

**OFFICIAL
FILE COPY**
DO NOT SEND OUT
(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

SEP 20 11 18 54

VERNON PARISH WATER AND SEWER
COMMISSION NO. 1

FINANCIAL STATEMENTS

May 31, 1999

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 DEC 0 8 1999

CONTENTS

	<u>Page No.</u>
Unqualified Opinion on General-Purpose Financial Statements-Governmental Entity	1 - 2
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>	3 - 4
Schedule of Findings and Questioned Costs	5 - 6
Balance Sheet - Exhibit A	7
Statement of Revenues, Expenses, and Changes in Retained Earnings - For the Year Ended May 31, 1999 - Exhibit B	8
Statement of Revenues, Expenses, and Changes in Retained Earnings - For the Year Ended May 31, 1998 - Exhibit C	9
Statement of Cash Flows - For the Year Ended May 31, 1999 - Exhibit D	10
Statement of Cash Flows - For the Year Ended May 31, 1998 - Exhibit E	11
Notes to Financial Statements	12 - 19
SUPPLEMENTARY INFORMATION	
Schedule 1 - Compensation of Board Members	21
Schedule 2 - Management's Schedule of Prior Year Findings	22
Schedule 3 - Management's Corrective Action Plan	23
Required Year 2000 Supplemental Information	24

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

(318) 239-2535
(318) 238-5135
Fax 239-2295

W. Micheal Elliott, CPA

UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Vernon Parish Water and Sewer Commission No. 1
New Llano, Louisiana:

I have audited the accompanying general-purpose financial statements of the Vernon Parish Water and Sewer Commission No. 1 as of and for the two years ended May 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Vernon Parish Water and Sewer Commission No. 1's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

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

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Vernon Parish Water and Sewer Commission No. 1 as of and for the two years ended May 31, 1999, and the results of its operations and cash flows for its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 19, 1999, on my consideration of the Vernon Parish Water and Sewer Commission No. 1's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

The year 2000 supplementary information on page 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and the presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it. In addition, I do not provide assurance that the Vernon Parish Water and Sewer Commission No. 1 is or will become year 2000 compliant, that the Commission's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Commission does business are or will become year 2000 compliant.

My audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the Vernon Parish Water and Sewer Commission No. 1 taken as a whole. The accompanying financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Vernon Parish Water and Sewer Commission No. 1. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Elliott & Assoc. "APAC"
Leesville, Louisiana
November 19, 1999

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

(318) 239-2535

(318) 238-5135

Fax 239-2295

W. Micheal Elliott, 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

Vernon Parish Water and Sewer Commission No. 1

New Llano, Louisiana:

I have audited the financial statements of the Vernon Parish Water and Sewer Commission No. 1 as of and for the two years ended May 31, 1999, and have issued my report thereon dated November 19, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Vernon Parish Water and Sewer Commission No. 1's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Vernon Parish Water and Sewer Commission No. 1's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Vernon Parish Water and Sewer Commission No. 1, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Elliott & Assoc. "APAC"

Leesville, Louisiana
November 19, 1999

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Two Years Ended May 31, 1999

I have audited the financial statements of Vernon Parish Water and Sewer Commission No. 1 as of and for the two years ended May 31, 1999, and have issued my report thereon dated November 19, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of May 31, 1999 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No
Reportable Conditions Yes No

Compliance

Compliance Material to Financial
Statements Yes No

b. Federal Awards

Internal Control

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

Type of Opinion On Compliance For Major Programs

Unqualified Qualified
Disclaimer Adverse
N/A

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?
 Yes No N/A

c. Identification of Major Programs

CFDA Number(s)	Name of Federal Program
None	None

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

\$ N/A

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?

