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West Ouachita Sewerage District No. 5 (A Component Unit of the Ouachita Parish Police Jury)

Financial Statements

For the Years Ended August 31, 1997 and 1996

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Released Date: 10/17/98

WEST OUACHITA SEWERAGE DISTRICT NO. 5
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Balance Sheets	3
Statements of Revenue, Expenses and Changes in Retained Earnings	4
Statements of Cash Flows	6
Notes to Financial Statements	7
<u>Supplemental Information</u>	
Schedule 1 - Schedule of Changes in Restricted Assets	18
Schedule 2 - Schedule of Insurance Coverage (Unaudited)	19
Independent Auditors' Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance With Government Auditing Standards	20
Independent Auditors' Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance With Government Auditing Standards	22
Status of Prior Year Findings	23



Luffey
Huffman
& Monice

AN ORGANIZATION AFFILIATING MEMBERSHIP
CERTIFIED PUBLIC ACCOUNTANTS

John Luffey, CPA, CMA
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying component unit 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, 1997 and 1996, as listed in the accompanying Table of Contents. Those component unit financial statements are the responsibility of the District'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 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 audits 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of the District as of August 31, 1997 and 1996, and the results of its operations, its cash flows and changes in its 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 November 24, 1997 on our consideration of the District's internal control structure and a report dated November 24, 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 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.



November 24, 1987

**West Quabbin Sewerage District No. 5
Balance Sheets**

Assets	August 31,	
	1997	1996
Current Assets		
Cash and Cash Equivalents	\$ 173,186	\$ 148,565
Investments	777,238	851,852
Accrued Interest Receivable	9,489	15,782
Accounts Receivable - Customers	183,258	141,758
Due From Greater Quabbin Water Company	-	14,241
Prepaid Insurance	6,888	8,917
Inventory	42,159	42,159
Deposits	506	506
Total Current Assets	<u>1,198,662</u>	<u>1,237,547</u>
Restricted Assets (Vote 3)		
Cash and Cash Equivalents	383,784	346,091
Investments	275,548	271,148
Interest Receivable	350	479
Customer Deposits Escrow	54,420	41,600
Total Restricted Assets	<u>714,102</u>	<u>660,318</u>
Property and Equipment		
Buildings and Improvements	183,186	183,186
Furniture and Fixtures	14,597	14,597
Equipment	111,693	103,237
Vehicles	98,856	73,682
Lines, Mains and Manholes	18,994,897	18,991,944
Lift Station - Pumps	633,778	633,778
Lift Station - Structures	1,460,489	1,460,489
Treatment Plant	637,234	477,681
Total	<u>14,327,860</u>	<u>13,837,234</u>
Less: Accumulated Depreciation	(6,306,383)	(5,995,018)
Net Depreciable Assets	<u>8,021,477</u>	<u>7,842,216</u>
Land	284,667	284,907
Total Property and Equipment	<u>8,306,144</u>	<u>8,127,123</u>
TOTAL ASSETS	<u>\$ 9,504,548</u>	<u>\$ 9,587,608</u>

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

	August 31,	
	1997	1996
Liabilities and Fund Equity		
Current Liabilities (Payable From Current Assets)		
Accounts Payable	\$ 124,168	\$ 42,169
Payroll Taxes Payable	5,306	5,333
Total	<u>129,474</u>	<u>47,502</u>
Current Liabilities (Payable From Restricted Assets)		
Bonds Payable (Note 4)	95,150	94,143
Accrued Interest Payable	74,286	76,672
Customer Deposits	94,420	43,680
Total	<u>263,856</u>	<u>213,815</u>
Total Current Liabilities	393,330	261,317
Long-Term Liabilities		
Bonds Payable (Note 4)	<u>2,798,921</u>	<u>2,893,319</u>
Total Liabilities	3,192,251	3,154,636
Fund Equity		
Contributed Capital:		
Contributions - Federal Government	8,129,234	8,129,234
Less: Amortization - Grants	(3,993,524)	(3,735,474)
Total Federal Government	<u>4,135,710</u>	<u>4,393,760</u>
Contributions - Developers and Others	1,289,824	1,317,814
Total Contributed Capital	<u>5,425,534</u>	<u>5,711,574</u>
Retained Earnings:		
Reserved for Debt Service	225,825	281,938
Reserved for Sewer Replacement and Extension	261,881	242,876
Unreserved	560,727	493,632
Total Retained Earnings	<u>1,048,433</u>	<u>968,446</u>
Total Fund Equity	<u>6,473,967</u>	<u>6,680,020</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 9,666,218	\$ 9,834,656

