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EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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 08-30-00

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

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**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

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AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

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INDEPENDENT AUDITORS' REPORT

BOARD OF COMMISSIONERS
EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA

I have audited the component unit financial statements of East Richland Waterworks District as of and for the year ended December 31, 1999 as listed in the table of contents. These component unit financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these component unit financial statements based on my audit.

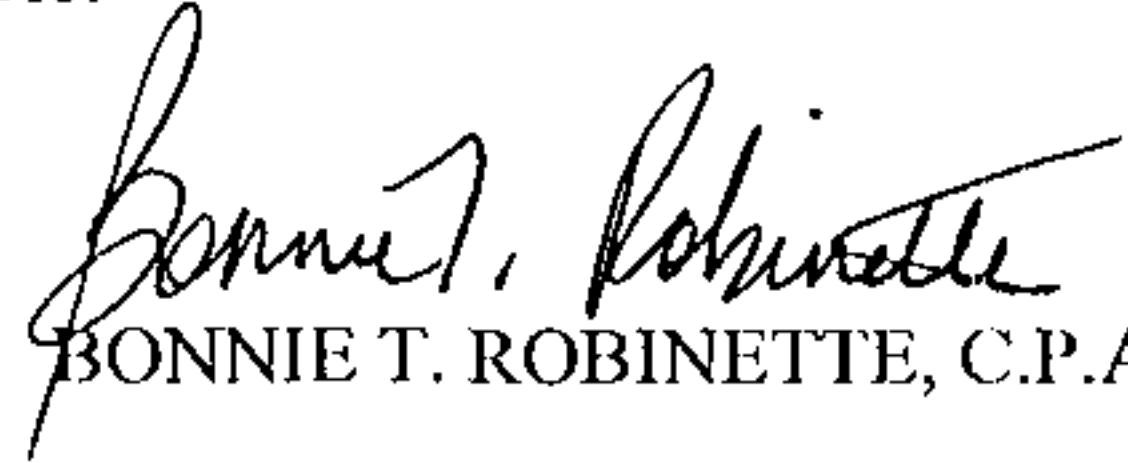
I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the U.S. Department of Agriculture Farmer's Home Administration Audit Program. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of East Richland Waterworks District as of and for the year ended December 31, 1999, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated June 27, 2000 on my consideration of East Richland Waterworks District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Board of Commissioners
East Richland Waterworks District
Richland Parish, Louisiana

My audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the component unit financial statements of East Richland Waterworks District. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in my opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.


BONNIE T. ROBINETTE, C.P.A.

Monroe, Louisiana
June 27, 2000

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

STATEMENT A

COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999

BALANCE SHEET

ASSETS

Current assets:

| | |
|--|---------------|
| Cash | \$ 15,636 |
| Investments | 37,511 |
| Accounts receivable - net of allowance of \$1,196 in 1999 | 12,909 |
| Prepaid expenses | <u>265</u> |
| Total current assets | <u>66,321</u> |

Restricted assets - cash 31,746

Property, plant, and equipment (net of
accumulated depreciation) 211,051

TOTAL ASSETS \$309,118

LIABILITIES AND FUND EQUITY

Current liabilities:

| | |
|--------------------------------------|--------------|
| Accounts payable | \$ 1,047 |
| Accrued salaries and other expenses | 3,492 |
| Interest payable on long-term debt | 1,703 |
| Customer deposits | 10,747 |
| Current maturities of long-term debt | <u>3,697</u> |
| Total current liabilities | 20,686 |

Bonds payable 99,887

Total liabilities 120,573

Fund equity:

Retained earnings 188,545

Total fund equity 188,545

TOTAL LIABILITIES AND FUND EQUITY \$309,118

The accompanying notes are an integral part of this statement.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

