

WATERWORKS DISTRICT NO. 1  
 A COMPONENT UNIT OF UNION PARISH POLICE JURY  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

4. A depreciation and contingency fund account to cover depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. On or before the 15th of each month, the District is required to deposit \$86 per month.

The account balances as of December 31, 1996 and 1995, are listed below:

	<u>1996</u>	<u>1995</u>
Customers' Meter Deposit Account	\$ 3,054	\$ 3,177
Waterworks Reserve Bond and Interest		
Sinking Fund Account	4,716	3,877
Waterworks Reserve Fund Account	782	4,134
Waterworks Depreciation and Contingency		
Fund Account	25,186	23,281
Accrued Interest Receivable - Waterworks		
Depreciation and Contingency Fund Account	<u>142</u>	<u>207</u>
<b>TOTAL</b>	<b><u>\$ 35,880</u></b>	<b><u>\$ 35,686</u></b>

**Note 4 - Leases**

The District has a month-to-month operating lease for computer equipment for \$158 per month. For the years ended December 31, 1996, and 1995, the District paid \$1,890 and \$2,805, respectively, in connection with the computer equipment.

**Note 5 - Long-Term Liabilities**

Notes Payable:

	<u>December 31,</u>	<u>1996</u>
	<u>1996</u>	<u>1995</u>
T. L. Jones and Co.; due in annual installments of \$750 through 1999, noninterest bearing	\$ 1,840	\$ 1,590
Lease - Current Portion	<u>(750)</u>	<u>(750)</u>
<b>TOTAL LONG TERM NOTES PAYABLE</b>	<b><u>\$ 1,090</u></b>	<b><u>\$ 1,840</u></b>

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PROPRIETARY FUND TYPE - ENTERPRISE FUND  
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FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995**

**Revenue Bonds Payable**

	<u>December 31,</u>	
	<u>1996</u>	<u>1995</u>
<b>1985 Issue</b>		
\$127,000 - 1985 Waterworks District No. 1 bonds payable in monthly installments of \$521 through June 10, 2005; interest rate of 3.75%	\$ 37,870	\$ 42,315
<b>1988 Issue</b>		
\$242,000 - 1988 Waterworks District No. 1 bonds payable in annual principal installments of \$3,000 to \$25,000 through September 5, 2020; interest rate of 8.0%	<u>191,000</u>	<u>201,000</u>
Total Bonds Payable	228,870	243,315
Less: Current Portion	<u>(1) 8,881</u>	<u>(1) 8,881</u>
<b>TOTAL LONG TERM BONDS PAYABLE</b>	<b><u>\$ 220,000</u></b>	<b><u>\$ 234,434</u></b>

The bonds are secured by the revenue earned or derived from operations of the District.

The annual requirements to amortize the long-term obligations outstanding at December 31, 1996, including interest of \$153,859 attributable to Revenue Bonds are as follows:

	<u>Bonds Payable</u>		<u>Notes Payable</u>	<u>Total</u>
	<u>1996 Year</u>	<u>1996 Year</u>		
1997	\$ 4,250	\$ 11,000	\$ 700	\$ 16,000
1998	4,250	14,000	700	19,000
1999	4,250	14,000	700	19,000
2000	4,250	14,000	0	18,400
2001	4,250	15,000	0	19,100
2002-2006	25,000	75,200	0	97,200
2007-2011	0	71,400	0	71,400
2012-2016	0	71,400	0	71,400
2017-2019	<u>0</u>	<u>(45,671)</u>	<u>0</u>	<u>(45,671)</u>
<b>TOTAL</b>	<b><u>\$ 58,250</u></b>	<b><u>\$ 271,029</u></b>	<b><u>\$ 1,144</u></b>	<b><u>\$ 330,423</u></b>

**WATERWORKS DISTRICT NO. 1**  
**A COMPONENT UNIT OF LINCOLN PARISH POLICE JURY**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995**

During 1996 and 1995, the District made cash interest payments of \$11,842 and \$12,434, respectively.

**Note 6 - Board of Commissioners - Per Diem Payments**

In compliance with Louisiana Revised Statute 33:0819, the commissioners, with the exception of the president, receive a per diem of \$20 for each meeting they attend to a maximum of 12 meetings per year. The president's per diem is \$90 per meeting up to a maximum of 12 meetings per year.

