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

Board of Commissioners
West Ouachita Sewerage District No. 2
West Monroe, Louisiana

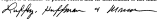
We have audited the general purpose financial statements of West Ouachita Sewerage District No. 2 (the District), a component unit of the Ouachita Parish Police Jury as of and for the year ended August 31, 1997, and have issued our report thereon dated January 14, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in *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 and grants applicable to the District is the responsibility of the Board of Supervisors. 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 and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we express no such 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 management of the District, the Legislative Auditor of the State of Louisiana and agencies granting funds to the District. However, this report is a matter of public record and its distribution is not limited.



Monroe, Louisiana
January 14, 1997

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to an acceptably 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 to be a material weakness. This condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of the District for the year ended August 31, 1996.

This report is intended for the information of management of the District, the Legislative Auditor of the state of Louisiana and agencies granting funds to the District. However, this report is a matter of public record and its distribution is not limited.



Monroe, Louisiana
January 14, 1997

In planning and performing our audit of the general purpose financial statements of the District for the year ended August 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 had 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 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 are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, 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.

Collection of Service Fees From Terminated Accounts

Finding:

Greater Quachita Water Company (Greater Quachita) performs billings and collections for all of the District's customers except for the industrial customer. Greater Quachita then remits monies collected on behalf of the District based on the end of month reports generated by Greater Quachita's computer system. When customers would terminate their service and they would have a refund due from their deposit after paying their final bill, Greater Quachita's reports did not include the final amount due to the District. Consequently, the District did not receive these amounts and a receivable has been recorded at August 31, 1996.

Recommendation:

The District should encourage Greater Quachita to revise their reporting procedures on the computer software so that all fees due the District are reported and remitted each month regardless of whether or not the customer is due a refund.

Response:

The District has requested, and Greater Quachita has agreed, that the computer software will be changed to allow for proper reporting and timely remittance of amounts due.

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

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited the general purpose financial statements of West Ouachita Sewerage District No. 5 (the District), a component unit of the Ouachita Parish Police Jury as of and for the year ended August 31, 1996, and have issued our report thereon dated January 14, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in *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 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 executed in accordance with the Board'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.

**WEST QUACHITA SEWERAGE DISTRICT NO. 5 SCHEDULE 1
 SCHEDULE OF INSURANCE COVERAGE (Continued)
 AUGUST 31, 1996**

Unaffiliated

<u>Property or Risk and Insurance Company</u>	<u>Kind of Insurance and Term</u>	<u>Maximum Coverage</u>
Multi-Peril Zurich Insurance Company	Boiler and Machinery 11/96 to 11/97	\$10,000,000 - * Per Occurrence \$1,000 Deduct.
3 Commissioners and All Employees International Surplus Lines Insurance Company	Public Officials 11/96 to 11/97	\$3,000,000 - * \$25,000 Deduct.

This schedule, prepared from the policies, is intended only as a descriptive summary; no expression of opinion as to the adequacy of coverage is intended.

* Policy is covering the Ouachita Parish Police Jury which includes West Ouachita Sewerage District No. 5.

WEST VIRGINIA SEWERAGE DISTRICT NO. 5 SCHEDULE 2
SCHEDULE OF INSURANCE COVERAGE
AUGUST 31, 1996

Unaudited

<u>Property or Risk and Insurance Company</u>	<u>Kind of Insurance and Term</u>	<u>Maximum Coverage</u>
Employees Midwest Employees Casualty	Workmen's Compensation Employer's Liability 11/76 to 11/97	Statutory *
Multi-Peril Barford Fire Insurance Group	Excess Coverage on Real and Personal Property 327 Wallace Fire, E.C. & TBM, 90% 11/76 to 11/97	\$4,811,025 *
Multi-Peril International Surplus Lines Insurance Company	Comprehensive General Liability Equipment Replacement 11/76 to 11/97	\$1,000,000 - Aggregate \$1,000,000 - Per Occurrence *
Vehicles International Surplus Lines Insurance Company	Liability Collision Comprehensive Uninsured Motorist 11/76 to 11/97	\$1,000,000 \$500 Deduct. ACT \$200,000
3 Commissioners and All Employees Fidelity and Deposit Company of Maryland	Fidelity Bond 3/1/76 to 3/1/97	\$650,000
Multi-Peril International Surplus Lines Insurance Company	Building and Personal Property 327 Wallace Fire, E.C. & VMM, 90% 11/76 to 11/97	\$1,000,000 - Per Occurrence *

