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SOUTH VERNON WATERWORKS DISTRICT NO. 1  
FINANCIAL STATEMENTS  
December 31, 1995

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 AUG 28 1996

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**ELLIOTT & ASSOCIATES, INC.**

*A Professional Accounting Corporation*

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W. Micheal Elliott, CPA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Commissioners  
South Vernon Waterworks District No. 1  
Leesville, Louisiana:

I have audited the accompanying component unit financial statements of South Vernon Waterworks District No. 1 as of December 31, 1995, and for the year then ended. These component unit financial statements are the responsibility of South Vernon Waterworks District No. 1's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit 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. 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 South Vernon Waterworks District No. 1 as of December 31, 1995, and the results of its operations and changes in cash flow for the year then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying financial information listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of South Vernon Waterworks District No. 1. The information in these schedules has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in my opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

*Elliott & Assoc. "APAC"*  
Leesville, Louisiana  
May 23, 1996

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Board of Commissioners  
South Vernon Waterworks District No. 1  
Leesville, Louisiana

I have audited the component unit financial statements of South Vernon Waterworks District No. 1, as of and for the year ended December 31, 1995, and have issued my report thereon dated May 23, 1996.

I conducted my audit in accordance with generally accepted auditing standards and 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 financial statements are free of material misstatement.

In planning and performing my audit of the component unit financial statements of South Vernon Waterworks District No. 1, for the year ended December 31, 1995, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of South Vernon Waterworks District No. 1 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

Cash receipts  
Purchasing/receiving  
Accounts payable  
Cash disbursements

Payroll  
Property and equipment  
General ledger

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the South Vernon Waterworks District No. 1's management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Elliott & Assoc. "APAC"*  
Leesville, Louisiana  
May 23, 1996



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South Vernon Waterworks District No. 1  
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I have audited the component unit financial statements of South Vernon Waterworks District No. 1, as of and for the year ended December 31, 1995, and have issued my report thereon dated May 23, 1996.

I conducted my audit in accordance with generally accepted auditing standards and 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 financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to South Vernon Waterworks District No. 1 management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of South Vernon Waterworks District No. 1's compliance with certain provisions of laws, regulations, contracts, and grants. However, my objective was not to provide an opinion on overall compliance with such provisions.

The results of my tests indicate that, with respect to the items tested, South Vernon Waterworks District No. 1 complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that South Vernon Waterworks District No. 1 had not complied, in material respects, with those provisions. However, the results of my procedures disclosed one material issue of noncompliance which is described below:

Finding: This audit report was not sent to the Legislative Auditor's office by June 30, 1996. This is a violation of LA R.S. #24:513(A)(5)(a).

Cause: Due to clerical employee error by staff personnel at Elliott & Assc., Inc. this report inadvertently was not sent within the statutory period. The actual completion date was in late May 1996 and approved by the board in early June 1996.

Mgmt.

Response: Future reports will be filed in accordance with state regulations.

This report is intended for the information of the South Vernon Waterworks District No. 1's management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Elliott & Assoc. "APAC"*  
Leesville, Louisiana  
May 23, 1996





LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 800
Pension deduction payable	<u>1,667</u>
Total current liabilities	<u>2,467</u>
Current liabilities payable from restricted assets:	
Current maturities - general obligation bonds (Note 6)	9,000
Accrued interest payable (Note 6)	6,806
Customer deposits	<u>45,150</u>
Total current liabilities payable from restricted assets	<u>60,956</u>
Long-term liabilities payable from restricted assets:	
Interim financing agreement - Premier Bank (Note 6)	805,551
General obligation bonds (Note 6)	<u>309,000</u>
Total long-term liabilities payable from restricted assets	<u>1,114,551</u>
Total liabilities	<u>1,177,974</u>
Equity:	
Retained earnings:	
Reserved	27,166
Unreserved	<u>124,238</u>
Total retained earnings	<u>151,404</u>
Total equity	<u>151,404</u>
Total liabilities and equity	<u>\$1,329,378</u>