Board of Commissioners fees for 1996 were as follows:

<u>Name</u>	<u>Number of Meetings</u>	<u>Amount</u>
Charles A. Calcoate	6	\$ 180
Steve Bentley	5	100
Sam Musher	6	120
Ernest Nolin	6	120
Carolyn Threadell	4	80
Technical Consultants:		
Kathy Insolite	6	120
Jack Duran	6	120
<b>TOTAL</b>		<b><u>\$ 860</u></b>

**Note 7 - Risk Financing Activities**

The District manages its exposure under general liability and property through the purchase of commercial insurance.

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**INDEPENDENT AUDITORS' REPORT  
ON INTERNAL CONTROL STRUCTURE BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Commissioners  
Waterworks District No. 1  
Farmerville, Louisiana**

We have audited the financial statements of Waterworks District No. 1, One District - a component unit of Union Parish Police Jury, as of and for the year ended December 31, 1994, and have issued our report thereon dated April 23, 1995.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The Board of Commissioners of the District (the Board) is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by the Board 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 the Board's authorization and recorded properly to permit the preparation of the 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.

**Board of Commissioners  
Waterworks District No. 1**

In planning and performing our audit of the financial statements of the District for the year ended December 31, 1996, 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 financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to 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.

**1. Need to Issue W-2 and Forms 1099**

**Finding:**

The following are instances that required the District to furnish and file either a W-2 or a Form 1099 for payment of services provided by individuals to the District:

1. On October 14, 1996, the bookkeeper received \$189 for a "yearly" cleaning of the offices. The amount of the check was not included on her W-2.
2. No Form 1099 was prepared and issued for the mowing services, totaling \$2,600, that the District paid for during 1996.
3. During 1996, the District paid a certified public accounting firm a total of \$3,314 for auditing services, but no Form 1099 was prepared and issued by the District.
4. An engineering firm received \$2,558 for services performed for the District, but no Form 1099 was prepared and issued by the District.

**Recommendation:**

The District should include all compensation that an employee earns on their W-2. Additionally, a Form 1099 should be issued to any nonemployee (individual or non-incorporated business) that performs services for the District totaling at least \$600 in a year. Also, in order to avoid possible monetary penalties for nonfiling, Forms 1099 should be prepared, issued, and filed for the mowing services, auditing services, and engineering services.

**Board of Commissioners  
Waterworks District No. 1**

**Response**

The Board will assure that all compensation received by an employee will be included on their W-2 and that, to each nonemployee (individual or non-incorporated business) that performs services totaling at least \$400 in a year, a Form 1099 will be furnished to the nonemployee and filed with the Internal Revenue Service. Additionally, the District will furnish Forms 1099 to the nonemployees for the meeting services, auditing services, and engineering services and file the Forms 1099 and the Form 1094 to the Internal Revenue Service.

**2. Need to Make All Payments by Check**

**Finding**

During 1996, the board commissioners and technical consultants received per diem in the form of cash for meetings they attended. This was accomplished by the bookkeeper writing, on the day of the meeting, a check to herself for the total of anticipated per diem to be paid at the board meeting. Prior to the meeting, the check was cashed by the bookkeeper and the per diem payments were made to those board commissioners and technical consultants attending the meeting. This procedure was followed for the meetings of February 27, April 23, May 21, and July 16, 1996. The exception to this procedure occurred on August 3, 1996, when a check for \$380 was written by the bookkeeper to herself; however, there was no indication of a board meeting and the check, instead of being cashed, appeared to be negotiated by the bookkeeper. The next meeting occurred on October 4, 1996, and a check was cashed for this meeting. On December 12, 1996, a board meeting was held, but no check was written. Instead, the proceeds from the \$200 check was used with \$50 left over. The \$50 was refunded on December 31, 1996.

The results of the above actions are the following:

- A.) Cash, not a check, was used as the form of payment.
- B.) Checks were written in advance of services performed.
- C.) An employee of the District had access to District funds for a period of time, namely \$380 for 63 days and \$200 for 79 days.

**Recommendation**

All payments should be made only by check and only after the services have been performed.

**Board of Commissioners  
Waterworks District No. 1**

**Response:**

The Board will assure that all payments are made by check and only after the services have been performed.