(Continued)

WEST QUACHETA SEWERAGE DISTRICT NO. 3
SCHEDULE OF CHANGES IN RESTRICTED ASSETS
FOR THE YEAR ENDED AUGUST 31, 1996

SCHEDULE 1

	<u>Bond and Interest Rescriptions</u>	<u>Bond Revenue</u>	<u>Asset Replacement and Capital Funds</u>	<u>Total</u>
Balance - September 1, 1995	\$ 378,666	\$ 154,480	\$ 115,690	\$ 648,836
Add:				
Property Tax Collections and Interest	88,337	0	0	88,337
Transfer From Operating Account	156,000	9,283	9,870	175,153
Interest Earned	2,345	4,793	9,320	16,458
Total Funds Available:	<u>497,648</u>	<u>168,476</u>	<u>192,870</u>	<u>859,094</u>
Less:				
Payment of Principal and Interest	(206,994)	0	0	(206,994)
Amort's Fees	<u>(2,380)</u>	<u>0</u>	<u>0</u>	<u>(2,380)</u>
Balance - August 31, 1996	\$ <u>298,274</u>	\$ <u>168,476</u>	\$ <u>192,870</u>	\$ <u>659,620</u>

The above schedule does not reflect the Customer Deposits/Payments of \$43,888 included in restricted assets.

Supplemental Information

WEST QUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$250,000 deductible with an aggregate coverage of \$1,000,000. Two funds are established and maintained by the Police Jury, one for liability and property and one for worker's compensation. The liability fund and worker's compensation fund have \$94,866 and \$1,202,683, respectively, in assets as of December 31, 1995. The District contributed \$36,877 into the fund during the year ended August 31, 1996.

WEST QUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

System also provides death and disability benefits. Benefits are established by state statute.

Funding Policy: Contributions to the System include one-fourth of one percent of the taxes shown to be collected by the tax roll of each parish (excepting Orleans and East Baton). State statute requires covered employees to contribute a percentage of their salary to the System. The District's contribution is determined by actuarial valuation and is subject to change each year based on the results of the valuation for the previous year. The District's contributions to the system for the years ended August 31, 1996 and 1995 were \$8,481 and \$8,568, respectively.

The System issues an annual, publicly-available financial report that includes financial statements and required supplementary information covering the System. The report may be obtained by writing the Parochial Employees' Retirement System, P. O. Box 14019, Baton Rouge, LA 70806-0019 or by calling (504) 938-1563.

Note 10 - Related Party Transactions

The District is covered by certain umbrella insurance policies through the Police Jury. The District paid the Police Jury \$23,351 and \$8,277 for this coverage during 1996 and 1995, respectively.

Note 11 - Commitments and Contingencies

In June of 1993, the Board approved a major levee project at the site of the West Maunac Treatment Plant which will start after June, 1996. The District will share 50% of the cost of the project. The District's share will be approximately \$150,000.

Note 12 - Risk Financing Activities

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and automobile coverage and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$100,000 per occurrence, except for \$500 which is paid by the District. The premiums, which

**WEST-CHLACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995**

Note 7 - Commissioners' Fees

The members of the Board of Commissioners are paid \$40 per regular meeting and \$25 per special meeting. Payments during the year ended August 31, 1996, were as follows:

	Regular Meetings	Special Meetings	Compensation
Johnny Robert - President	11	1	465
Fred Young - Vice President (out-going)	-	-	120
Jerry Burrows - Vice President	8	1	348
Fred Hall - Secretary	12	1	505
TOTAL			<u>1,438</u>

The District pays the commissioners once a year. Fred Young was paid for three meetings attended prior to the beginning of the fiscal year.

Note 8 - Franchise Fee

The District entered into a franchise agreement with a corrugated container plant located outside their taxing district boundaries. This agreement calls for payment of an unrestricted franchise fee equivalent to the taxes which would have been levied had the plant been in the boundaries of the District. The plant also pays a monthly user's fee. This agreement was cancelled effective June 30, 1995.

