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EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Financial Report

Year Ended 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 8-7-96

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
East Allen Parish Waterworks District
Oberlin, Louisiana

We have audited the accompanying general purpose financial statements of the East Allen Parish Waterworks District (District), a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 1995. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the East Allen Parish Waterworks District, as of December 31, 1995, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the East Allen Parish Waterworks District taken as a whole. The accompanying financial information listed as "Supplementary 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 East Allen Parish Waterworks District. Such information, except for the portion marked "Unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to such general purpose financial statements taken as a whole.

MEMBER OF
AMERICAN INSTITUTE OF
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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

The financial information for the preceding year, which is included for comparative purposes was taken from the financial report dated June 12, 1995 for that year in which we expressed an unqualified opinion on the general purpose financial statements of East Allen Parish Waterworks District.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
May 24, 1996

GENERAL PURPOSE FINANCIAL STATEMENTS

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Comparative Balance Sheet
December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
ASSETS		
Current assets:		
Cash	\$ 72,574	\$ 47,852
Time deposits	83,341	79,926
Accounts receivable, net of allowance for uncollectible accounts (1995 - \$543; 1994 - \$347)	17,549	10,325
Accrued interest	293	263
Prepaid expenses	371	361
Total current assets	<u>174,128</u>	<u>138,727</u>
Restricted assets:		
Revenue bond and interest sinking account - Interest-bearing deposits	112,111	100,920
Revenue bond reserve account - Interest-bearing deposits	34,648	29,990
Revenue bond contingency account - Interest-bearing deposits	34,263	29,656
Customer deposits - Cash	2,494	2,187
Total restricted assets	<u>183,516</u>	<u>162,753</u>
Property, plant and equipment:		
Property, plant and equipment at cost, net of accumulated depreciation (1995 \$588,893; 1994 \$525,012)	2,251,283	2,306,978
Bond issue costs, net of accumulated amortization (1995 \$12,143; 1994 \$10,853)		
	<u>36,856</u>	<u>38,146</u>
Organization costs, net of accumulated amortization (1995 \$6,933; 1994 \$6,197)		
	<u>22,517</u>	<u>23,253</u>
Total assets	<u>\$2,668,300</u>	<u>\$2,669,857</u>

The accompanying notes are an integral part of this statement.

	<u>1995</u>	<u>1994</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Current liabilities (payable from current assets) -		
Accounts payable	\$ 5,095	\$ 2,810
Accrued liabilities	<u>1,403</u>	<u>1,401</u>
Total current liabilities (payable from current assets)	<u>6,498</u>	<u>4,211</u>
Current liabilities (payable from restricted assets) -		
Revenue bonds payable	10,000	9,000
Interest payable	54,607	55,088
Customer's deposits	<u>2,494</u>	<u>2,187</u>
Total current liabilities (payable from restricted assets)	<u>67,101</u>	<u>66,275</u>
Long-term liabilities -		
Revenue bonds payable	756,415	764,161
Compensated absences payable	<u>2,978</u>	<u>13,844</u>
Total long-term liabilities	<u>759,393</u>	<u>778,005</u>
Total liabilities	<u>832,992</u>	<u>848,491</u>
Fund equity:		
Contributed capital -		
Waterworks district customers	68,674	68,674
Federal grants, net of accumulated amortization (1995 \$369,091; 1994 \$329,893)	<u>1,565,909</u>	<u>1,605,107</u>
Total contributed capital	<u>1,634,583</u>	<u>1,673,781</u>
Retained earnings -		
Reserved for revenue bond retirement	116,415	96,478
Unreserved	<u>84,310</u>	<u>51,107</u>
Total retained earnings	<u>200,725</u>	<u>147,585</u>
Total fund equity	<u>1,835,308</u>	<u>1,821,366</u>
Total liabilities and fund equity	<u>\$2,668,300</u>	<u>\$2,669,857</u>