**3. Need to Properly Prepare Checks**

**Finding:**

During 1996, several checks were improperly prepared. Two checks, each for \$50, were written with the payee left blank. One check for \$38 was written to "Cash". Seven checks for various amounts were written with the payee's name in the same handwriting as the endorsement. One check was written with the amount in words left blank.

**Recommendation:**

Checks should be properly and completely prepared prior to being presented for payment.

**Response:**

The Board will assure that all checks are filled out completely and will have proper documentation attached when presented for signing.

**4. Segregation of Accounting Duties**

**Finding:**

Although the small size of the office staff limits the extent of segregation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related records at all phases of a transaction.

One of the most critical areas is the lack of separation of cash, where we noted that the bookkeeper prepares disbursement checks, has access to blank check stock, mails the checks after they are signed, posts the checks to the computerized general ledger system, and receives the unopened bank statement and reconciles it to the general ledger. Some of the problems described in this report could have been detected with the proper segregation of duties.

**Board of Commissioners  
Waterworks District No. 1**

**Recommendation:**

We recommend that someone independent of the cash receipts and cash disbursements functions receive the bank statements unopened and review all canceled items on a monthly basis. This step would not require the addition of any new employees and could be performed by a member of the board.

**Response:**

The Board will assign someone independent of the cash receipts and disbursements functions to receive the bank statements unopened and review all canceled checks.

**5. Need to Make Timely Deposits**

**Finding:**

The District is not depositing water sales revenues and interfund transfers on a timely basis. For transfers of funds between the District's bank accounts, a range was observed from 28 to 41 days between the date of the check and the date that the check cleared the bank. For water sales revenues, a range was observed from 17 to 48 days between the date of the deposit slip and the date that the deposit cleared the bank. The excessive length of time between receipt and deposit for revenues and interfund transfers results in increasing the likelihood that errors or irregularities may occur and not be detected, and decreases the amount of interest that the District earns on the interest-bearing checking accounts.

**Recommendation:**

We recommend that the District make every effort to deposit funds received, either in the form of interfund transfers or water sales, on a timely basis.

**Response:**

The Board will make every effort to deposit all funds received on a timely basis.

**6. Signing Checks in Blank**

**Finding:**

During the analysis of disbursements and transfers of the District for the period from January 1, 1997, through March 31, 1997, we observed that a total of 18 checks were signed in blank by both of the authorized check signers. Signing checks in blank increases the likelihood that errors or irregularities may occur and not be detected.



**Board of Commissioners  
Waterworks District No. 1**

**Recommendation:**

We recommend that the approved check signers sign only those checks that have, in every other respect, been completely prepared and have adequate documentation to support the check.

**Response:**

The Board stated that, in the future, no check will be signed until all other parts of the check have been prepared and adequate documentation accompanies the check.

**7. Accurate and Timely Bank Reconciliations**

**Finding:**

The District is not preparing accurate and timely bank reconciliations. Of the five bank accounts that the District maintains, no evidence of a bank reconciliation could be found on two of these and one bank reconciliation arrived at a reconciled cash balance that did not agree with the general ledger cash account. The absence of and/or inaccurate bank reconciliations increase the likelihood that errors or irregularities may occur and not be detected.

**Recommendation:**

We recommend that the District prepare bank reconciliations that are timely and that agree with the applicable general ledger cash account.

**Response:**

The Board stated that, in the future, bank reconciliations will be prepared as soon as possible after receipt and review of the bank statements. Also, the person assigned to review the unprepared bank statements will review the bank reconciliations after they have been prepared.

\* \* \* \* \*

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.

Board of Commissioners  
Waterworks District No. 1

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 disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe all of the reportable conditions described above to be material weaknesses.

This report is intended for the information of the Board of Commissioners, its cognate unit agency, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



April 22, 1993

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**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Waterworks District No. 1  
Farmerville, Louisiana

We have audited the financial statements of Waterworks District No. 1, (the District) - a component unit of Union Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 23, 1997.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Government Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. These standards require that we 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 the District is the responsibility of the District's Board of Commissioners. As part of obtaining reasonable assurance about whether the 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 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*.

We noted certain immaterial instances of noncompliance that we reported to the board of commissioners for the District in a separate letter dated April 23, 1997.