STATEMENT A

COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

| | <u>1999</u> |
|--|-------------------|
| OPERATING REVENUES | |
| Water sales | \$ 142,128 |
| Other fees and charges | <u>1,775</u> |
| Total operating revenues | <u>143,903</u> |
| OPERATING EXPENSES | |
| Administrative | 3,853 |
| Bad debt expense | 1,111 |
| Depreciation | 9,778 |
| Directors fees | 1,000 |
| Insurance | 1,489 |
| Other expenses | 403 |
| Professional fees | 4,572 |
| Repairs and maintenance | 6,941 |
| Salaries and wages | 32,674 |
| Taxes and licenses | 4,941 |
| Water purchases | <u>97,895</u> |
| Total operating expenses | <u>164,657</u> |
| OPERATING INCOME | (20,754) |
| NON-OPERATING REVENUES (EXPENSES) | |
| Interest income | 2,608 |
| Interest expense | <u>(5,192)</u> |
| Total non-operating revenues (expenses) | <u>(2,584)</u> |
| NET INCOME (LOSS) | (23,338) |
| RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR | <u>211,883</u> |
| RETAINED EARNINGS (DEFICIT) AT END OF YEAR | <u>\$ 188,545</u> |

The accompanying notes are an integral part of this statement.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

STATEMENT C

**COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

STATEMENT OF CASH FLOWS

| | |
|--|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers and grant | \$147,975 |
| Cash paid to suppliers and employees | (144,045) |
| Cash paid to others for services, taxes, etc. | (14,552) |
| Net cash provided by operating activities | <u>(10,622)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | |
| Long-term bond proceeds | - |
| Acquisition and construction of fixed assets | (1,493) |
| Principal on long-term bonds | (3,860) |
| Interest on long-term bonds | (5,034) |
| Net cash used for capital financing activities | <u>(10,387)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on deposits | 2,014 |
| Purchase long-term certificate of deposit | (1,505) |
| Transfers to reserve accounts | (972) |
| Net cash (used for) provided by investing activities | <u>(463)</u> |
| NET INCREASE (DECREASE) IN CASH | <u>(21,472)</u> |
| CASH AT BEGINNING OF YEAR | <u>37,108</u> |
| CASH AT END OF YEAR | <u>\$ 15,636</u> |

The accompanying notes are an integral part of this statement.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

STATEMENT C

COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999

STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

| | |
|--|--------------------|
| Operating income | \$ (20,754) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Bad debt expense | 1,111 |
| Depreciation | 9,778 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | 2,370 |
| (Increase) decrease in prepaid expenses | 4 |
| Increase (decrease) in accounts payable | (4,973) |
| Increase (decrease) in salaries payable | 140 |
| Increase in customer deposits | <u>1,702</u> |
| Total adjustments | <u>10,132</u> |
| Net cash provided by operating activities | \$ <u>(10,622)</u> |

The accompanying notes are an integral part of this statement.

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Richland Waterworks District (the District) was created by the Richland Parish Police Jury, as authorized by Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950. The District is governed by a five-member board appointed by the police jury. The District is responsible for maintaining and operating the water distribution system within the boundaries of the district. At December 31, 1999, the District had 618 residential customers.

A. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Richland Parish Police Jury is the financial reporting entity for the parish. The financial reporting entity consists of (1) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the 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 (GASB) Statement No. 14 established criteria determining which component units should be considered part of the Richland Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial responsibility. 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 appoints the commissioners of the District and provides water service to residents within Richland Parish, the District was determined to be a component unit of the Richland 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.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. FIXED ASSETS AND LONG-TERM DEBT

Fixed assets of the District are included on the balance sheet of the proprietary fund. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over a 40-year estimated useful life for water lines and over the estimated useful life of other equipment.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Enterprise Fund is reported in the accompanying financial statements on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

D. CASH AND INVESTMENTS

Under state law, the District may deposit funds within 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 certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

E. VACATION AND SICK LEAVE

The District's three part-time employees receive no vacation and sick leave each year.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates made by management.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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. Investments are stated at cost.