Yes No N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

See independent auditor's report.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

BALANCE SHEET

May 31, 1999

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 46,557
Receivables	
Interest	546
Accounts	94,639
Inventory, at cost	21,107
Prepaid expenses	<u>3,832</u>
Total current assets	<u>166,681</u>
Restricted assets:	
Cash and cash equivalents (Note 2)	<u>277,634</u>
Total restricted assets	<u>277,634</u>
Fixed assets (Note 3):	
Land	21,661
Buildings	105,075
Improvements other than buildings	2,848,557
Furniture, vehicles, and equipment	202,841
Less: accumulated depreciation	<u>(1,168,378)</u>
Fixed assets (net of accumulated depreciation)	<u>2,009,756</u>
Bond issuance costs	74,263
Less: accumulated amortization	<u>(11,550)</u>
Bond issuance costs (net of accumulated amortization)	<u>62,713</u>
Total assets	<u>\$ 2,516,784</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:

Accounts payable	\$ 4,965
Sales tax payable	804
Payroll taxes payable	<u>6,050</u>
Total current liabilities	<u>11,819</u>

Current liabilities payable from restricted assets:

Current maturities - water revenue bonds	8,890
Customer deposits	73,306
Accrued interest payable (Note 4)	24,863
Due to Farmers Home Administration (Note 5)	3,226
Revenue refunding bonds payable--current (Note 4)	<u>46,000</u>

Total current liabilities payable from restricted assets	<u>156,285</u>
--	----------------

Long-term liabilities (Note 4):

Water revenue bonds - Rural Development (net of current maturities)	654,314
Water revenue refunding bonds - Hibernia (net of current maturities)	<u>734,000</u>

Total long-term liabilities	<u>1,388,314</u>
-----------------------------	------------------

Total liabilities	<u>1,556,418</u>
-------------------	------------------

Equity:

Retained earnings:

Reserved for customer deposits	21,018
Reserved - revenue bonds and refunding bonds - debt service	158,448
Unreserved	<u>780,898</u>

Total retained earnings	<u>960,366</u>
-------------------------	----------------

Total equity	<u>960,366</u>
--------------	----------------

Total liabilities and equity	<u>\$ 2,516,784</u>
------------------------------	---------------------

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
Statement of Revenues, Expenses and Changes in Retained Earnings
For the year ended May 31, 1999

Operating revenues:	
Charges for sales and services:	
Water sales	\$ 596,945
Service connection fees	5,702
Penalty and reconnect fees	26,694
Miscellaneous income	<u>2,708</u>
Total operating revenues	<u>632,049</u>
Operating expenses:	
Current:	
Salaries and related benefits	155,012
Depreciation (Note 3)	85,239
Utilities and telephone	58,403
Repairs and maintenance	13,198
Insurance	11,383
Office expense	11,175
Legal and professional	17,228
Truck expense	10,451
Supplies	27,289
Per diem of board members	3,950
Miscellaneous	6,474
Uniform service	3,330
Amortization	1,136
Land lease expense	1,500
Bank charges	<u>237</u>
Total operating expenses	<u>406,005</u>
Operating income	<u>226,044</u>
Nonoperating revenues (expenses):	
Interest income	10,270
Interest expense (Note 4)	<u>(135,549)</u>
Total nonoperating revenues (expenses)	<u>(125,279)</u>
Net income	100,765
Retained earnings, beginning	<u>859,601</u>
Retained earnings, ending	<u>\$ 960,366</u>

The accompanying notes are an integral part of this statement.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
Statement of Revenues, Expenses and Changes in Retained Earnings
For the year ended May 31, 1998

Operating revenues:	
Charges for sales and services:	
Water sales	\$ 473,212
Service connection fees	4,550
Penalty and reconnect fees	23,235
Gain on sale of truck	2,525
Miscellaneous income	999
Total operating revenues	<u>504,521</u>
Operating expenses:	
Current:	
Salaries and related benefits	171,892
Depreciation (Note 3)	81,418
Utilities and telephone	68,729
Repairs and maintenance	37,294
Insurance	5,234
Office expense	12,331
Legal and professional	7,540
Truck expense	11,464
Supplies	12,923
Per diem of board members	4,690
Miscellaneous	3,166
Uniform service	2,669
Amortization	1,136
Land lease expense	705
Bank charges	225
Dues and subscriptions	410
Total operating expenses	<u>421,826</u>
Operating income	<u>82,695</u>
Nonoperating revenues (expenses):	
Interest income	9,179
Interest expense (Note 4)	<u>(133,516)</u>
Total nonoperating revenues (expenses)	<u>(124,337)</u>
Net (loss)	(41,642)
Retained earnings, beginning	<u>901,243</u>
Retained earnings, ending	<u>\$ 859,601</u>

The accompanying notes are an integral part of this statement.