**WATERWORKS DISTRICT NO. 1  
A COMPONENT UNIT OF UNION PARISH POLICE JURY  
PROPRIETARY FUND TYPE - ENTERPRISE FUND**

**Financial Statements  
As of and for the Years Ended  
December 31, 1986 and 1985**

Where provisions of state law, this report is a public document. A copy of this report has been furnished to the Board of Supervisors, Parish and other interested parties. This report is available for public inspection at the Office of the Auditor of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 16 1987

WATERWORKS DISTRICT NO. 1  
A COMPONENT UNIT OF LINCOLN PARISH POLICE JURY  
PROPRIETARY FUND TYPE - ENTERPRISE FUND

FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 1996 AND 1995

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**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Waterworks District No. 1  
Farmerville, Louisiana

We have audited the accompanying balance sheets of Waterworks District No. 1 (a component unit of Union Parish Police Jury) as of December 31, 1996 and 1995, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of Waterworks District No. 1's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. These standards require that we 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The budgetary information included on page 2 is presented for purposes of additional analysis and is not a required part of the financial statements of Waterworks District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 22, 1997 on our consideration of the District's internal control structure and a report dated April 22, 1997 on its compliance with laws and regulations.

*Luffey, Huffman & Monroe*

April 22, 1997

**WATERWORKS DISTRICT NO. 1  
A COMPONENT UNIT OF UNION PARISH POLICE JURY  
PROPRIETARY FUND TYPE - ENTERPRISE FUND  
BALANCE SHEETS**

	December 31,	
	1986	1985
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 12,413	\$ 18,773
Accounts Receivable - Customers	18,961	11,618
Prepaid Expenses	541	1,357
Total Current Assets	31,915	31,748
<b>Restricted Assets</b>		
Cash	8,321	11,188
Investments	20,186	33,581
Accrued Interest Receivable	142	277
Total Restricted Assets	28,649	45,046
<b>Property, Plant and Equipment</b>		
Water Plant and Water Lines	533,219	531,436
Furniture and Equipment	2,824	2,238
Total	536,043	533,674
Less: Accumulated Depreciation	(209,338)	(197,452)
Net Depreciable Assets	326,705	336,222
Land	1,825	1,825
Total Property, Plant and Equipment	328,530	338,047
<b>Other Assets</b>	1,046	1,046
<b>TOTAL ASSETS</b>	\$ 431,476	\$ 416,821

The accompanying notes are an integral part of these statements.

	December 31,	
	1999	1998
<b>LIABILITIES AND RETAINED EARNINGS</b>		
<b>Current Liabilities</b>		
<i>(Payable From Current Assets)</i>		
Accounts Payable	\$ 286	\$ 300
Notes Payable	790	790
Total	<u>1,076</u>	<u>1,090</u>
<b>Current Liabilities</b>		
<i>(Payable From Restricted Assets)</i>		
Accrued Interest Payable	3,208	3,309
Bonds Payable	8,861	8,885
Customers' Motor Deposits	3,824	3,872
Total	<u>15,893</u>	<u>16,066</u>
Total Current Liabilities	16,969	17,156
<b>Long-Term Liabilities</b>		
Bonds Payable	221,209	214,644
Notes Payable	1,890	1,848
Total Long-Term Liabilities	<u>223,099</u>	<u>216,492</u>
Total Liabilities	400,068	387,648
<b>Retained Earnings</b>		
<b>Reserves</b>		
Reserve for Debt Service, Depreciation, and Contingency	15,727	20,845
<b>Unreserved</b>		
Undesignated	148,320	134,072
Total Retained Earnings	<u>164,047</u>	<u>154,917</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 564,115</b>	<b>\$ 542,565</b>



**WATERWORKS DISTRICT NO. 1**  
**A COMPONENT UNIT OF LEBANON PARISH POLICE JURY**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -**  
**BUDGET (GAAP BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 1996**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 1995**