South Vernon Waterworks District No. 1

Statement of Revenues, Expenses, and Changes in Retained Earnings

For the year ended December 31, 1995

Operating revenues:	
Charges for sales and services:	
Water sales	\$ <u>    ---</u>
Total operating revenues	<u>    ---</u>
Operating expenses:	
Insurance expense	2,076
Accounting and legal	5,115
Board per diem	1,620
Legal advertising	1,480
Transfer agent fees	523
Office expense	<u>589</u>
Total operating expenses	<u>11,403</u>
Operating income (loss)	<u>(11,403)</u>
Nonoperating revenues (expenses):	
Miscellaneous income (expense)	(1,141)
Interest income	10,998
Interest expense (Note 6)	(30,391)
Commitment fees (Note 6)	(16,950)
State revenue sharing	10,884
Ad valorem taxes-restricted (Note 3)	33,209
Ad valorem taxes-unrestricted (Note 3)	<u>17,666</u>
Total nonoperating revenues (expenses)	<u>24,275</u>
Net income	12,872
Retained earnings, beginning balance	<u>138,532</u>
Retained earnings, ending	<u>\$ 151,404</u>

The accompanying notes are an integral part of this statement.

South Vernon Waterworks District No. 1

Statement of Cash Flows

For the year ended December 31, 1995

<u>Operating activities</u>	
Net income	\$ 12,872
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	--
Changes in operating assets and liabilities:	
(Increase) decrease in ad valorem taxes receivable	(3,893)
(Increase) decrease in state revenue sharing receivable	311
(Increase) decrease in organization costs	(31,350)
Increase (decrease) in accounts payable	(831)
Increase (decrease) in ad valorem deductions payable	1,667
Increase (decrease) in accrued interest payable	(6,186)
Increase (decrease) in water and meter deposits	<u>5,185</u>
Net cash used by operating activities	<u>(22,225)</u>
<u>Investing activities</u>	
Purchase of equipment	<u>(750,548)</u>
Net cash used by investing activities	<u>(750,548)</u>
<u>Financing activities</u>	
Proceeds from issuance of debt	<u>805,551</u>
Net cash provided by financing activities	<u>805,551</u>
Increase in cash	32,778
Cash, beginning of fiscal year	<u>435,341</u>
Cash, end of fiscal year	<u>\$468,119</u>

The accompanying notes are an integral part of this statement.

South Vernon Waterworks District No. 1

Notes to the Financial Statements

December 31, 1995

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. FUND ACCOUNTING

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

South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

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

B. BASIS OF ACCOUNTING

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

C. BAD DEBTS

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

NOTE 2--CASH AND INVESTMENT COLLATERAL

At December 31, 1995, the carrying amount of the District's cash and investments was \$468,119 and the bank balance was \$581,216. Of the bank balance, \$100,000 was covered by federal depository insurance and \$481,216 was covered by securities held in safekeeping.

NOTE 3--AD VALOREM TAXES RECEIVABLE

The District utilized the Vernon Parish Sheriff's Office to collect its property taxes using the assessed values determined by the tax assessor of Vernon Parish.

For the year ended December 31, 1995, taxes of 10 mils and 18 mils were levied on property with assessed valuation totaling \$1,846,480 and was dedicated toward operations and maintenance and the sinking fund, respectively.



South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 3--AD VALOREM TAXES RECEIVABLE  
(CONTINUED)

For the year ended December 31, 1995 total taxes levied were \$51,701. The receivable at December 31, 1995 consisted entirely of the current year assessment.