Exhibit D

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
Statement of Cash Flows
For the year ended May 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 226,044
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	86,375
Changes in assets and liabilities:	
Accounts receivable	(20,995)
Other current assets	(2,442)
Accounts payable	(5,376)
Customer deposits	(570)
Other current liabilities	<u>397</u>
Net cash provided by operating activities	<u>283,433</u>
CASH FLOWS FORM NONCAPITAL FINANCING ACTIVITIES	<u>---</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of property, plant, and equipment	(73,098)
Payments of general obligation bonds and other indebtedness	(47,501)
Bond issuance costs	(150,653)
Interest paid on long-term debt	<u>(40,183)</u>
Net cash used by capital financing activities	<u>(311,435)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>10,417</u>
Net cash provided by investing activities	<u>10,417</u>
Increase in cash	(17,585)
Cash, beginning of fiscal year	<u>341,776</u>
Cash, end of fiscal year	<u>\$ 324,191</u>
CLASSIFIED AS	
Current Assets	\$ 46,557
Restricted Assets	<u>277,634</u>
TOTALS	<u>\$ 324,191</u>

The accompanying notes are an integral part of this statement.

Exhibit E

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
Statement of Cash Flows
For the year ended May 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 82,695
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	82,554
Changes in assets and liabilities:	
Accounts receivable	(8,683)
Other current assets	(2,616)
Accounts payable	4,859
Customer deposits	(933)
Other current liabilities	<u>1,913</u>
Net cash provided by operating activities	<u>159,789</u>
CASH FLOWS FORM NONCAPITAL FINANCING ACTIVITIES	<u>---</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of property, plant, and equipment	(29,345)
Payments of general obligation bonds and other indebtedness	(34,706)
Interest paid on long-term debt	<u>(130,803)</u>
Net cash used by capital financing activities	<u>(194,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>9,288</u>
Net cash provided by investing activities	<u>9,288</u>
Increase in cash	(25,777)
Cash, beginning of fiscal year	<u>367,553</u>
Cash, end of fiscal year	<u>\$ 341,776</u>
CLASSIFIED AS	
Current Assets	\$ 23,935
Restricted Assets	<u>317,841</u>
TOTALS	<u>\$ 341,776</u>

The accompanying notes are an integral part of this statement.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1999

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vernon Parish Police Jury is a political subdivision of the State of Louisiana. The Vernon Parish Police Jury is the reporting entity for Vernon Parish as defined by NCGA Statement 3, (Defining the Governmental Reporting Entity).

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governments. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

Vernon Parish Water and Sewer Commission No. 1 ("Commission) is a component unit of the Vernon Parish Police Jury as defined by GASB codification Section 2100. The Commission was created by the Vernon Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The Commission is governed by a board of seven commissioners appointed by the Vernon Parish Police Jury, who are responsible for providing water and sewer service within the boundaries of the district.

A. FUND ACCOUNTING

Vernon Parish Water and Sewer Commission No. 1 is organized and operated on a fund basis as a Proprietary Fund Type-Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1999

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less. Under state law, the commission may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana, or U.S. bonds, treasury bills and notes, or certificates.

C. RESTRICTED ASSETS

Certain proceeds of the Enterprise Fund revenue bonds as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The restricted assets include revenue bond reserve accounts and customer meter deposits.

D. ACCOUNTS RECEIVABLE WRITE-OFF METHOD

The Commission has adopted a write off policy wherein any account that is deemed uncollectible is written off directly when the account's collection efforts have been deemed unsuccessful.