**West Charlotte Sewerage District No. 5
Statements of Revenue, Expenses and
Changes in Retained Earnings**

	<u>Year Ended August 31, 1997</u>		<u>Year Ended August 31, 1996</u>	
Operating Revenue				
Sewerage Fees	\$ 1,023,843	96.83 %	\$ 981,969	96.50 %
Inspection Fees	26,800	2.66	11,808	1.18
New Connection Fees	7,400	0.70	20,858	2.09
Miscellaneous	158	0.01	2,183	0.22
Total Operating Revenue	<u>1,058,201</u>	<u>100.00</u>	<u>996,818</u>	<u>100.00</u>
Operating Expenses				
Advertising	1,924	0.18	1,408	0.14
Assessor's Fees	2,796	0.26	2,711	0.27
Bad Debt Expense	4,536	0.43	7,207	0.73
Collection Expense	53,668	5.02	95,844	9.61
Commissioners' Fees	1,515	0.14	1,415	0.14
Depreciation	391,409	37.02	391,174	39.24
Dues and Subscriptions	340	0.03	389	0.04
Gas and Oil	11,203	1.06	14,096	1.41
Insurance	39,183	3.71	36,077	3.62
Maintenance and Repairs	162,505	15.49	118,381	11.98
New Connection Tap	1,828	0.17	3,643	0.37
Office Expense	3,687	0.34	4,833	0.48
Payroll Taxes	4,740	0.45	4,494	0.45
Personnel and Retirement Expense	8,879	0.84	5,403	0.54
Postage	461	0.04	442	0.04
Professional Fees	37,652	3.56	13,134	1.32
Salaries and Wages	125,102	11.83	119,156	11.95
Taxes and Licenses	308	0.03	789	0.08
Telephone	5,343	0.51	5,580	0.56
Travel	494	0.04	392	0.04
Treatment Plant Operations	395,773	37.67	183,733	18.63
Utilities	318,485	31.22	194,339	19.47
Total Operating Expenses	<u>1,211,321</u>	<u>114.58</u>	<u>1,084,359</u>	<u>108.77</u>
Loss From Operations	(153,120)	(14.58)	(97,541)	(9.75)

(Continued)

**West Ouachita Sewerage District No. 5
Statements of Revenues, Expenses and
Changes in Retained Earnings (continued)**

	<u>Year Ended</u> <u>August 31, 1997</u>		<u>Year Ended</u> <u>August 31, 1996</u>	
Nonoperating Revenues (Expenses)				
Property Tax and Interest	91,207	8.63	88,553	8.88
Interest Revenues	70,832	8.71	63,769	6.80
Franchise Fees	8,566	0.90	7,038	0.71
Gain on Sale of Assets	13,166	1.62	6,900	0.82
Interest Expense	(147,828)	(18.98)	(151,868)	(16.21)
Total Nonoperating Revenues (Expenses)	<u>45,943</u>	<u>3.88</u>	<u>16,171</u>	<u>1.62</u>
Net Loss	(112,884)	(10.68)	(51,288)	(5.14)
Depreciation on Fixed Assets				
Acquired By Federal Grants	<u>218,821</u>	<u>20.70</u>	<u>218,538</u>	<u>21.93</u>
Increase in Retained Earnings	105,937	<u>10.02</u> %	167,243	<u>18.79</u> %
Retained Earnings at Beginning of Year	<u>942,456</u>		<u>775,156</u>	
RETAINED EARNINGS				
 AT END OF YEAR	\$ <u>1,048,410</u>		\$ <u>942,456</u>	