Another agreement between the plant and the District became effective June 1, 1996. Under the new agreement, a meter was installed at the plant to measure its discharge into the District's system. Payments under these arrangements were \$7,489 and \$38,241 for the years ended August 31, 1996 and 1995, respectively.

Note 9 - Defined Benefit Pension Plan

Substantially all employees of the District participate in the Parochial Employees' Retirement System of Louisiana (the System), a defined benefit, multiple-employer public employee retirement system. All full-time employees of the District were eligible to participate in the System. Employees who retire at or after age 60 with 10 years of credited service, age 55 with 25 years of credited service, or with 30 years of credited service regardless of age are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the highest thirty-six consecutive months of credited service. The

**WEST QUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995**

Property Tax Calendar

Assessment Date	January 1, 1995
Levy Date	November 15, 1995
Tax Bills Mailed	November 22, 1995
Total Taxes Are Due	December 31, 1996
Penalties and Interest Are Added	January 1, 1996
Lien Date	June 5, 1996
Tax Sale - 1995 Delinquent Property	June 12, 1996

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios to fair market value.

16% Land	15% Machinery
16% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

All property within the District was assessed 4.0 mills in 1996 for the payment of general obligation bond principal and interest of the District.

Note 4 - Long-Term Leases

On February 21, 1975, the District entered into a 25-year lease with the City of West Monroe (the City) for joint use of the Regional Wastewater Treatment Facility owned by the City. During 1984, the treatment plant was reconstructed with a cost to the District of \$403,816. The operation and maintenance of the treatment facility is prorated between the District and the City based on usage. The cost to the District was \$185,792 and \$136,162 for the years ended August 31, 1996 and 1995, respectively.

On November 1, 1975, the District entered into a 20-year lease, as lessee, with Greater Ouachita Water Company for use of their sewer collection system located west of the Ouachita River in Ouachita Parish for \$1,800 per year. Under the terms of the lease, the District was entitled to all revenues and was obligated to maintain the system. For the year ended August 31, 1995, rent expense in connection with this lease was \$750. In November, 1995, Greater Ouachita Water Company donated the sewer collection system covered by the lease to the District, effectively terminating the lease. Management feels that based on the age of the system and the anticipated future repairs that no value should be assigned to the system at the date of the donation.

**WEST OUCHITHA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995**

payment of the reasonable and necessary expenses for administration, operation and maintenance.

2. General obligation bonds in the amount of \$1,135,000 and \$1,165,000, at August 31, 1996 and 1995, respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on December 15th. These bonds are secured by a special tax in excess of all other taxes on all the property subject to taxation within the territorial limits of the District, under the constitution and laws of Louisiana, sufficient in amount to pay the principal and interest thereon.

Maturity schedules consist of the following:

Revenue Bonds (1977 Issue)		Revenue Bonds (1995 Issue)		General Obligation Bonds	
Maturity Dates	Principal	Maturity Dates	Principal	Maturity Dates	Principal
April 12, 1997	\$ 40,000	April 12, 1997	\$ 24,343	December 12, 1997	\$ 30,000
1998	40,000	1998	25,350	1998	30,000
1999	45,000	1999	26,618	1999	30,000
2000	45,000	2000	27,849	2000	35,000
2001	50,000	2001	29,346	2001	35,000
2002-2017	1,215,000	2002-2010	173,408	2002-2017	975,000

The principal payments and sinking fund requirements of indebtedness maturing during the next five fiscal years and to maturity, including interest of \$1,840,212 are as follows: 1997 - \$245,484; 1998 - \$199,864; 1999 - \$141,484; 2000 - \$242,734; 2001 - \$245,732; 2002-2006 \$1,216,240; 2007-2010 \$1,110,108; 2012-2016 \$1,092,790; and 2017-2018 - \$287,500.