At December 31, 1999, the District has cash and cash equivalents (book balances), savings and investments in certificates of deposits as follows:

| | <u>1999</u> |
|-----------------|-----------------|
| Demand deposits | \$15,636 |
| Savings | 31,746 |
| Time deposits | <u>37,511</u> |
| total | <u>\$84,893</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1999, the District has \$99,068 in deposits (collected bank balances) at two local banks. These deposits are secured from risk by \$99,068 of federal deposit insurance.

NOTE 3 - FIXED ASSETS

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

| | <u>Cost</u> | Accumulated <u>Depreciation</u> | <u>Net</u> |
|-------------|-------------------|------------------------------------|-------------------|
| Water lines | \$ 384,479 | \$175,096 | \$ 209,383 |
| Equipment | <u>9,234</u> | <u>7,566</u> | <u>1,668</u> |
| Total | <u>\$ 393,713</u> | <u>\$ 182,662</u> | <u>\$ 211,051</u> |

Depreciation expense amounted to \$9,778 for the year ended December 31, 1999.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

NOTE 4 - PENSION PLAN

The District's three part-time employees are members of the Social Security System. In addition to employer contributions withheld at 7.65 per cent of gross salary, the District contributes an equal amount to the Social Security System. The District does not guarantee the benefits granted by the Social Security System.

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended December 31, 1999:

| | <u>Water Revenue Bond</u> |
|------------------------------------|-----------------------------------|
| Bonds payable at December 31, 1998 | 107,444 |
| Additions | - |
| Principal reductions | <u>(3,860)</u> |
| Bonds payable at December 31, 1999 | <u>\$ 103,584</u> |

The bonds bear interest at a rate of 5%. The water revenue bond is secured by a pledge of the water revenues of the system.

| | <u>Principal</u> | <u>Interest</u> |
|---|------------------|-----------------|
| The bonds are scheduled to mature as follows: | | |
| 2000 | 3,697 | 5,197 |
| 2001 | 3,882 | 5,012 |
| 2002 | 4,076 | 4,818 |
| 2003 | 4,280 | 4,614 |
| 2004 | 4,494 | 4,400 |
| Years thereafter | <u>83,155</u> | <u>32,030</u> |
| | <u>\$103,584</u> | <u>\$56,071</u> |

NOTE 6 - LITIGATION AND CLAIMS

The District was not involved in any litigation at December 31, 1999, nor is it aware of any unasserted claims.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

NOTE 7 - FEDERAL PROGRAMS AND RESTRICTED CASH

During the year ended December 31, 1977, the District received two loans from Farmers Home Administration (CFDA 10.418) in the combined amount of \$260,000. During the year ended December 31, 1993 one of the loans was repaid in its entirety. The remaining loan is included in long-term debt on the accompanying balance sheet. The loan agreement requires the establishment of the following accounts by the District to meet the reserve requirements of all loans:

- A. A "Revenue Bond Reserve Fund." The District must transfer into this fund, each month an amount equal to 5% of the annual debt service requirement until a sum equal to the highest annual debt service in any one year is on deposit in the fund. The deposits in the fund are to be used solely for the payment of principal and interest in the event sufficient deposits are not available in the District's funds.
- B. A "Depreciation for Contingency Fund." The District must transfer \$30 into this fund each month. The deposits in this fund may be used by the District for unusual or extraordinary maintenance, repairs, replacements and extensions and for the costs of improvements to the system which will either enhance its revenue-producing capacity or provide a higher degree of service. The deposits may also be used to pay principal and interest when insufficient amounts are available in either of the above funds.