**West Okauchita Sewerage District No. 5
Statements of Cash Flows**

	August 31,	
	<u>1997</u>	<u>1996</u>
Cash Flows From Operating Activities		
Loss From Operations	\$ (150,821)	\$ 471,216
Adjustments to Reconcile Loss From Operations to Net Cash Provided by Operating Activities:		
Depreciation	351,488	381,170
Change in Current Assets and Current Liabilities	26,712	(27,662)
Net Cash Provided by Operating Activities	<u>227,379</u>	<u>279,794</u>
Cash Flows From Noncapital Financing Activities		
Property Tax Millage	91,207	88,238
Franchise Fee	9,566	7,185
Net Cash Provided by Noncapital Financing Activities	<u>100,773</u>	<u>95,423</u>
Cash Flows Used by Capital and Related Financing Activities		
Principal Paid on Bonds	(83,191)	(92,894)
Interest Paid on Bonds	(128,794)	(138,880)
Net Cash Used by Capital and Related Financing Activities	<u>(211,985)</u>	<u>(231,774)</u>
Cash Flows From Investing Activities		
Purchase of Capital Assets, Net	(287,347)	(19,847)
Interest Received	77,113	65,723
Proceeds From Sale of Equipment	(1,911)	16,228
Sale/Purchase of Investments, Net	(3,832)	(21,518)
Net Cash Provided (Used) by Investing Activities	<u>(215,987)</u>	<u>(17,414)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	67,284	(29,211)
Cash and Cash Equivalents at Beginning of Year	<u>499,036</u>	<u>528,247</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 566,320</u>	<u>\$ 499,036</u>
Supplemental Disclosures of Noncash Capital Investing and Financing Activities:		
Contribution of Sewerage Collection System	<u>\$ 81,000</u>	<u>\$ 218,182</u>
Cash and Cash Equivalents on the Balance Sheet as:		
Current Assets:		
Cash and Cash Equivalents	\$ 171,158	\$ 148,115
Noncurrent Assets:		
Cash and Cash Equivalents	<u>395,162</u>	<u>350,921</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 566,320</u>	<u>\$ 499,036</u>

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

WEST OUCHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

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. 7086, and therefore 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 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 Ouachita 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 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. Basis of Accounting

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

WEST OUCHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

Total connection fees were approximately \$7,400 and \$20,858 for the years ended August 31, 1997 and 1996, respectively. The rates charged for services are as follows:

1. Residential, commercial, multi-housing and multi-unit services were charged \$10.00 per month per residential unit equivalent through June 30, 1997. As of July 1, 1997 this rate was increased to \$15 per month.
 - 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.

D. 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.

E. Inventory

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

F. 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 systems to the District for servicing and maintenance. These systems are recorded at fair market value at the date of contribution to an equity account.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

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 Structure	40 Years
Lift Station Pumps	20 Years
Gravity Lines, Force Mains and Manholes	40 Years
Equipment	3-20 Years
Vehicles	3 Years
Furniture and Fixtures	3-15 Years

Interest on the bonds and interim notes during the construction period through January 28, 1983, 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.

G. Statements of Cash Flows

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

H. Compensated Absence

The District's policy for paid vacation which is non-accumulative is as follows:

Employment: 1 - 3 years	1 week per year
4 - 9 years	2 weeks per year
After 9 years	3 weeks per year

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 OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

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 90 days accumulated sick leave only upon normal retirement. The financial statements do not include any accruals for compensated absences because the amount cannot be estimated.