Note 5 - Property Taxes

A tax on real property and business personal property located within the boundaries of Ouchitua Parish is levied by the Police Jury. Property taxes are levied by the Police Jury on property values assessed by the Ouchitua Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

**WEST QUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995**

Restricted assets were composed of the following:

	<u>Total</u>	Cash and Option Accounts	Certificates of Deposit	Accrued Interest Receivable
August 31, 1996:				
Bond and Interest Redemption Fund	\$ 206,269	\$ 206,269	\$ -	\$ -
Bond Reserve Fund	168,481	68,289	99,753	479
Sewer Replacement and Extension Fund	<u>241,876</u>	<u>71,481</u>	<u>171,396</u>	<u>-</u>
TOTALS	<u>\$ 617,626</u>	<u>\$ 346,039</u>	<u>\$ 271,349</u>	<u>\$ 479</u>

August 31, 1995:

Bond and Interest Redemption Fund	\$ 205,851	\$ 205,851	\$ -	\$ -
Bond Reserve Fund	154,419	53,994	99,753	603
Sewer Replacement and Extension Fund	<u>223,845</u>	<u>52,448</u>	<u>174,396</u>	<u>-</u>
TOTALS	<u>\$ 584,115</u>	<u>\$ 312,293</u>	<u>\$ 274,149</u>	<u>\$ 603</u>

Effective October, 1992, the District began collecting \$20 from each new customer in the District as a refundable deposit. As of August 31, 1996, customer deposits totaled \$43,898. These deposits were being held by M & N Utilities, the company that bills and collects the sewer user fees for the District.

Note 4 - Bonds Payable

Bonds in the amount of \$1,965,814 and \$3,890,457 at August 31, 1996 and 1995, respectively, consist of the following:

1. Revenue bonds (1977 issue and 1985 issue) in the amount of \$1,851,814 and \$3,814,888, at August 31, 1996 and 1995, respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on April 15th. These bonds are secured and payable solely from the income to be derived from the operation of the system after provision has been made for

WEST COACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995

Sick leave may be carried forward from year to year with no limit on the number of hours that may be accrued. An employee will be compensated up to a maximum of 30 days accumulated sick leave only upon normal retirement. The financial statements do not include any amounts for compensated absence because the amount cannot be estimated.

J. Use of 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 results could differ from those estimates.

Note 2 - Cash and Investments

The District's cash and investments consist of \$95 petty cash, deposits with financial institutions and certificates of deposit. The District's investment policy is governed by state statute. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by Federal deposit insurance. At August 31, 1996, the carrying amount of the District's deposits and investments was \$1,617,660 and the bank balance was \$1,625,913. The entire bank balance was insured or collateralized by securities held by the financial institution or its agent in the District's name.

Note 3 - Restricted Assets

Under terms of the revenue bond indentures, the District is required to establish and maintain a bond reserve fund equal to 5% of the principal and interest payment requirements until this fund reaches \$155,864 (the highest annual debt service payable in any future year). Tax collections for fiscal year 1996 and 1995 in the amounts of \$88,257 and \$83,910, respectively, were received from a special 4.0 mill tax assessment in 1996 and 1995. This tax assessment is restricted for the payment of general obligation bond principal and interest. In addition, \$710 a month must be transferred to a sewer replacement and extension fund and one-tenth of the current year's principal and interest on revenue bonds must be deposited monthly into a bond and interest redemption fund.

**WEST QUACHITA SEWERAGE DISTRICT NO. 9
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995**

G. Property and Equipment

Contributions from the Federal government through an EPA grant were credited to an equity account. This grant is amortized through depreciation of the assets acquired with the proceeds.

Upon completion of new subdivisions, developers donate their system to the District for servicing and maintenance. These systems are recorded at fair market value at the date of contribution to an equity account.

Property and equipment are recorded at their total cost and depreciated on the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

Buildings and Improvements	15-40 Years
Lift Station Structures	40 Years
Lift Station Pumps	20 Years
Gravity Lines, Force Mains and Manholes	40 Years
Equipment	3-10 Years
Vehicles	5 Years
Furniture and Fixtures	3-15 Years

Interest on the bonds and interim notes during the construction period through January 28, 1988, and all costs associated with the bond issues, have been added to the cost of the constructed assets and are being depreciated accordingly. Customers are billed a flat rate for new connection taps which covers the cost of the tap to the District; therefore, new connection costs are expensed rather than capitalized.

