fee equivalent to the taxes which would have been levied had the plant been in the boundaries of the District. The plant also pays a monthly user's fee. The franchise fees were \$11,000 and \$12,022 for the years ended August 31, 1999 and 1998, respectively.

**Note 9 - Defined Benefit Pension Plan**

Substantially all employees of the District participate in the Parochial Employees' Retirement System of Louisiana (the System), a defined benefit, multiple-employer public employee retirement system. All full-time employees of the District are eligible to participate in the System. Employees who retire at or after age 60 with 10 years of credited service, age 55 with 25 years of credited service, or with 30 years of credited service regardless of age are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the highest thirty-six consecutive



**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

months of credited service. The system also provides death and disability benefits. Benefits are established by state statute.

*Funding Policy:* Contributions to the System include one-fourth of one percent of the taxes shown to be collected by the tax rolls of each parish (excepting Orleans and East Baton Rouge). State statutes require covered employees to contribute a percentage of their salary into the System. The District's contribution is determined by an actuarial valuation and is subject to change each year based on the results of the valuation for the previous year. For the calendar year 1999, covered employees were required to contribute 9.50% of their salary to the plan. The District was required to contribute 7.25% of employee salaries to the plan. The District's contributions to the plan were \$10,678, \$9,792, and \$8,877 for the years ended August 31, 1999, 1998, and 1997 respectively.

The system issues an annual, publicly-available financial report that includes financial statements and required supplementary information covering the System. The report may be obtained by writing the Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, LA 70898-4619 or by calling (504) 928-1361.

**Note 10 - Related Party Transactions**

The District is covered by certain umbrella insurance policies through the Police Jury. During 1999 and 1998 the District paid the Police Jury \$16,158 and \$15,810, respectively for this coverage for each of those years.

**Note 11 - Risk Financing Activities**

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and automobile coverage and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500 which is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$150,000 deductible with an aggregate coverage of \$2,000,000. Two funds are established, one for liability and property and one for worker's compensation. These funds had approximately \$3,400,000 and \$3,200,000 in assets as of December 31, 1999 and 1998 respectively. The District contributed \$16,158 and \$18,226 into the fund during the years ended August 31, 1999 and 1998 respectively.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 1999 AND 1998**

**Note 12 - Concentrations of Risk**

All of the accounts receivable represent amounts due from customers located within the boundaries of the District. The District requires a security deposit of \$20 for each new customer being serviced by the system. Failure of the District's customers to perform as required could impact the District's ability to collect \$186,152.

**Note 13 - Commitments and Contingencies**

In June of 1993, the Board approved a major levee project at the site of the West Monroe Treatment Plant. The District will share 50% of the cost of the project. The District's share of the cost of this project through August 31, 1999 has been approximately \$955,323.

The worldwide challenge facing organizations, commonly referred to as the Year 2000 (Y2K) issue, is the result of problems that may be encountered with date-related transactions on systems that have historically recognized years using two digits vs. four digits, e.g. 99 versus 1999. These systems will potentially recognize the "00" as the year 1900 instead of 2000. On the surface, the Y2K problem sounds simple enough; however, the implications of this problem are far reaching and could impact a full range of business services and activities.

West Ouachita Sewerage District No 5 has conducted a study of its own systems and operations. Based on this study, the District has initiated a project to take all necessary and reasonable steps to get the mission critical systems and operations Y2K compliant in a timely manner. The project will include confirming the Y2K preparedness of significant third parties.

The assessment of the costs of the Y2K compliance effort, and the timetable for the planned completion of the internal Y2K modification, are management's estimates. The estimates were based on numerous assumptions as to future events. There can be no guarantee that these estimates will prove accurate, and actual results could differ from those estimated if these assumptions prove inaccurate. Additionally, there can be no absolute guarantee that significant third parties will successfully and timely convert their systems.