1. 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 \$99 petty cash, deposits with financial institutions and certificates of deposit. 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, 1997, the carrying amount of the District's deposits and investments was \$1,611,388 and the bank balance was \$1,628,322. The entire bank balance was insured or collateralized by securities held by the financial institution or its agent in the District's name.

The District's investment policy is governed by state statute. In conformance with state statute, the District's investment policy dictates that excess funds be used to purchase certificates of deposits from local institutions.

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 3% of the principal and interest payment requirements until this fund reaches \$1,59,984 (the highest annual debt service payable in any future year). Tax collections for fiscal year 1997 and 1998 in the amounts of \$561,200 and \$68,337, respectively, were received from a special 4.0 mill tax assessment in 1997 and 1998. This tax assessment is restricted for the payment of general obligation bond principal and interest. In addition, \$718 a month must be transferred to a sewer replacement and extension fund and one-twelfth of the current year's principal and interest on revenue bonds must be deposited monthly into a bond and interest redemption fund.

WEST OUCHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

Restricted assets were composed of the following:

	Total	Cash and Option Accounts	Certificates of Deposit	Accrued Interest Receivable
August 31, 1997:				
Bond and Interest				
Redemption Fund	\$ 212,613	\$ 212,613	\$ 0	\$ 0
Bond Reserve Fund	182,768	82,685	99,793	338
Sewer Replacement and Extension Fund	<u>261,851</u>	<u>96,486</u>	<u>171,285</u>	<u>0</u>
TOTALS	\$ 657,232	\$ 391,784	\$ 271,148	\$ 338
August 31, 1996:				
Bond and Interest				
Redemption Fund	\$ 208,260	\$ 208,260	\$ 0	\$ 0
Bond Reserve Fund	168,492	68,280	99,793	479
Sewer Replacement and Extension Fund	<u>0</u>	<u>71,481</u>	<u>171,292</u>	<u>0</u>
TOTALS	\$ 376,752	\$ 348,021	\$ 271,148	\$ 479

Effective October, 1991, the District began collecting \$28 from each new customer in the District as a refundable deposit. As of August 31, 1997, customer deposits totaled \$24,420. 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 \$2,894,271 and \$2,967,462 at August 31, 1997 and 1996, respectively, consist of the following:

1. Revenue bonds (1977 issue and 1985 issue) in the amount of \$1,789,271 and \$1,832,462 at August 31, 1997 and 1996, respectively, accrue interest at 5% per annum and payments of principal and interest are made annually on April 12th. 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 payment of the reasonable and necessary expenses for administration, operation and maintenance.

WEST QUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

2. General obligation bonds in the amount of \$1,109,000 and \$1,135,000, at August 31, 1997 and 1996, 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 (2000 Issue)		General Obligation Bonds	
Maturity Date	Principal	Maturity Date	Principal	Maturity Date	Principal
April 15, 1998	\$ 40,000	April 15, 1998	\$ 25,200	2000	\$ 20,000
1998	45,000	1999	28,415	2000	20,000
2000	45,000	2000	37,949	2000	20,000
2001	50,000	2001	39,346	2000	20,000
2002	50,000	2002	50,814	2001	20,000
2003-2017	1,175,000	2003-2010	344,194	2002-2017	940,000

The principal payments and sinking fund requirements of indebtedness maturing during the next five fiscal years and to maturity, including interest of \$1,691,224 are as follows:

Year	Sinking Fund Requirements
1998	\$ 240,934
1999	241,484
2000	242,734
2001	243,734
2002	279,484
2003-2007	1,221,740
2008-2012	1,094,123
2013-2017	1,007,250
2018	84,000

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

Note 5 - Property Taxes

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

Property Tax Calendar

Assessment Date	January 1, 1996
Lacey Date	November 15, 1996
Tax Bills Mailed	November 16, 1996
Total Taxes Due	December 31, 1996
Penalties and Interest Are Added	January 1, 1997
Lien Date	June 4, 1997
Tax Sale - 1996 Delinquent Property	June 18, 1997

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

10% Land	15% Machinery
10% Residential Improvements	15% Commercial Improvements
15% Industrial Improvements	25% Public Service Properties, Excluding Land

All property within the District was assessed 4.2 mills in 1997 for the payment of general obligation bond principal and interest of the District.

