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MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA

WASHINGTON PARISH POLICE JURY  
FRANKLINTON, LOUISIANA

ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 1981

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 2 1982

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA**

**WASHINGTON PARISH POLICE JURY  
FRANKLINTON, LOUISIANA**

*Component Unit Financial Statements  
As of and for the Year Ended December 31, 2007  
With Supplemental Schedules*

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MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
  
WASHINGTON PARISH POLICE JURY  
FRANKLINTON, LOUISIANA

Component Unit Financial Statements  
As of and for the Year Ended December 31, 1997  
With Supplemental Schedules

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Mount Hermon Water District of the  
Parish of Washington, Louisiana  
Washington Parish Police Jury  
Franklinton, Louisiana

We have audited the accompanying component unit financial statements of the Mount Hermon Water District of the Parish of Washington, Louisiana, a component unit of the Washington Parish Police Jury, as of December 31, 1997, and for the year then ended, as listed in the Table of Contents. These component unit financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial 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. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides 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 Mount Hermon Water District as of December 31, 1997, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 1998, on our consideration of the Mount Hermon Water District of the Parish of Washington, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-113, *Audit of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the component unit financial statements of the Mount Hermon Water District of the Parish of Washington, Louisiana. The other schedules listed on the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.



Bruce Barrell & Company, CPAs  
A Professional Accounting Corporation

March 23, 1998

Mount Harmon Water District  
of the  
Parish of Washington, State of Louisiana  
Washington Parish Police Jury  
Franklin, Louisiana

STATEMENT A

**BALANCE SHEET - PROPRIETARY FUND TYPE**  
December 31, 1997

**Assets**

**Current Assets:**

Cash	\$	30,000
Accounts Receivable, Net		4,883
Account Billings		3,071
Due From Rural Utilities Service		13,886
Total Current Assets		52,753

**Restricted Assets:**

Cash - RUS Depreciation & Contingency Fund		7,458
Cash - RUS Bond Reserve Fund		7,118
Cash - RUS Construction Fund		818
Total Restricted Assets		15,394

**Property, Plant, and Equipment:**

Land		0,800
Water System		1,685,212
Total Property, Plant and Equipment		1,686,012

**Less: Accumulated Depreciation**

Net Property, Plant and Equipment		1,504,280
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**Other Assets:**

Utility Deposits		220
Total Other Assets		220

<b>Total Assets</b>	<b>\$</b>	<b>1,642,182</b>
---------------------	-----------	------------------

**Liabilities and Fund Equity**

**Liabilities**

**Current Liabilities (Payable From Current Assets):**

Accounts Payable	\$	1,001
Sales Tax Payable		630
Total Current Liabilities (Payable From Current Assets)		1,631

**Current Liabilities (Payable From Restricted Assets):**

Security Deposits Payable		498
Current RUS Bond Payable		6,878
Accrued RUS Bond Interest		30,132
Total Current Liabilities (Payable From Restricted Assets)		37,508

Continued on the following page

The accompanying notes are an integral part of these statements.

Mount Hebron Water District  
of the  
Parish of Washington, State of Louisiana  
Washington Parish Police Jury  
Franklin, Louisiana

**STATEMENT A**

**BALANCE SHEET - PROPRIETARY FUND TYPE**

(Continued)

December 31, 1997

Long-Term Liabilities:		
B/S (Bonds Payable)		\$ 744,442
Total Long-Term Liabilities		<u>744,442</u>
Total Liabilities		<u>780,784</u>
Fund Equity:		
Contributed Capital		881,287
Less: Accumulated Amortization		<u>(13,759)</u>
Net Contributed Capital		<u>867,528</u>
Retained Earnings:		
Reserved for Plant (Bond Depreciation and Contingency)		7,969
Reserved for Plant (Bond Reserve Fund)		7,158
Unreserved - (Deficit)		<u>(93,458)</u>
Total Retained Earnings (Deficit)		<u>(88,331)</u>
Total Fund Equity		<u>779,197</u>
Total Liabilities and Fund Equity		<u>\$ 1,642,187</u>

(Continued)

The accompanying notes are an integral part of these statements.

Mount Neuson Water District  
Washington Parish Police Jury  
Franklin, Louisiana

STATEMENT B

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED  
RETAINED EARNINGS - PROPRIETARY FUND TYPE**  
Year Ended December 31, 1997

<b>Operating Revenues</b>	
Water Sales	\$ 60,591
Installation Fees	1,870
Fees/Charges	525
Interest Income	365
Miscellaneous Revenues	125
<b>Total Operating Revenues</b>	<u>63,476</u>
<b>Operating Expenses</b>	
Operations and Maintenance - Contract	6,811
Billings - Contract	6,804
Office Expenses	314
Utilities	2,808
Insurance	1,895
Accounting	6,904
Repairs and Maintenance	375
Postage and Freight	299
Bank Charges	142
Bad Debts	4,085
Depreciation Expense	32,122
<b>Total Operating Expense</b>	<u>78,245</u>
<b>Net Operating Income (Loss)</b>	<u>(14,769)</u>
<b>Non-Operating Revenue (Expense):</b>	
Interest Expense	(25,120)
<b>Total Non-Operating Revenue (Expense)</b>	<u>(25,120)</u>
<b>Net Income (Loss)</b>	(40,889)
Amortization of Contributed Capital	17,750
Decrease in Reserve for Contingencies	1,848
(Deficit) Retained Earnings-Unreserved January 1, 1997	(28,248)
<b>(Deficit) Retained Earnings-Unreserved December 31, 1997</b>	<b>\$ (49,419)</b>

The accompanying notes are an integral part of these statements.