E. FIXED ASSETS AND LONG-TERM LIABILITIES

The fixed assets and long-term liabilities of the water and sewer commission are accounted for on the balance sheet of the Enterprise Fund. The fixed assets of the commission as shown on the balance sheet are recorded at historical cost. Depreciation is computed by the straight line method based on the estimated useful life of the individual assets.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1999

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

G. BUDGETARY PRACTICE

The Vernon Parish Water and Sewer Commission No. 1 utilizes the following budgetary practice:

Annually the Commission adopts a budget for the Enterprise Fund as a management device for control of revenues and expenses. The budget is amended at various times during the year as the need arises. A comparison of revenues and expenses is not included with the accompanying statements.

H. INVENTORY

Inventories are valued at cost. Inventories in the Enterprise Fund consist of expendable supplies held for use in repairs and extending water mains of the water and sewer district. The cost is recorded as an expense at the time the item is purchased. At year end the physical inventory is adjusted to expenses and carried on the balance sheet as a current asset.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1999

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. RETIREMENT COMMITMENTS

All employees of the Commission are members of the federal social security system. The commission contributes 7.65% of gross salaries up to appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

J. BOND ISSUANCE COSTS

Amortization of bond issuance costs is computed on the straight-line method over thirty years.

NOTE 2--CASH AND CASH EQUIVALENTS

Under state law, the commission 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. At May 31, 1999, the commission has cash and cash equivalents totaling \$324,191 as follows:

Interest-bearing demand deposits	\$134,053
Time deposits	<u>190,138</u>
Total	<u>\$324,191</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. Deposits (bank balances) at May 31, 1999, are secured as follows:

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1999

NOTE 2--CASH AND CASH EQUIVALENTS (Continued)

Bank balances	<u>\$329,456</u>
Federal deposit insurance	\$100,000
Pledged securities (Category 3)	<u>229,456</u>
Total	<u>\$329,456</u>

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 commission that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3--CHANGES IN FIXED ASSETS

Fixed assets are recorded at cost or estimated cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the various classes of assets.

The following is a summary of changes in fixed assets as of May 31, 1999:

	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than buildings</u>	<u>Furniture, fixtures, & equipment</u>	<u>Total</u>
Balance, June 1, 1997	\$21,661	\$105,075	\$ 2,822,955	\$ 127,495	\$3,077,186
Additions:					
1998	---	---	16,418	12,927	29,345
1999	---	---	9,184	63,914	73,098
Deletions:					
1998	---	---	---	(1,495)	(1,495)
1999	---	---	---	---	---
Balance, May 31, 1999	21,661	105,075	2,848,557	202,841	3,178,134
Less:					
Accumulated depreciation	---	(41,798)	(993,884)	(132,696)	(1,168,378)
Net fixed assets	<u>\$21,661</u>	<u>\$ 63,277</u>	<u>\$ 1,854,673</u>	<u>\$ 70,145</u>	<u>\$2,009,756</u>

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1999

NOTE 3--CHANGES IN FIXED ASSETS (Continued)

The following estimated useful lives are used to compute depreciation:

Buildings	15-30 years
Improvements other than buildings	5-40 years
Furniture, fixtures, and equipment	3-7 years

NOTE 4--CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Vernon Parish Water and Sewer Commission No. 1 for the year ended May 31, 1999:

	Water Revenue Refunding Bonds-Series <u>1998</u>	Rural Dev. Revenue Bonds	Bank Note	Utilities Revenue Refunding Bonds dated <u>4/6/89</u>	<u>Total</u>
Debt payable, June 1, 1997	\$ ---	\$681,359	\$ 1,015	\$843,037	\$1,525,411
Debt retired:					
1998	---	(9,835)	(1,015)	(20,630)	(31,480)
1999	---	(8,320)	---	(822,407)	(850,727)
Debt incurred:					
1998	---	---	---	---	---
1999	<u>780,000</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>780,000</u>
Debt payable May 31, 1997	<u>\$ 780,000</u>	<u>\$663,204</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$1,443,204</u>