Note 6 - Long-Term Loans

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 \$443,316. 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 \$285,775 and \$185,732 for the years ended August 31, 1997 and 1996, respectively.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

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 \$1,500 per year. Under the terms of the lease, the District was entitled to all revenues and was obligated to maintain the system. In November, 1996, Greater Ouachita Water Company donated the sewer collection system covered by the lease to the District, effectively terminating the lease.

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, 1997, were as follows:

<u>Commissioner</u>	<u>Regular Meetings</u>	<u>Special Meetings</u>	<u>Compensation</u>
Johnny Hilbert - President	12	1	\$ 500
Jerry Burrows - Vice President	12	1	500
Fred Hall - Secretary	12	1	500
Total			<u>\$ 1,513</u>

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. The franchise fees were \$8,566 and \$7,150 for the years ended August 31, 1997 and 1996, respectively.

Note 9 - Pension Benefit Payable 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 are 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.

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

Final-average salary is the employee's average salary over the highest thirty-six consecutive months of credited service. The 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 rolls of each parish (excepting Orleans and East Baton Rouge). State statutes require covered employees to contribute a percentage of their salary into the System. The District's contribution is determined by an actuarial valuation and is subject to change each year based on the results of the valuation for the previous year. For the calendar year 1997, covered employees were required to contribute 9.50% of their salary to the plan. The District was required to contribute 3.25% of employee salaries to the plan. Prior to January 1, 1996, the contribution rates for employer and employee were 9.50% and 3.00% of covered salaries, respectively. The District's contributions to the plan were \$8,377, \$8,468 and \$8,560 for the years ended August 31, 1995, 1996 and 1996, 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 14819, Baton Rouge, LA 70804-4819 or by calling (504) 928-1381.

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 \$18,774 for this coverage during 1997 and 1996, respectively.

Note 11 - Commitments and Contingencies

In June of 1993, the Board approved a major levee project at the site of the West Monroe Treatment Plant which will start after June, 1997. The District will share 50% of the cost of the project. The District's share will be approximately \$138,000.

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

WEST OUACHITA SEWERAGE DISTRICT NO. 5
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 1997 AND 1996

reinsurance and pays all deductibles up to \$100,000 per occurrence, except for \$500 which is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy covers all losses over the \$100,000 deductible with an aggregate coverage of \$1,000,000. Two funds are established, one for liability and property and one for worker's compensation. These funds have approximately \$3,300,000 in assets as of December 31, 1996. The District contributed \$18,226 into the fund during the year ended August 31, 1997.

Note 13 - Concentration of Risk:

All of the accounts receivable represent amounts due from customers located within the boundaries of the District. The District requires a security deposit of \$20 for each new customer being serviced by the system. Failure of the District's customers to perform as required could impact the District's ability to collect \$185,256.

West Duacklin Sewerage District No. 5
Schedule of Changes in Restricted Assets
For The Year Ended August 31, 1997

Schedule 1

	Bond and Interest Redemption	Bond Reserve	Sewer Replacement and Extension Funds	Total
Balance - September 1, 1996	\$ 206,260	\$ 168,000	\$ 242,878	\$ 617,138
<i>Add:</i>				
Property Tax Collections and Interest	91,287	-	-	91,287
Transfers From Operating Account	156,000	7,799	8,528	172,319
Interest Earned	3,287	6,475	10,485	22,248
Total Funds Available	458,834	182,274	261,881	903,000
<i>Less:</i>				
Payment of Principal and Interest	(240,485)	-	-	(240,485)
Assessor's Fees	(2,156)	-	-	(2,156)
BALANCE - AUGUST 31, 1997	\$ 216,349	\$ 182,274	\$ 261,881	\$ 660,504

The above schedule does not reflect the Customer Deposit Balance of \$14,480 included in restricted assets at August 31, 1997.