	1996		Variance - Favorable (Disfavorable)	1995
	Budget	Actual		
<b>Operating Revenues</b>				
Water Sales	\$ 83,000	\$ 94,081	\$ (887)	\$ 86,046
Installation Fees	1,500	2,000	(800)	1,000
<b>Total Operating Revenues</b>	<u>84,500</u>	<u>96,081</u>	<u>(1,287)</u>	<u>87,046</u>
<b>Operating Expenses</b>				
Fund of Contributions/Fees	1,500	800	240	810
Contract Labor	15,750	14,478	(670)	15,170
Depreciation	0	11,200	(11,200)	10,640
Equipment Rental	1,000	1,800	100	1,000
Insurance	1,000	1,800	(1,200)	1,000
Material, Repairs and Supplies	20,000	24,371	429	22,711
Office Expense	1,000	1,000	144	1,776
Other Expense	0	1,787	(1,787)	0
Payroll Taxes	0	802	(502)	449
Professional Fees	6,000	5,871	128	1,677
Salaries	1,124	1,204	0	6,880
Solar Tax	8,000	1,207	1,470	0
Utilities	11,200	15,706	(1,850)	11,110
<b>Total Operating Expenses</b>	<u>74,024</u>	<u>89,508</u>	<u>(12,278)</u>	<u>76,361</u>
<b>Total Operating Income</b>	<u>10,476</u>	<u>6,573</u>	<u>(16,492)</u>	<u>10,685</u>
<b>Nonoperating Income (Expense)</b>				
Interest Earned	1,000	1,004	(440)	1,611
Interest Expense	(18,000)	(17,960)	1,118	(18,771)
<b>Total Nonoperating Income (Expense)</b>	<u>(17,000)</u>	<u>(16,956)</u>	<u>1,678</u>	<u>(17,160)</u>
<b>Net Income (Loss)</b>	<u>11,807</u>	<u>(1,038)</u>	<u>(12,808)</u>	<u>13,525</u>
<b>Retained Earnings at Beginning of Year</b>	<u>150,800</u>	<u>151,900</u>	<u>0</u>	<u>150,170</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u>\$ 170,834</u>	<u>\$ 150,862</u>	<u>\$ (12,808)</u>	<u>\$ 163,695</u>

The accompanying notes are an integral part of these statements.

**WATERFORD DISTRICT NO. 1  
A COMPONENT UNIT OF UNION FARM POLICE JURY  
PROPRIETARY FUND-TYPE - ENTERPRISE FUND  
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	1996	1995
<b>Cash Flows From Operating Activities</b>		
Operating Income	\$ 6,985	\$ 22,603
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	33,296	30,400
Changes in Assets and Liabilities:		
Accounts Receivable - Customers	607	(2,120)
Accrued Interest Receivable	39	(20)
Prepaid Expenses	716	71
Accounts Payable	(141)	(488)
Accrued Interest Payable	(100)	100
Total Adjustments	<u>(100)</u>	<u>(1,057)</u>
Net Cash Provided by Operating Activities	<u>18,441</u>	<u>31,750</u>
<b>Cash Flows From Noncapital Financing Activities</b>		
Interest (Decrease) in Customers' Money Deposits	(122)	12
<b>Cash Flows From Capital and Related Financing Activities</b>		
Principal Payments on Bonds Payable	(6,017)	(6,661)
Principal Payments on Interest-Bearing Notes Payable	0	(6,040)
Principal Payments on Noninterest-Bearing Notes Payable	(38)	(38)
Interest Paid on Bonds	(16,942)	(14,480)
Interest Paid on Notes	0	(122)
Net Cash Used by Capital and Related Financing Activities	<u>(23,997)</u>	<u>(27,341)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Fixed Assets	(12,844)	0
Interest on Investments	2,070	2,627
Sale (Purchase) of Investments	(3,284)	(1,572)
Net Cash Provided (Used) by Investing Activities	<u>(13,958)</u>	<u>655</u>
Net Increase (Decrease) for Cash and Cash Equivalents	(6,514)	3,664
Cash and Cash Equivalents at Beginning of Year	<u>29,260</u>	<u>26,000</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 22,746</u></b>	<b><u>\$ 29,664</u></b>
<b>Cash and Cash Equivalents Shown on Balance Sheet as:</b>		
Current Assets:		
Cash	\$ 10,617	\$ 18,771
Restricted Assets	<u>8,520</u>	<u>11,180</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 20,000</u></b>	<b><u>\$ 29,950</u></b>

The accompanying notes are an integral part of these statements.

**WATERWORKS DISTRICT NO. 1  
A COMPONENT UNIT OF UNION PARISH POLICE JURY  
PROPRIETARY FUND TYPE - ENTERPRISE FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995**

**Note 1 - Summary of Significant Accounting Policies**

**A. History**

Waterworks District No. 1 (the District) a component unit of Union Parish Police Jury, was created by the Union Parish Police Jury as authorized by Chapter 9 of Title 25 of the Louisiana Revised Statutes of 1950. The District is governed by a five-member Board of Commissioners. The District is responsible for the maintenance and operation of the water system within the boundaries of the water district.