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Comparative Statement of Revenues, Expenses and
Changes in Retained Earnings
Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Operating revenues:		
Charges for services -		
Water sales	\$228,190	\$207,614
Penalties	3,418	3,508
Miscellaneous	<u>5,532</u>	<u>2,019</u>
Total operating revenues	<u>237,140</u>	<u>213,141</u>
 Operating expenses:		
Salaries	49,098	47,658
Payroll taxes	898	927
Insurance	6,854	5,608
Office expenses	3,452	2,983
Telephone and utilities	17,715	18,540
Uniforms	673	839
Supplies and parts	16,783	9,450
Amortization	2,026	2,026
Depreciation	63,881	61,526
Bad debts expense	738	454
Accounting fees	3,553	3,000
Maintenance and repairs	3,048	1,587
Retirement expenses	2,380	2,766
Travel expenses	5,200	5,200
Miscellaneous expenses	<u>378</u>	<u>636</u>
Total operating expenses	<u>176,677</u>	<u>163,200</u>
 Operating income	<u>60,463</u>	<u>49,941</u>
 Nonoperating revenues (expenses):		
Interest income	8,086	6,715
Interest expense	<u>(54,607)</u>	<u>(55,087)</u>
Total nonoperating expenses	<u>(46,521)</u>	<u>(48,372)</u>
 Net income	13,942	1,569
 Add: Depreciation on fixed assets acquired by federal grant revenues externally restricted for capital acquisitions and construction that reduces contributed capital	<u>39,198</u>	<u>39,198</u>
 Increase in retained earnings	53,140	40,767
 Retained earnings, beginning	<u>147,585</u>	<u>106,818</u>
 Retained earnings, ending	<u>\$200,725</u>	<u>\$147,585</u>

The accompanying notes are an integral part of this statement.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Comparative Statement of Cash Flows
Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Cash flows from operating activities:		
Operating income	\$ 60,463	\$ 49,941
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	63,881	61,526
Amortization	2,026	2,026
Increase (decrease) in provision for uncollectible accounts	196	(186)
Changes in assets and liabilities:		
Increase in accounts receivable	(7,420)	(6)
(Increase) decrease in prepaid expenses	10	(68)
Increase in accounts payable	2,285	134
Increase (decrease) in accrued liabilities	2	(135)
Increase (decrease) in compensated absences payable	<u>(10,866)</u>	<u>1,808</u>
Total adjustments	<u>50,114</u>	<u>65,099</u>
Net cash provided by operating activities	<u>110,577</u>	<u>115,040</u>
Cash flows used by capital and related financing activities:		
Proceeds from meter deposits	900	450
Refund of meter deposits	(594)	(525)
Acquisition of property, plant and equipment	(8,186)	(77,925)
Interest and fiscal charges paid on revenue bonds	(55,088)	(55,088)
Principal paid on revenue bonds	<u>(6,746)</u>	<u>(11,254)</u>
Net cash used by capital and related financing activities	<u>(69,714)</u>	<u>(144,342)</u>
Cash flows from investing activities:		
Net proceeds in redemptions and purchases of certificates of deposits	(2,537)	19,743
Interest received on interest-bearing deposits	<u>8,056</u>	<u>6,529</u>
Net cash provided by investing activities	<u>5,519</u>	<u>26,272</u>
Net increase (decrease) in cash and cash equivalents	46,382	(3,030)
Cash and cash equivalents, beginning of period	<u>245,599</u>	<u>248,629</u>
Cash and cash equivalents, end of period	<u>\$ 291,981</u>	<u>\$ 245,599</u>

(continued)

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Comparative Statement of Cash Flows (Continued)
Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$ 47,852	\$ 64,452
Cash - restricted	2,187	2,262
Interest-bearing deposits - unrestricted	79,926	100,745
Interest-bearing deposits - restricted	160,566	147,820
Less: Certificates of deposit with a maturity over three months when purchased	<u>(44,932)</u>	<u>(66,650)</u>
Total cash and cash equivalents	<u>245,599</u>	<u>248,629</u>
Cash and cash equivalents, end of period -		
Cash - unrestricted	72,574	47,852
Cash - restricted	2,494	2,187
Interest-bearing deposits - unrestricted	83,341	79,926
Interest-bearing deposits - restricted	181,022	160,566
Less: Certificates of deposit with a maturity over three months when purchased	<u>(47,450)</u>	<u>(44,932)</u>
Total cash and cash equivalents	<u>291,981</u>	<u>245,599</u>
Net (decrease) increase	<u>\$ 46,382</u>	<u>\$ (3,030)</u>

The accompanying notes are an integral part of this statement.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The East Allen Parish Waterworks District (the District), which is a component unit of the Allen Parish Police Jury, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural areas of East Allen Parish. The District is governed by a board of commissioners composed of seven members appointed by the Allen Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

This report is comprised of a proprietary fund that is administered by the District's board of commissioners and controlled by the Allen Parish Police Jury. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Allen Parish Police Jury and the general governmental services provided by that governmental unit.

B. Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, of which there exists only an enterprise fund. Enterprise funds are used to account for operations (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements (Continued)

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	25-50 years
Equipment	5 years

D. 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 proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables, resulting from utility services rendered between the date of meter reading and billing and the end of the month, are not recorded due to immateriality at December 31, 1995.

E. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

F. Bad Debts

Through the establishment of an allowance account, uncollectible amounts due from customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables at December 31, 1995 and 1994 was \$543 and \$347, respectively.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements (Continued)

G. Vacation and Sick Leave

The District allows one week paid vacation after one year as a full-time employee. Additionally, the District allows employees to take time off (comp time) in lieu of payment for overtime hours. It is the District's policy to carry over comp time and pay it at termination if the employee has not used it all through time off. Vacation normally is taken in the year accrued, however it may be carried over if not taken. Sick leave may be carried over with no restrictions but is not payable at termination of employment and is recorded as an expense of the period in which paid. As of December 31, 1995, the liability for accrued comp time and accrued vacation was \$2,978.

H. Capitalization of Interest Expense

It is the policy of the East Allen Parish Waterworks District to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. At December 31, 1995 and 1994, there was no capitalized interest expense recorded due to immateriality.

I. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

J. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use.

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 1995 and 1994, the District had cash and interest-bearing deposits (book balances) totaling \$339,431 and \$290,531, respectively, as follows:

	<u>1995</u>	<u>1994</u>
Demand deposits	\$ 75,068	\$ 50,039
Time deposits and money market accounts	<u>264,363</u>	<u>240,492</u>
Total	<u>\$339,431</u>	<u>\$290,531</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 bank. 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. Deposit balances (bank balances) at December 31, 1995 and 1994 were secured as follows:

	<u>1995</u>	<u>1994</u>
Bank balances	<u>\$341,585</u>	<u>\$291,568</u>
Federal deposit insurance	\$260,564	\$291,568
Pledged securities (Category 3)	<u>300,000</u>	<u>-</u>
Total federal insurance and pledged securities	<u>\$560,564</u>	<u>\$291,568</u>
Excess of federal insurance and pledged securities over bank balances	<u>\$218,979</u>	<u>\$ -</u>

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements (Continued)

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

(3) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at December 31:

	1995	1994
Revenue bond and interest sinking account	\$112,111	\$100,920
Revenue bond reserve account	34,648	29,990
Revenue bond contingency account	34,263	29,656
Customers' deposits	2,494	2,187
Total restricted assets	\$183,516	\$162,753

(4) Fixed Assets

A summary of proprietary fund type property, plant and equipment at December 31, follows:

	1995	1994
Land	\$ 22,938	\$ 22,938
Buildings	297,586	293,686
Furniture, fixtures and equipment	22,240	17,954
Water system	2,497,412	2,497,412
Total	2,840,176	2,831,990
Less: Accumulated depreciation	(588,893)	(525,012)
Net Utility Fund property, plant and equipment	\$2,251,283	\$2,306,978

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements (Continued)

(5) Changes in Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 1995:

	<u>Utility Revenue Bonds</u>
Long-term debt payable at January 1, 1995	\$773,161
Long-term debt issued	-
Long-term debt retired	<u>6,746</u>
Long-term debt payable at December 31, 1995	<u>\$766,415</u>

Long-term debt payable at December 31, 1995, is composed of the following individual issue:

Utility Revenue Bonds:

\$907,000 Utility Revenue Bonds, due in annual installments of \$6,000 to \$65,000 through January 24, 2025; interest at 7.125 percent

\$766,415

The annual requirements to amortize all debts outstanding at December 31, 1995, including interest payments of \$1,056,601 are as follows:

<u>December 31,</u>	<u>Utility Revenue Bonds</u>
1996	\$ 64,607
1997	63,895
1998	64,182
1999	63,398
2000	63,615
2001-2005	314,536
2006-2010	312,036
2011-2015	316,136
2016-2020	318,423
2021-2025	<u>242,188</u>
	<u>\$1,823,016</u>

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements (Continued)

(6) Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the bond indenture on the \$907,000 water utility revenue bonds dated January 24, 1985, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds.

Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment.

There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount equal to 5 percent of the amount to be paid into the sinking fund until the sum of \$70,206 has been accumulated.

Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$291 per month. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system.

All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

The East Allen Parish Waterworks District was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 1995.

(7) Retirement Commitments

The District employees have elected not to be included in the Social Security System but do pay medicare taxes. The District and its employees contribute a percentage of each employee's salary to medicare (1.45 percent contributed by the District and 1.45 percent by each employee). The District's contribution during the year ended December 31, 1995 and 1994, amounted to \$709 and \$573, respectively.

In January, 1988, the East Allen Parish Waterworks District also approved the purchase of a group deferred nonparticipating tax sheltered annuity policy for District employees. The District pays 70 percent and each employee 30 percent of the monthly premium. Monthly premiums are based on each employee's age, length of employment and salary. The District's

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements (Continued)

contribution to this plan during the fiscal year ended December 31, 1995 and 1994, amounted to \$2,380 and \$2,766, respectively. Neither the District nor its employees are obligated to make contributions and the District has no further liability to the annuity plan. Data concerning the actuarial status of the plan are not available.

(8) Pending Litigation

There is no litigation pending against the East Allen Parish Waterworks District at December 31, 1995.

(9) Contributed Capital

Amounts contributed to enterprise funds for acquisition or construction of fixed assets are recognized as contributed capital. Contributed capital generated through grants externally restricted for capital acquisitions is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such grants. This amortization is closed to the appropriate contributed capital account and is reflected as an adjustment to net income on the Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings.

The sources of contributed capital used to acquire and construct facilities for the enterprise fund are as follows:

	<u>Grants</u>	<u>Customers</u>	<u>Total</u>
Total contributed capital	\$1,935,000	68,674	\$2,003,674
Less: Accumulated amortization	<u>369,091</u>	<u>-</u>	<u>369,091</u>
Net contributed capital	<u>\$1,565,909</u>	<u>68,674</u>	<u>\$1,634,583</u>

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Notes to Financial Statements (Continued)

(10) Compensation of Board Members

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 1995 follows:

Pearl Shuff, President	\$ 720
Board members:	
Benton Smith	660
Malcolm Bertrand	720
Essie Victorian	720
Joseph Fontenot	660
J.D. Langley	720
Chyralan Hebert	<u>300</u>
	<u>\$4,500</u>

SUPPLEMENTARY INFORMATION

INTERNAL CONTROL

AND

COMPLIANCE

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Independent Auditor's Report
on Internal Control Structure
Based on an Audit
of General Purpose Financial Statements
Performed in Accordance
with Government Auditing Standards

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The Board of Commissioners
East Allen Parish Waterworks District
Oberlin, Louisiana

We have audited the general purpose financial statements of East Allen Parish Waterworks District, a component unit of the Allen Parish Police Jury for the year ended December 31, 1995, and have issued our report thereon dated May 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of East Allen Parish Waterworks District 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 general purpose 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 procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of East Allen Parish Waterworks District for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of

relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to the significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees the District did not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response:

No response is considered necessary.

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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is a material weakness.

This report is intended for the information of the District's Board of Commissioners and the Allen Parish Police Jury. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
May 24, 1996

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards

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The Board of Commissioners
East Allen Parish Waterworks District
Oberlin, Louisiana

We have audited the general purpose financial statements of East Allen Parish Waterworks District, a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 24, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to East Allen Parish Waterworks District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. 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.

This report is intended for the information of the District's Board of Commissioners and the Allen Parish Police Jury. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Lafayette, Louisiana
May 24, 1996

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

OTHER SUPPLEMENTARY INFORMATION

EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers
(Unaudited)
December 31, 1995

Records maintained by the East Allen Parish Waterworks District indicated the following number of customers were being serviced during the month of December, 1995:

Water (metered)	716
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EAST ALLEN PARISH WATERWORKS DISTRICT
Oberlin, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 1995

<u>Description of Coverage</u>	<u>Coverage Amounts</u>
Workmen's compensation: Employee's liability	Statutory \$100,000
Surety bonds:	
Position bonds - Board president	40,000
District clerk	40,000
Blanket coverage on buildings, contents, and equipment	155,000
General liability:	
Fire and lightning coverage on building	125,000
Electronic data processing coverage	4,000