WEST QUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF INSURANCE COVERAGE
AUGUST 31, 1997

<u>Property or Risk And Insurance Company</u>	<u>Kind of Insurance And Term</u>	<u>Maximum Coverage</u>
Employee Corgis Insurance Co.	Workman's Compensation Employer's Liability 1/1/97 to 1/3/98	Statutory *
Multi-Peril Hartford Fire Insurance Group	Excess Coverage on Real and Personal Property 327 Wallace Fire, E.C. & VMBM, 90% 1/1/98 to 1/1/97	\$47,266,057 *
Multi-Peril Corgis Insurance Co.	Comprehensive General Liability Equipment Replacement 1/3/97 to 1/1/98	\$1,000,000 - Aggregate * \$1,000,000 - Per Occurrence
Vehicles Corgis Insurance Co.	Liability Collision Comprehensive Uninsured Motorist 1/1/97 to 1/1/98	\$1,000,000 * \$500 Deduct. ACV \$1,000,000
3 Commissioners and All Employees Fidelity and Deposit Company of Maryland	Fidelity Bond 3/31/97 to 3/31/98	\$650,000
Multi-Peril Corgis Insurance Co.	Building and Personal Property 327 Wallace Fire, E.C. & VMBM, 90% 1/1/97 to 1/3/98	\$1,000,000 - * Per Occurrence

**WEST QUACHITA SEWERAGE DISTRICT NO. 5
SCHEDULE OF INSURANCE COVERAGE (Continued)
AUGUST 31, 1997**

Property or Risk And Insurance Company	Kind of Insurance and Term	Maximum Coverage
3 Commissioners and All Employees Corgia Insurance Co.	Public Officials 1/1/97 to 1/3/98	\$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 Quachita Parish Police Jury which includes West Quachita Sewerage District No. 5.



Luffey
Huffman
& Monroe

MEMBERSHIP ACCOUNTING CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

2910 Luffey, MBA, CPA
Francis J. Huffman, CPA
J. Earl Monroe, CPA
William W. Moore, CPA
Curtis F. Crane, CPA

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

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

We have audited the component unit 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, 1997, and have issued our report thereon dated November 24, 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 Governmental Audit Guide*, issued by the Louisiana Society of 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 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.

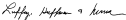
Page 21

**Board of Commissioners
West Quachita Sewerage District No. 5
Page 2**

In planning and performing our audit of the general purpose financial statements of the District for the year ended August 31, 1997, 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.

Our 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 condition in which the design or operation of one or more of the 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. We noted no matters involving the internal control structure and its operation that we consider to be a material weakness as defined above.

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.



November 24, 1997



Luffey
Huffman
& Monroe

MEMBERSHIP ACCOUNTING CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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West Monroe, LA 70091
1-800-775-0886
Burrhead, Louisiana, USA
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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
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, 1997, and have issued our report thereon dated November 24, 1997.

We conducted our audit in accordance with generally accepted auditing standards, the standard 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 Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. 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.

Luffey Huffman & Monroe

November 24, 1997

Page 27

**WEST OUCHITTA SEWERAGE DISTRICT NO. 5
STATUS OF PRIOR YEAR FINDINGS**

The following is a summary of the status of the material prior year findings included in Laffey, Huffman & Monroe's reports on internal controls and compliance dated November 24, 1997 covering our examination of the financial statements of the West Ouachita Sewerage District No. 5 (a Component Unit of the Ouachita Parish Police Jury) as of and for the year ended August 31, 1996:

Collection of Service Fees From Terminated Accounts:

Findings:

Greater Ouachita Water Company performs billings and collections for all of the District's customers except for the industrial customer. Greater Ouachita then remits monies collected on behalf of the District based on the end of month reports generated by Greater Ouachita'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 Ouachita'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 as August 31, 1996.

Status:

Closed.