NOTE 4--ORGANIZATION COSTS

Amortization of organization costs will be computed on the straight-line method over five years when the water system becomes functional and begins earning revenue. These organization costs consist of the following:

Balance, December 31, 1994	\$17,742
Additions:	
Legal fees	30,000
Railroad crossing permit fee	1,350
Total additions	<u>31,350</u>
Balance, December 31, 1995	<u>\$49,092</u>

NOTE 5--FIXED ASSETS & CONSTRUCTION-IN-PROGRESS

The following represents changes in fixed assets other than construction-in-progress, for the year ended December 31, 1995:

	<u>Land</u>	<u>Office Equipment</u>	<u>Total</u>
Balance, 12/31/94	\$ ---	\$ 3,943	\$ 3,943
Additions	7,500	74	7,574
Deletions	<u>---</u>	<u>---</u>	<u>---</u>
Balance, 12/31/95	<u>\$7,500</u>	<u>\$ 4,017</u>	<u>\$11,517</u>

No depreciation has been provided on any fixed assets since the District has not begun water operations as of December 31, 1995.



South Vernon Waterworks District No. 1  
Notes to the Financial Statements (Continued)

NOTE 5--FIXED ASSETS & CONSTRUCTION-IN-PROGRESS  
(CONTINUED)

Construction-in-progress activity for the year ended December 31, 1995 was as follows:

Balance, January 1, 1995	\$ ---
Additions	742,974
Deletions	<u>---</u>
Balance, December 31, 1995	<u>\$742,974</u>

The construction-in-progress will be capitalized and not depreciated until the water system becomes functional in late 1996 or early 1997.

NOTE 6--GENERAL LONG-TERM DEBT

Bonds payable at December 31, 1995 is comprised of the following issue:

Bonds payable, December 31, 1994	\$318,000
Bonds issued	---
Bonds retired	<u>---</u>
Bonds payable, December 31, 1995	<u>\$318,000</u>

\$318,000 of general obligation bonds dated May 1, 1994; due in annual installments of \$1,000-\$26,000 through 2024; interest at 5.40%-9.00%. The first principal installment is due on March 1, 1996.

South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 6--GENERAL LONG-TERM DEBT  
(CONTINUED)

The annual requirements to amortize all revenue bonds outstanding as of December 31, 1995, including interest payments of \$224,663, are as follows:

1996	\$ 29,015
1997	29,160
1998	28,259
1999	28,315
2000	28,279
2001-2005	138,602
2006-2010	138,507
2011-2015	111,058
2016-2020	7,031
2021-2025	<u>4,437</u>
Total	<u>\$542,663</u>

The District also entered into an interim financing agreement in 1995 with Premier Bank of Baton Rouge to provide interim financing in the amount of up to \$2,712,000 for 12 months beginning on June 30, 1995. The interest rate charged was 5.20% with a commitment fee of 5/8% or \$16,950.

At December 31, 1995, the District owed \$805,551 to Premier Bank which included \$779,250 in construction advances, \$16,950 in commitment fees, and \$9,351 in two quarterly interest accruals.

NOTE 7--LITIGATION

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

NOTE 8--RELATED PARTY TRANSACTIONS

During the year ended December 31, 1995, the District purchased land from Margaret Goins, the District's Board Chairman, and her husband for \$3,500 to dig a test well. The transaction was on substantially the same terms as those for a comparable transaction for another land purchase.

SUPPLEMENTARY INFORMATION

South Vernon Waterworks District No. 1

Supplementary Information

For the year ended December 31, 1995

Schedule 1

COMPENSATION OF BOARD MEMBERS

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

As provided by Louisiana Revised Statute 33:4564, District board members received \$60 per diem for attendance at meetings of the board in 1995 beginning in mid 1995.

	<u>Number Attended</u>	<u>Amount</u>
Robert Bates	6	\$ 360
Bill Churchman	5	300
Deborah Dixon	4	240
Margaret Goins	6	360
E. Grady Stephens	6	<u>360</u>
Total		<u>\$ 1,620</u>

Schedule 2

QUESTIONED COSTS

During the year ended December 31, 1995, I noted no questioned costs arising from my examination.

Schedule 3

EXIT CONFERENCE

An exit conference was held with Mr. Grady Stephens on May 24, 1996 to discuss the proposed audit report.