

The accompanying notes are an integral part of this statement.

South Vernon Waterworks District No. 1

Notes to the Financial Statements

December 31, 1996

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 NORA 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 33:2011-21. 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 (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

**NOTE 3--FIXED ASSETS & CONSTRUCTION IN PROGRESS
(CONTINUED)**

Construction in progress activity for the year ended December 31, 1994 was as follows:

Balance, January 1, 1994	\$ 742,934
Additions	1,928,678
Retirements	-----
Balance, December 31, 1994	<u>\$ 2,671,612</u>

Construction in progress has been capitalized and will not be depreciated until the water system becomes functional mid 1995

NOTE 4--GENERAL LONG-TERM DEBT

Bonds payable at December 31, 1994 is comprised of the following issues:

Bonds payable, December 31, 1994	\$318,000
Bonds issued	---
Bonds retired	(9,000)
Bonds payable, December 31, 1994	<u>\$309,000</u>

The above represents \$318,000 in general obligation bonds dated May 1, 1984; due in annual installments of \$1,000-\$28,000 through 2024; interest at 5.40%-9.00%. The first principal installment is due on March 1, 1996.

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

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W. Edwin Stone, CPA

Board of Commissioners
South Vernon Waterworks District No. 1
Louisville, 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, 1996, and have issued my report thereon dated May 23, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 these provisions.

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

W. Edwin Stone
Louisville, Louisiana
May 27, 1997

South Vernon Waterworks District No. 1

Balance Sheet

December 31, 1997

ASSETS

Current assets:	
Cash (Note 2)	\$ 95,326
State revenue sharing receivable	7,385
Ad valorem taxes receivable (Note 3)	<u>12,482</u>
Total current assets	<u>115,193</u>
Restricted:	
Cash (Note 2)	403,803
Ad valorem taxes receivable (Note 3)	<u>33,252</u>
Total restricted assets	<u>437,055</u>
Organization costs (Note 4)	69,972
Less: accumulated amortization	<u> </u>
Organization costs (net of accumulated amortization)	<u>69,972</u>
Fixed assets (Notes 5 and 6)	2,494,976
Less: accumulated depreciation	<u> </u>
Fixed assets (net of accumulated depreciation)	<u>2,494,976</u>
Total assets	<u>\$ 3,312,196</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 183
Federal deduction payable-unrestricted	672
Payroll taxes payable	511
Total current liabilities	1,366
Current liabilities payable from restricted assets:	
Federal deduction payable restricted	1,142
Current maturities - general obligation bonds (Note 6)	10,680
Accrued interest payable (Note 6)	78,218
Total current liabilities payable from restricted assets	81,538
Long-term liabilities payable from restricted assets:	
Revenue financing agreement - FRA (Note 6)	2,772,816
General obligation bonds (Note 6)	299,800
Total long-term liabilities payable from restricted assets	3,072,616
Total liabilities	3,385,662
Equity:	
Contributed capital - FRA (Note 6)	24,184
Retained earnings:	
Reserved	66,246
Unreserved	78,285
Total retained earnings	134,531
Total equity	158,819
Total liabilities and equity	3,544,481

South Verden Meterworks District No. 1

Statement of Cash Flows

For the year ended December 31, 1988

Operating activities	
Net loss	\$ (18,958)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	--
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable - restricted categories	(2,243)
(Increase) decrease in organization costs	(10,480)
Increase (decrease) in accounts payable	(640)
Increase (decrease) in ad valorem deductions payable	147
Increase (decrease) in accrued interest payable	43,546
Increase (decrease) in water and meter deposits	(45,150)
Increase (decrease) in payroll taxes payable	311
Net cash used by operating activities	____(31,525)
Investing activities	
Purchase of equipment & construction in progress	11,283,283
Net cash used by investing activities	11,283,283
Financing activities	
Proceeds from issuance of debt	1,987,346
Long term debt payments	(9,000)
Contributed capital addition - PMA	24,184
Net cash provided by financing activities	1,982,430
Increase in cash	30,110
Cash, beginning of fiscal year	468,119
Cash, end of fiscal year	\$ 498,229

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 accounts 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, 1990, the carrying amount of the District's cash and investments was \$498,829 and the bank balance was \$499,880. of the bank balance, \$198,000 was covered by Federal depository insurance and \$300,000 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, 1990, taxes of 20 mills and 17 mills were levied on property with assessed valuation totaling \$8,075,000 and was dedicated toward operations and maintenance and the sinking fund, respectively.

South Vermont Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 3--AD VALOREM TAXES RECEIVABLE
(CONTINUED)

For the year ended December 31, 1998 total taxes levied were \$66,628. The receivable at December 31, 1998 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, 1998	\$49,192
additions:	
Legal fees	12,860
Balance, December 31, 1998	<u>\$62,052</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, 1998:

	Land	Office Equipment & Fixtures	Total
Balance 12/31/98	\$ 7,800	\$ 4,037	\$11,837
additions	7,500	4,386	11,886
Deletions	---	---	---
Balance, 12/31/98	<u>\$15,300</u>	<u>\$ 8,423</u>	<u>\$23,723</u>

No depreciation has been provided on any fixed assets since the District has not begun water operations as of December 31, 1998.