The following is a summary of transactions in the reserve accounts for the year ended December 31, 1999:

| | <u>Bond Reserve</u> | <u>Depreciation Contingency</u> |
|------------------------------|-------------------------|-------------------------------------|
| Balance at December 31, 1998 | 14,767 | 15,413 |
| Additions: | | |
| Deposits | 456 | 516 |
| Interest earnings | <u>290</u> | <u>304</u> |
| Balance at December 31, 1999 | <u>\$15,513</u> | <u>\$16,233</u> |

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

NOTE 8 - RISK MANAGEMENT

In the ordinary course of business the district is at risk for property damage, liability and theft. The district provides insurance coverage through commercial insurance companies.

NOTE 9 - ECONOMIC DEPENDENCE and CREDIT CONCENTRATION

The district supplies water to residents in East Richland Parish. The district purchases all of its water supply from the Town of Delhi.

The district's customers are concentrated in East Richland Parish. The balance of receivables due from these customers is \$14,105.

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

**COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

SUPPLEMENTAL INFORMATION SCHEDULES

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

SCHEDULE 1

COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999

SCHEDULE OF WATER RATES

| <u>Classification</u> | <u>Tariff</u> | <u>Rate</u> |
|-----------------------|-----------------------------------|--------------------|
| Residential | Monthly minimum for 2,000 gallons | \$ 8.00 |
| | 2,000 - 5,000 gallons | 8.00 + 2.15/1,000 |
| | 5,000 - 10,000 gallons | 8.00 + 2.05/1,000 |
| | 10,000 gallons and up | 8.00 + 1.85/1,000 |
| Commercial | 0 - 15,000 gallons | \$33.50 |
| | 15,000 gallons and up | 33.50 + 1.85/1,000 |
| Bayou Macon Contract | Per 1,000 gallons | \$ 1.30 |

**EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana**

SCHEDULE 3

**COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999**

SCHEDULE OF INSURANCE COVERAGE

| <u>Type of Coverage</u> | <u>Name of Insurer</u> | <u>Policy Number</u> | <u>Amount of Coverage</u> | <u>Expiration Date</u> |
|-------------------------|-------------------------|----------------------|---------------------------|------------------------|
| Liability | Northland Insurance Co. | CP327900 | \$300,000 | February 10, 2000 |
| Fire | Northland Insurance Co. | CP327900 | \$ 50,000 | February 10, 2000 |
| Medical Payments | Northland Insurance Co. | CP327900 | \$ 5,000 | February 10, 2000 |
| Fidelity Bond | Western Surety | 161052203 | \$ 90,000 | September 19, 2000 |

EAST RICHLAND WATERWORKS DISTRICT
Delhi, Louisiana

COMPONENT UNIT FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 1999

SUPPLEMENTAL INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 1999

COMPENSATION PAID BOARD MEMBERS

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

| | <u>1999</u> |
|-----------------|----------------|
| Donald Green | \$200 |
| Claude E. Hosea | 200 |
| Richard King | 200 |
| Clarence McCall | 200 |
| Jim Nichols | <u>200</u> |
| | <u>\$1,000</u> |

Bonnie T. Robinette, CPA

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

BOARD OF COMMISSIONERS
EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA

I have audited the component unit financial statements of the East Richland Waterworks District of the Parish of Richland, State of Louisiana, a component unit of Richland Parish Police Jury, for the year ended December 31, 1999, and have issued my report thereon dated June 27, 2000. I conducted my audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and U. S. Department of Agriculture Farmer's Home Administration Audit Program.

Compliance

As part of obtaining reasonable assurance about whether East Richland Waterwork District's component unit 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 District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the district's ability to record, process, summarize and report financial data consistent with the assertions of management in the component unit financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

Board of Commissioners
East Richland Waterworks District
Richland Parish, Louisiana

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 component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable conditions 99-1, 99-2, and 99-3 are considered to be material weaknesses.