## Supplemental Information



**West Ouachita Sewerage District No. 5  
Schedule of Changes in Restricted Assets  
For The Year Ended August 31, 1999**

Schedule 1

	<u>Bond and Interest Redemption</u>	<u>Bond Reserve</u>	<u>Sewer Replacement and Extension Funds</u>	<u>Total</u>
<b>Balance - September 1, 1998</b>	\$ 228,755	\$ 197,697	\$ 282,269	\$ 708,721
Add:				
Property Tax Collections and Interest	87,092	-	-	87,092
Transfer From Operating Account	156,000	7,799	8,520	172,319
Interest Earned	5,353	9,681	13,886	28,920
Total Funds Available	<u>477,200</u>	<u>215,177</u>	<u>304,675</u>	<u>997,052</u>
Less:				
Payment of Principal and Interest	(241,563)	-	-	(241,563)
Assessor's Fees	<u>(2,772)</u>	<u>-</u>	<u>-</u>	<u>(2,772)</u>
<b>BALANCE -AUGUST 31, 1999</b>	<u>\$ 232,865</u>	<u>\$ 215,177</u>	<u>\$ 304,675</u>	<u>\$ 752,717</u>

The above schedule does not reflect the Customer Deposits Escrow of \$61,640 included in restricted assets at August 31, 1999.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5  
SCHEDULE OF INSURANCE COVERAGE  
AUGUST 31, 1999**

<b>Property or Risk And Insurance Company</b>	<b>Kind of Insurance And Term</b>	<b>Maximum Coverage</b>
Employees Coregis Insurance Co.	Workmen's Compensation Employer's Liability 1/1/99 to 1/1/00	Statutory *
Multi-Peril Hartford Fire Insurance Group	Excess Coverage on Real and Personal Property 327 Wallace Fire, E.C. & VMM. 90% 1/1/2000 to 1/1/2001	\$65,310,882 *  \$ 50,000
Multi-Peril Corigis Insurance Co.	Comprehensive General Liability Equipment Replacement 1/1/99 to 1/1/00	\$2,000,000 - Aggregate * \$1,000,000 - Per Occurrence
Vehicles Coregis Insurance Co.	Liability Collision Comprehensive Uninsured Motorist 1/1/99 to 1/1/00	\$1,000,000 * \$500 Deduct. ACV \$1,000,000
3 Commissioners and All Employees Fidelity and Deposit Company of Maryland	Fidelity Bond 3/31/99 to 3/31/00	\$650,000
Multi-Peril Coregis Insurance Co.	Building and Personal Property 327 Wallace Fire, E.C. & VMM. 90% 1/1/99 to 1/1/00	\$1,000,000 - * Per Occurrence

(Continued)

**WEST OUACHITA SEWERAGE DISTRICT NO. 5  
SCHEDULE OF INSURANCE COVERAGE (Concluded)  
AUGUST 31, 1998**

<b>Property or Risk And Insurance Company</b>	<b>Kind of Insurance and Term</b>	<b>Maximum Coverage</b>
3 Commissioners and All Employees Coregis Insurance Co.	Public Officials 1/1/99 to 1/1/00	\$3,000,000 * \$25,000 Deduct

This schedule, prepared from the policies, is intended only as a descriptive summary; no expression of opinion as to the adequacy of coverage is intended.

\* Policy is covering the Ouachita Parish Police Jury which includes West Ouachita Sewerage District No. 5.



John L. Luffey, MBA, CPA  
Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Alleberry, CPA  
Carolyn A. Clarke, CPA

**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  
West Ouachita Sewerage District No. 5  
West Monroe, Louisiana**

We have audited the component unit financial statements of the **West Ouachita Sewerage District No. 5** (the District) as of and for the years ended August 31, 1999 and 1998, and have issued our report thereon dated December 20, 1999. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

**Compliance**

As part of obtaining reasonable assurance about whether the District's component unit 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 on 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 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 considered 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

**Board of Commissioners  
West Ouachita Sewerage District No. 5  
West Monroe, Louisiana**

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 of the District, its oversight agency, other entities granting funds to the District and the Legislative Auditor for the state of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

December 20, 1999