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Board of Commissioners
South Vernon Waterworks District No. 1
Bossierville, 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, 1986, and have issued my report thereon dated May 27, 1987.

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, 1986, 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 recorded 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.

Exhibit B

South Western Waterworks District No. 1

Statement of Revenues, Expenses, and Changes in Retained Earnings
for the year ended December 31, 1998

Operating revenues:	
Charges for sales and services:	
Water sales	\$_____
Total operating revenues	_____
Operating expenses:	
Salaries and related costs	6,320
Deprec and bond issue	2,150
Rent expense	1,340
Insurance expense	2,200
Professional fees	18,200
Board per diem	3,400
Legal advertising	877
Phone & utilities	1,200
Office expense	1,790
Total operating expenses	28,057
Operating income (loss)	(28,057)
Nonoperating revenues (expenses):	
Miscellaneous income (expense)	55,400
Interest income	32,400
Interest expense (Note 4)	(127,194)
Pension loss	(1,014)
State revenue sharing	10,700
Ad valorem taxes-restricted (Note 3)	23,710
Ad valorem taxes-unrestricted (Note 3)	22,278
Total nonoperating revenues (expenses)	14,870
Net loss	(16,859)
Retained earnings, beginning balance	151,404
Retained earnings, ending	\$ 134,545

The accompanying notes are an integral part of this statement.

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SOUTH VIRGINIA WATERWORKS DISTRICT NO. 1
FINANCIAL STATEMENTS
December 31, 1966

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or reviewer, entity and other appropriate public officials. This 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 JUN 25 1982

South Vernon Waterworks District No. 1

Notes to the Financial Statements (Continued)

NOTE 5--GENERAL LONG-TERM DEBT
(CONTINUED)

The annual requirements to amortize all revenue bonds outstanding as of December 31, 1986, including interest payments of \$194,385, are as follows:

1990	\$ 28,188
1991	28,259
1992	28,315
1993	28,379
1994	27,414
2002-2002	148,438
2007-2011	128,428
2012-2016	68,457
2017-2021	6,719
2022-2026	3,281
	<hr/>
Total	\$509,348

The District also concluded an Interim Financing Agreement in 1986 with Pioneer Bank of Bates Range to provide interim financing in the amount of up to \$2,712,800 for 12 months. The total amount of interim financing provided by Pioneer Bank (later known as Bank One) was \$1,928,870. On June 27, 1990, the Farmers Home Administration ("FHA") purchased this debt free Bank One and continued interim financing for the District under a specific financing arrangement which will eventually become a permanent agreement to issue \$2,712,000 in Water Revenue bonds, \$90,000 in Water Revenue Bonds - Series A, and \$538,000 in permanent grant money.

South Vernon Waterworks District No. 1
 Supplementary Information
 for the year ended December 31, 1936

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 1935 session of the Legislature.

As provided by Louisiana Revised Statute 33:4584, District board members received \$60 per diem for attendance at meetings of the board in 1936.

	Number Attended	<u>AMOUNT</u>
Robert Bates	12	\$ 720
Bill Charbonnet	11	660
Deborah Dixon	11	660
Margaret Dolin	11	660
E. Grady Stephens	12	720
Total	57	<u>\$ 3,420</u>

Schedule 2

QUESTIONED COSTS

During the year ended December 31, 1936, I noted no questioned costs arising from my examination.

Schedule 3

EXIT CONFERENCE

An exit conference was held with Mr. Grady Stephens on May 27, 1937 to discuss the proposed audit report.

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

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Form 104-1014
May 1963 Edition
Rev. 10-1-68

W. Michael Hines, CPA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

I have audited the accompanying component unit financial statements of South Vernon Waterworks District No. 1 as of December 31, 1988, 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. These 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, 1988, and the results of its operations and changes in cash flows 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"
Louisville, Louisiana
May 23, 1989

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

Cash receipts	Payroll
Purchasing/receiving	Property and equipment
Accounts payable	General ledger
Cash disbursements	

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 Western 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. "ASAC"
Louisville, Louisiana
May 23, 1997

BIOSPECIFICITY INFORMATION

North Tarrant Waterworks District No. 1
Notes to the Financial Statements (Continued)

The following represents interim financing activity for the District for the year ended December 31, 1996:

	Premier Risk	FHA Rev. Bonds	FHA Rev. Bonds Series B
Balance at 12/31/95	\$ 808,661	\$ ---	\$ ---
Additions	1,115,319	2,712,000	60,816
Payments	11,800,828	---	---
Balance at 12/31/96	\$ 823,152	\$ 2,712,000	\$ 60,816

The District will not begin making principal payments until 1998 and will pay interest payments till that time.

NOTE 7--LITIGATION

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

NOTE 8--Contributed Capital - FHA BONDS

During the year ended December 31, 1996, the District received \$24,184 in grant funds for the FHA. Under the terms of a specific financing agreement with the FHA, the District could receive up to \$554,000 in grant funds during the construction phase.

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