**B. Reporting Entity**

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. In June 1991, the GASB issued Statement Number 14 "The Financial Reporting Entity". This Statement established criteria for determining which component units of government should be considered part of the primary government for financial reporting purposes.

The basic criteria for determining a component unit is accountability. As the Union Parish Police Jury appoints a voting majority of the Board of Commissioners of the District, has the ability to impose its will upon the District and the District's financial dependence upon the Police Jury, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The District's records are maintained on an accrual basis. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

**D. Budgetary Practices**

The Secretary-Treasurer prepares the annual budget and presents it to the

**WATERWORKS DISTRICT NO. 1**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
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Based at the last meeting of the preceding year for adoption. Budgeted amounts, including subsequent amendments, have been included in the accompanying financial statements. The District was in compliance with the five percent variation requirements under Louisiana Revised Statute 28:1503, when depreciation is eliminated.

**E. Statements of Cash Flows**

For purposes of the Statements of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**F. Investments**

Investments consist of a certificate of deposit which is stated at cost plus interest credited to the account.

**G. Property, Plant, and Equipment**

Property, plant and equipment purchased by the District are recorded at cost. Depreciation of all depreciable fixed assets used by the District is charged as an expense against operations. Depreciation is computed using the straight-line method. Estimated useful lives are 50 years on the water plant and from 5 to 20 years on equipment.

Expenditures for repairs and maintenance are expensed as incurred; significant betterments are capitalized.

**H. Vacation, Sick Leave and Retirement Plan**

The District does not have formal vacation, sick leave and retirement plan policies.

**I. Bad Debts**

Uncollectible amounts for customers' water receivables are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible.

**WATERWORKS DISTRICT NO. 1**  
**A COMPONENT UNIT OF UNION PARISH POLICE JURY**  
**PROPRIETARY FUND TYPE - ENTERPRISE FUND**  
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**J. Reservations of Retained Earnings**

Some portions of retained earnings are reserved to indicate that a portion of retained earnings is legally restricted to a specific future use and is not available for appropriation or expense.

**K. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual costs could differ from these estimates.

**Note 2 - Cash and Investments**

At December 31, 1996, the District's cash and investments, shown on the balance sheet under current assets and restricted assets, consisted of checking, savings, and certificate of deposit accounts. The carrying amounts of those accounts totaled \$40,125 and the corresponding bank balances totaled \$41,908. All of the bank balances were covered by federal depositary insurance.

**Note 3 - Restricted Assets (Cash and Investments):**

Under the terms of the bond agreement and resolution of the Board of Commissioners, the District is required to establish and maintain four restricted asset accounts. They are as follows:

1. A customer meter deposit account in which all customer meter deposits are held.
2. A revenue bond and interest sinking fund account from which bond principal and interest are paid. On or before the 20th of each month, the District is required to deposit a sum equal to one-twelfth of the total amount of principal and interest falling due in the following year.
3. A reserve fund account in which funds are held for payment of bond principal and interest in the event the sinking fund account is unable to pay. On or before the 20th of each month, the District is required to deposit a sum at least equal to five per cent of the amount to be paid into the sinking fund provided for in paragraph 2 above. The payments into the reserve are to continue until the reserve equals the highest combined principal and interest falling due in any year.

Board of Commissioners  
Waterworks District No. 1

This report is intended for the information of management of the District, its cognate  
multi agency, and the Legislative Auditor of the State of Louisiana. However, this report  
is a matter of public record and its distribution is not limited.

*Luffey, Stephenson & Assocs*  
April 22, 1997

**WATERWORKS DISTRICT NO. 1  
STATUS OF PRIOR YEAR FINDINGS**

In connection with our audit of the District for the year ended December 31, 1994, we have also reviewed the status of the prior year comments issued in our report dated March 28, 1994.

Finding of non-compliance with loan covenants requiring making timely deposits each month to its Bond Sinking Fund has been corrected.