This report is intended solely for the information and use of management and others within the organization, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Bonnie T. Robinette, CPA

Monroe, Louisiana
June 27, 2000

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 1999**

Section I. Summary of Auditor's Reports

- a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness Yes No

Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

- b. Not applicable

- c. Not applicable

Section II. Financial Statement Findings

Reportable Conditions

99-1 Inadequate Segregation of Duties

Farmer's Home Administration

CONDITION: Inadequate segregation of duties exist in that personnel perform incompatible functions, those that allow an error or irregularity that is material to the financial statements to occur and remain undetected.

EFFECT OF CONDITION: Errors could occur and not be detected in a timely manner.

RECOMMENDATION: Management should review the practicality of achieving adequate segregation of duties.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Due to a limited number of personnel, the cost of correcting the weakness would exceed the benefits derived.

99-2 Water Billing Shortages

Farmer's Home Administration

CONDITION: The water district purchases water from the Town of Delhi and bills usage to its customers. During 1999, the district purchased approximately 16.9 million gallons more than was billed to its customers.

EFFECT OF CONDITION: The district paid the Town of Delhi approximately \$30,000 for the water. Since no one was billed for th usage, this caused a significant loss of revenue for the district.

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 1999**

RECOMMENDATION: Management should take steps to determine the cause of the water loss. Procedures should be developed to compare usage each month and investigate significant differences.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will document each known leak/line cut so as to better determine the reason for water losses. They will compare each month's sales and purchases to see if the greater water losses are due primarily to line cuts/leaks. They will put forth a greater effort to find any leaks that might be in fields, pastures, and creek beds.

Employee responsible: Allen Best

99-3 Accounts Receivable and Cash Collections

Farmer's Home Administration

CONDITION: The district operates on a cash basis which is converted to an accrual basis at year-end. At present, cash receipts are posted to the detail receivable records. The cash collections are not reconciled to the general ledger.

EFFECT OF CONDITION: Collections could be posted to the subsidiary accounts receivable ledger and not deposited in the bank. An error could occur in posting receivable transactions which would not be detected.

RECOMMENDATION: A report of cash receipts posted to the subsidiary accounts receivable ledger should be printed and reconciled to cash collected and posted in the general ledger.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Management will reconcile each cash deposit with the computer's cash receipt journal pages printed out for that deposit. They will date the bank cash deposit ticket for the same day the receipts journal pages are computer dated to make for easier reconciliation.

Employee responsible: Lynda Best

99-4 Cash Deposits

Farmer's Home Administration

CONDITION: During the audit it was noted that cash collections are not deposited in a timely manner.

EFFECT OF CONDITION: Holding deposits increases the risk of error or loss of the receipts. It is also a violation of LSA R.S. 39:1215 which requires all deposits be made on a daily basis if practical.

RECOMMENDATION: All receipts should be deposited in the bank in a timely manner.

MANAGEMENT'S CORRECTIVE ACTION PLAN: Because both parties of the management team work at other jobs, it is not always physically possible to make a deposit every day, especially since the bank closes at 2:00 p.m. However, they will make every effort to deposit cash collections in a timely manner.

Employee responsible: Lynda Best

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 1999**

99-5 Payroll Tax Reporting

Farmer's Home Administration

CONDITION: During the latter part of 1999, payroll tax reports were not filed in a timely manner or were filed with significant errors.

EFFECT OF CONDITION: The district could be subject to fines and penalties levied by the IRS.

RECOMMENDATION: The district should prepare a calendar of tax return due dates to facilitate timely filing.

MANAGEMENT'S CORRECTIVE PLAN: Management will mark a calendar in advance to serve as a reminder to mail tax returns before the due dates.

Employee responsible: Lynda Best

Section III. Federal Award Findings and Questioned Costs

Not applicable

**EAST RICHLAND WATERWORKS DISTRICT
RICHLAND PARISH, LOUISIANA**

SCHEDULE OF PRIOR YEAR FINDINGS

REPORTABLE CONDITIONS

1. Inadequate Segregation of Duties

Status: See Reportable Condition 99-1

INSTANCES OF NONCOMPLIANCE - Not applicable