The long-term debt payable at May 31, 1999 is comprised of the following issues:

Water Revenue Bonds:

\$730,000 Waterworks Revenue Bonds dated
January 15, 1988; due in annual installments
of \$51,129 through November 17, 2027;
interest at 6.375% - administered by USDA
Rural Development

\$ 663,204

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1999

NOTE 4--CHANGES IN LONG-TERM DEBT (Continued)

Water Revenue Refunding Bonds; series 1998
 \$780,000 Revenue Refunding Bonds dated
 12/1/98 due in average annual installments of
 \$65,000 through November 17, 2010;
 interest at 7.5% \$ 780,000

Total \$1,443,204

In December 1998, the Commission restructured its long-term debt by retiring the original revenue refunding bonds and issuing new revenue refunding bonds dated December 1, 1998 in the amount of \$780,000.

The annual requirements to amortize all revenue bonds outstanding as of May 31, 1999, including interest payments of \$1,124,269 are as follows:

<u>Year Ending May 31,</u>	<u>Water Revenue Bonds</u>	<u>1998 Revenue Refunding Bonds</u>	<u>Total</u>
2000	\$ 50,563	\$ 102,775	\$ 153,338
2001	50,563	107,025	157,588
2002	50,563	105,863	156,426
2003	50,563	104,475	155,038
2004	50,563	102,862	153,425
2005-2009	252,816	485,875	738,691
2010-2014	252,816	145,000	397,816
2015-2019	252,816	---	252,816
2020-2024	252,816	---	252,816
2025-2029	149,519	---	149,519
Total	<u>\$1,413,598</u>	<u>\$1,153,875</u>	<u>\$2,567,473</u>

There are limitations and restrictions contained in the various bond indentures. The Vernon Parish Water and Sewer Commission No. 1 is in compliance with all significant limitations and restrictions.

NOTE 5--DUE TO FARMERS' HOME ADMINISTRATION

This amount of \$3,226 is interest earned on construction period advances and is restricted for use on the current construction project or payments on existing debts to the Farmers' Home Administration.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1999

Note 6 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Commission carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

	LIMITS OF COVERAGE
Workmen's compensation	\$ 500,000
Auto liability	300,000
Commercial general liability	2,000,000
Commission-owned buildings and equipment	657,600

The Commission covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Commission was not involved in any litigation nor did it have asserted claims lodged against it.

SUPPLEMENTARY INFORMATION

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

COMPENSATION OF BOARD MEMBERS

For the two years ended May 31, 1999

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 session of the Legislature.

As provided by Louisiana Revised Statute 33:4564, the president of the board and each member received \$60 and \$50 per diem, respectively, for attendance at meetings of the board.

	Year ended	
	<u>5/31/98</u>	<u>5/31/99</u>
Susan Redmond	\$ 750	\$ 700
Sue Bailey	700	600
Hosmer Pate	200	---
Marvin Powell	650	400
A. L. Scott	890	850
Lorin Mullins	750	700
Carney Jean Midkiff	<u>750</u>	<u>700</u>
Total	<u>\$4,690</u>	<u>\$3,950</u>

See independent auditor's report.

Vernon Parish Water and Sewer District No. 1
Required Supplemental Information
Year 2000 Supplementary Information
May 31, 1999

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Commission's operations as early as fiscal year 1999.

The Commission has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting Commission operations and has identified such systems as being financial reporting, water billing and processing and cash receipts. All necessary modifications and/or additional procedures have been performed in order to make these systems Year 2000 compliant.

The Commission's general ledger is processed by an outside accounting firm and the Commission relies on that firm to be Year 2000 compliant. The outside firm has already performed the necessary steps to become Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Commission is or will be Year 2000 ready, the Commission's remediation efforts will be successful in whole or in part, or that parties with whom the Commission does business will be Year 2000 ready.

See independent auditor's report.