## LUFFEY, HUFFMAN & MONROE

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### To the Board of Commissioners Waterworks District No. 1

In planning and performing our audit of the financial statements of the Waterworks District No. 1 (the District) as of December 31, 1996, and for the year then ended, certain matters came to our attention which we believe should be conveyed to management of the District. This letter will summarize our comments and suggestions regarding these matters. This letter does not affect our report dated April 22, 1997, on the financial statements.

#### I. Payments Made in Advance

##### Bookkeeper

The bookkeeper is the only full-time employee of the district and is paid on a monthly basis. During 1996, every monthly salary check the bookkeeper received was written and negotiated in advance of the end of the month that the check was for. The number of days between the date of the check and the end of the month the check was for ranged from 27 days to 188 days.

During 1996, a district resident was hired to mow around the district's water tanks, offices, etc. He received 2 checks in advance of his mowing services that were included in the checks. One check for \$400, written on August 1, 1996, was for mowing on the days of August 8, 15, 22, and 28, 1996. Another payment for \$500, written on September 25, 1996, included \$100 that was for mowing on September 30, 1996. These two checks paid for services from 5 days to 28 days in advance of the performance of those services.

Article 7, Section 14 of the Louisiana Constitution of 1974 states, in part, that the funds of a political subdivision shall not be loaned to any person. The above instances appear to be violations of the aforementioned section of the constitution.

##### Recommendation:

Payments for services should not be made prior to the performance of services.



**Response:**

The Board was unaware that checks were being prepared and issued prior to the performance of the services that the checks were paying for. In the future, the Board will assure that checks are complete and documentation is adequate prior to the checks being signed by the appropriate officers of the District.

**2. Need to Withhold Required Contributions  
of Social Security and Medicare**

**Finding:**

For the second, third, and fourth quarters of 1996, the District failed to withhold the required contributions, totaling \$417, of Social Security and Medicare on its employees; however, the District remitted the employee portion, along with its required matching contributions, at the end of each quarter. In effect, the District issued \$417 to the employees. Article 7, Section 14 of the Louisiana Constitution of 1974 states, in part, that the funds of a political subdivision shall not be loaned to any person. This money was reimbursed to the District by the employee at the end of 1996.

**Recommendation:**

The District should withhold and remit the required amounts of Social Security and Medicare as the salaries are earned and paid to the employees.

**Response:**

The Board will immediately begin withholding and remitting the proper amount amounts of Social Security and Medicare as the salaries are earned and paid to the employees.

**3. Need to Comply with Bond Reserve  
Fund Requirements**

**Finding:**

The District failed to comply with the Bond Reserve Fund requirements. On June 14, 1996, \$5,000 was transferred from the Bond Reserve Fund to the General Fund to partially cover payment of a new water tank for the District. According to the bond agreement, monies in

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the Bond Reserve Fund are to be retained solely for the purpose of paying the principal of and interest on the bonds.

**Recommendation:**

The District should refund to the Bond Reserve Fund the amount of \$5,180 and, in the future, refrain from using monies in the Bond Reserve Fund for any purpose other than the payment of bond principal and interest.

**Response:**

The Board assures that as soon as excess funds are available, \$5,180 will be refunded to the Bond Reserve Fund and the District will refrain from using monies in the Bond Reserve Fund for any purpose other than the payment of bond principal and interest.

**4. Board Commissioner Paid for Day-to-Day Operations and Maintenance**

**Finding:**

On July 25, 1996, a board commissioner received a check for \$120 for the day-to-day operations and maintenance duties he performed early in July. These duties are normally performed by a technical consultant who was hired as contract labor but was on vacation for the period of time the board commissioner was paid. Louisiana Revised Statute 33:981(A) states that the board commissioners shall have absolute control and authority over the waterworks in the District and shall adopt by-laws, rules, and regulations for the proper conduct and operation of a waterworks system in their District. The statute also states that the board may employ the necessary labor for directing and installing a waterworks system in their District, and directly participate in the day-to-day operations and maintenance. Louisiana Revised Statute also prohibits a board commissioner from being an employee of the District that he is a commissioner of.

**Recommendation:**

In the future, board commissioners should refrain from performing day-to-day operations and maintenance duties.

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**Response:**

The Board was assured that a board commissioner was prohibited from directly participating in the day-to-day operations and maintenance. They also stated that there was no one else to fill in for the technical consultant, but the Board will assure that someone will be trained to temporarily replace the technical consultant in the event it becomes necessary.



April 22, 1997