II. 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.

I. Compensated Absences

Employees accrue sick leave as follows:

Employment less than 6 months	0 days per year
6 months - 1 year	4 days per year
1 - 3 years	8 days per year
After 3 years	12 days per year

WEST QUACIETA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1994 AND 1995

Accounting, relating to certain procurements by the Financial Accounting Standards Board to proprietary activities of governmental entities. The District has elected not to apply GASB Statement No. 20.

B. Basis of Accounting

The District recognizes income on the accrual basis of accounting. Customers are billed monthly for services received during the month.

Total connection fees were approximately \$20,900 and \$8,700 for the years ended August 31, 1994 and 1995, respectively. The rates charged for services are as follows:

1. Residential, commercial, multi-housing and multi-unit services are charged \$10.00 per month per residential unit equivalent.
 - a. The multi-housing is based on a 100% occupancy factor.
 - b. The multi-unit is based on a physical count each month.
2. Institutional billing is based on average monthly water use with 80% wastewater return factor.
3. Industrial billing is based on average monthly water use plus Industrial Cost Recovery factor and surcharge for excessive pollutant concentration.

C. Accounts Receivable

Receivables are primarily composed of residential customers living in the district. 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. The difference between the use of the direct write-off method and the allowance method for accounting for bad debts is not material to the financial statements of the District.

D. Inventory

Inventory consists of new and used pumps and is valued at cost as determined by specific identification method.

**WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 1996 AND 1995**

Note 1 - Summary of Significant Accounting Policies

A. History

West Ouachita Sewerage District No. 5 (the District), was created on January 24, 1974, by the Ouachita Parish Police Jury through adoption of Ordinance No. 1386, and is a component of the Ouachita Parish Police Jury (the Police Jury) and is an integral part of the Police Jury reporting entity. As a governmental entity, the District is exempt from federal and state income taxes. It is governed by a board of commissioners composed of three property taxpayers residing within the District.

The District was constructed with an EPA grant which financed 75% of the construction and engineering costs. Bonds were sold to provide the funds needed for the local share.

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 1990 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 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 has financial dependence upon the Police Jury (see Note 6), 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.

The accompanying general purpose financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that primary governmental unit or other component units that comprise the primary government reporting entity.

C. Accounting Measurements

In 1990 the GASB issued Statement No. 28, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund*

WEST OLAUCHITA SEWERAGE DISTRICT NO. 2
STATEMENTS OF CASH FLOWS

	August 31,	
	2006	2005
Cash Flows From Operating Activities		
Cash From Operations	\$ 271,930	\$ 262,127
Adjustments to Reconcile (Loss) From Operations to Net Cash Provided by Operating Activities		
Depreciation	381,770	377,111
Change in Current Assets and Current Liabilities	(27,864)	(11,382)
Net Cash Provided by Operating Activities	625,736	627,856
Cash Flows From Noncapital Financing Activities		
Property Tax Millage	88,517	88,600
Franchise Fee	7,140	5,392
Net Cash Provided by Noncapital Financing Activities	95,657	93,992
Cash Flows Used by Capital and Related Financing Activities		
Principal Paid on Bonds	(28,642)	(28,600)
Interest Paid on Bonds	(143,296)	(170,224)
Net Cash Used by Capital and Related Financing Activities	(171,938)	(198,824)
Cash Flows From Investing Activities		
Purchase of Capital Assets, Net	(28,500)	(26,492)
Interest Received	62,728	41,000
Proceeds From Sale of Equipment	16,250	0
Purchase of Investments, Net	(27,549)	(286,148)
Change in Restricted Investments, Net	0	(2)
Net Cash Used by Investing Activities	(82,071)	(291,642)
Net Increase in Cash and Cash Equivalents	(20,233)	(17,510)
Cash and Cash Equivalents at Beginning of Year	524,501	542,011
CASH AND CASH EQUIVALENTS AT END OF YEAR	504,268	524,501

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL INVESTING AND FINANCING ACTIVITIES

Contribution of Sewerage Collection System	\$ 218,292	\$ 15,000
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CASH AND CASH EQUIVALENTS KNOWN OR DEDUCTIBLE AS

Current Assets		
Cash and Cash Equivalents	\$ 188,881	\$ 211,661
Restricted Assets		
Cash and Cash Equivalents	315,387	312,840
TOTAL CASH AND CASH EQUIVALENTS	\$ 504,268	\$ 524,501

The accompanying notes are an integral part of these financial statements.

WEST OLACHITA SEWERAGE DISTRICT NO. 3
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS (Continued)

	<u>Year Ended</u> <u>August 31, 1996</u>		<u>Year Ended</u> <u>August 31, 1995</u>	
Nonoperating Revenues (Expenses)				
Property Tax	68,333	8.88	63,568	8.42
Interest Revenues	65,768	8.68	59,676	8.09
Franchise Fees	7,358	9.72	6,342	8.62
Gain on Sale of Assets	6,805	8.65	0	0.00
Interest Expense	<u>(121,200)</u>	<u>(15.17)</u>	<u>(127,321)</u>	<u>(15.79)</u>
Total Nonoperating Revenues (Expenses)	<u>16,956</u>	<u>1.68</u>	<u>(7,544)</u>	<u>(8.79)</u>
Net Loss	(58,580)	(5.87)	(58,689)	(5.69)
Depreciation on Fixed Assets				
Assigned by Grants	<u>218,858</u>	<u>21.22</u>	<u>219,904</u>	<u>21.86</u>
Increase in Retained Earnings	167,978	16.62 %	160,215	16.07 %
Retained Earnings at Beginning of Year	<u>791,136</u>		<u>634,921</u>	
RETAINED EARNINGS AT END OF YEAR	\$ <u>943,114</u>		\$ <u>775,136</u>	

The accompanying notes are an integral part of these financial statements.

**WEST OUCHITA SEWERAGE DISTRICT NO. 2
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

	<u>Year Ended</u> <u>August 31, 1996</u>		<u>Year Ended</u> <u>August 31, 1995</u>	
Operating Revenues				
Sewerage Fees	\$ 861,560	96.18 %	\$ 875,193	97.84 %
Inspection Fees	11,800	1.18	11,400	1.24
New Connection Fees	20,818	2.09	8,650	0.97
Miscellaneous	2,165	0.21	2,627	0.29
Total Operating Revenues	<u>906,343</u>	<u>100.00</u>	<u>908,870</u>	<u>100.00</u>
Operating Expenses				
Advertising	1,488	0.14	964	0.10
Assessor's Fees	2,721	0.27	2,588	0.28
Bad Debt Expense	7,287	0.72	6,212	0.68
Collection Expenses	50,841	5.11	50,817	5.60
Commissioners' Fees	1,431	0.14	1,890	0.21
Depreciation	981,778	10.19	877,313	97.63
Fees and Subscriptions	248	0.02	357	0.04
Gas and Oil	14,896	1.41	10,978	1.20
Insurance	26,877	2.62	23,968	2.64
Maintenance and Repairs	118,548	11.99	104,688	11.51
New Connection Tap	5,088	0.51	2,458	0.27
Office Expense	4,073	0.40	4,838	0.44
Payroll Taxes	4,494	0.43	4,151	0.42
Pension and Retirement Expense	8,481	0.84	8,788	0.96
Postage	842	0.04	461	0.05
Professional Fees	13,134	1.22	28,349	3.12
Rent	0	0.00	835	0.09
Salaries and Wages	189,156	11.93	181,873	11.20
Taxes and Licenses	708	0.07	708	0.07
Telephone	2,588	0.24	3,988	0.44
Travel	362	0.04	1,147	0.12
Treatment Plant Operations	185,112	18.65	156,182	17.19
Utilities	334,198	18.47	113,658	11.85
Total Operating Expenses	<u>1,854,779</u>	<u>186.75</u>	<u>1,898,194</u>	<u>187.25</u>
Loss From Operations	<u>(941,436)</u>	<u>(97.15)</u>	<u>(989,324)</u>	<u>(107.92)</u>

(Continued)

	August 31,	
	1998	1997
LIABILITIES AND FUND EQUITY		
Current Liabilities (Payable from Current Assets)		
Accounts Payable	\$ 42,168	\$ 52,964
Payroll Taxes Payable	5,355	4,384
Total	<u>47,523</u>	<u>57,348</u>
Current Liabilities (Payable from Restricted Assets)		
Bonds Payable (Note 4)	94,043	92,994
Accrued Interest Payable	36,872	38,819
Customer Deposits	41,869	35,750
Total	<u>172,784</u>	<u>167,563</u>
Total Current Liabilities	220,307	224,911
Long-Term Liabilities		
Bonds Payable (Note 4)	<u>2,992,671</u>	<u>2,987,463</u>
Total Liabilities	3,154,010	3,255,143
Fund Equity		
Contributed Capital:		
Contributions - Federal Government	8,329,234	8,329,234
Less: Amortization - Grants	<u>(1,778,474)</u>	<u>(1,583,506)</u>
Total Contributions - Federal Government	4,550,760	4,745,728
Contributions - Developers and Others	<u>1,317,814</u>	<u>1,899,452</u>
Total Contributed Capital	5,868,574	6,645,180
Retained Earnings:		
Reserved for Debt Service	284,586	185,468
Reserved for Sewer Replacement and Integration	243,876	233,843
Unreserved	<u>497,652</u>	<u>362,825</u>
Total Retained Earnings	<u>986,114</u>	<u>782,136</u>
Total Fund Equity	<u>6,854,688</u>	<u>7,427,316</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 3,567,698	\$ 3,561,261

**WEST OUACHITA SEWERAGE DISTRICT NO. 2
BALANCE SHEETS**

	August 31,	
	1986	1985
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 149,935	\$ 212,464
Investments	891,892	635,912
Accrued Interest Receivable	33,282	13,515
Accounts Receivable - Customers	141,759	131,208
Due From Greater Ouachita Water Company	34,241	0
Prepaid Insurance	8,817	5,623
Inventory	42,059	43,150
Deposits	608	380
Total Current Assets	1,235,947	1,682,411
Restricted Assets (Note B)		
Cash and Cash Equivalents	348,000	312,383
Investments	271,148	276,188
Interest Receivable	479	583
Customer Deposits Escrow	43,000	38,560
Total Restricted Assets	662,627	627,714
Property and Equipment		
Buildings and Improvements	183,186	183,186
Furniture and Fixtures	14,587	34,907
Equipment	185,237	184,968
Vehicles	33,682	30,533
Lines, Mains and Meters	18,993,944	18,683,262
Lift Station - Pumps	628,778	629,719
Lift Station - Structures	1,448,489	1,448,489
Treatment Plant	471,651	477,651
Total	19,889,244	19,889,112
Less: Accumulated Depreciation	(3,394,838)	(2,278,907)
Net Depreciable Assets	1,494,406	8,610,205
Land	204,907	204,907
Total Property and Equipment	1,699,313	8,236,118
TOTAL ASSETS	\$ 2,935,260	\$ 2,941,241

This accompanying note is an integral part of these financial statements.

Board of Commissioners
West Ouachita Sewerage District No. 5
Page 2

District. Except for The Schedule of Insurance Coverage, this information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole. The Schedule of Insurance Coverage has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and accordingly, we express no opinion or any other form of assurance on it.



Monroe, Louisiana
January 14, 1997

LUFFEY, HUFFMAN & MONROE
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INDEPENDENT AUDITORS' REPORT

**Board of Commissioners
West Ouachita Sewerage District No. 5
West Monroe, Louisiana**

We have audited the accompanying general purpose financial statements of West Ouachita Sewerage District No. 5 (the District), a component unit of the Ouachita Parish Police Jury, as of and for the years ended August 31, 1996 and 1995, as listed in the accompanying Table of Contents. 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audits 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 audits provide 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 District as of August 31, 1996 and 1995, and the results of its operations, its cash flows, and changes in retained earnings for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 1997 on our consideration of the District's internal control structure and a report dated January 14, 1997 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as Supplemental 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

**WEST OUCHITUA SEWERAGE DISTRICT NO. 8
(A COMPONENT UNIT OF OUCHITUA PARISH POLICE JURY)
FINANCIAL STATEMENTS
AUGUST 31, 1996 AND 1995**

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WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A COMPONENT UNIT OF OUACHITA PARISH POLICE JURY)

Financial Statements
For the Years Ended August 31, 1992 and 1993

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewer, 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: **MAY 12 1993**