Mount Vernon Water District  
of the  
Parish of Washington, Louisiana  
Washington Parish Police Jury  
Franklin, Louisiana

**STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE**  
Year Ended December 31, 1997

**STATEMENT C**

Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (7,437)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	58,733
Changes in Accounts Receivable	(4,853)
Changes in Accrued Billings	(3,211)
Changes in Due From Rural Utilities Service	(13,880)
Changes in Accounts Payable	1,931
Changes in Sales Tax Payable	819
Changes in Construction Payable	(35,984)
Changes in Retainage Payable	(140,087)
Changes in Outstand Deposits Payable	485
Changes in Accrued RUS Bond Interest	12,723
Total Adjustments	<u>(142,042)</u>
Net Cash Provided by (Used For) Operating Activities	<u>(150,079)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Contributed Capital	344,933
Bond Principal Payments - RUS Bond	(2,582)
Interest Payments - RUS Bond	(36,130)
Payments for Capital Additions	(173,424)
Net Cash Provided by Capital and Related Financing Activities	<u>132,817</u>
Net Cash Increase for Year	<u>22,738</u>
Cash at Beginning of Year	<u>23,098</u>
Cash at End of Year	<u>\$ 45,836</u>

The accompanying notes are an integral part of these statements.



**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklinton, Louisiana**

*Notes to the Financial Statements  
As of and for the Year Ended December 31, 1987*

**INTRODUCTION**

Mount Hermon Water District of the Parish of Washington, State of Louisiana was established July 23, 1986, by an ordinance of the Washington Parish Police Jury. The ordinance, enacted pursuant to Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950, and other constitutional and statutory authority supplemented, amended and defined the boundaries of the water district, and provides for a five-member governing board of commissioners appointed by the Washington Parish Police Jury.

Mount Hermon Water District was then created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the powers and privileges granted by the constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Construction of the water system plant and equipment for the water system was financed under a loan/purchase program from the United States Rural Utilities Service (RUS)-office, with construction completed in March, 1987. Mount Hermon Water District, as of December 31, 1987, serves 290 water customers. The district contracts the operation and maintenance of the water system, including billings of water customers, to an outside agent.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying component unit financial statements of the Mount Hermon Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. REPORTING ENTITY**

As the governing authority of the parish, the Washington Parish Police Jury is the financial reporting entity for Washington Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Washington Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- i. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklinton, Louisiana**

Notes to the Financial Statements

(Continued)

As of and for the Year Ended December 31, 1997

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the governing board and the scope of public service is determined by the police jury, the district was determined to be a component unit of the Washington Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the district and do not present information on the police jury, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

#### **C. FUND ACCOUNTING**

The Mount Hermon Water District of the Parish of Washington, Louisiana is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a cost-of basis be financed or recovered primarily through user charges.

#### **B. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

##### **Revenues**

Fees for water services are recorded as revenues after the meters are read. All other revenues are recorded when the service has been provided.

##### **Expenses**

All operating expenses, except depreciation, are recorded when they are incurred. Depreciation is recorded each month over the life of the asset.

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA**  
*Washington Parish Police Jury  
Franklin, Louisiana*  
**Notes to the Financial Statements**  
*(Continued)*  
**As of and for the Year Ended December 31, 1997**

**E. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and short investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if the original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

**F. INVENTORIES**

Purchases of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

**G. PREPAID ITEMS**

Purchases of items regarded as having a future economical use are expensed when purchased, and prepaid amounts for such items are not recorded as assets at the close of the fiscal year.

**H. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**I. FIXED ASSETS**

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all depreciable fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of 20 to 40 years for water systems and 3 to 10 years for equipment.

**J. COMPENSATED ABSENCES**

At December 31, 1997, the district did not have employees that accumulate or vest benefits.

**K. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.

**MOUNT HERMON WATER DISTRICT**  
**OF THE**  
**PARISH OF WASHINGTON, LOUISIANA**  
**Washington Parish Police Jury**  
**Franklin, Louisiana**  
**Notes to the Financial Statements**  
**(Continued)**  
**As of and for the Year Ended December 31, 1997**

**L. FUND EQUITY**

**Contributed Capital**

Grants, settlements, or shared systems received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This amortization is closed to the contributed capital account.

**Reserves**

Reserves represent those portions of fund equity segregated for a specific future use.

**M. USE OF ESTIMATES**

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 1997, the district has cash and cash equivalents (bank balances) totaling \$43,800, as follows:

Non-Interest-Bearing Demand Deposits	\$ 38,900
Interest-Bearing Demand Deposits	14,800
Total	<u>\$ 43,800</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal day-cash insurance or the purchase of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1997, the district had \$43,232 in collected bank balances within two separate banks consisting of \$38,373 in non-interest-bearing demand deposits and \$18,175 in interest-bearing demand deposits in the first bank, and \$1,854 in non-interest bearing demand deposits in the second bank. Each category of demand deposits is protected by \$108,000 of federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 2) under the provisions of GASB Statement 1, Louisiana Revised Statute 79:1279 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

**MOUNT HERMON WATER DISTRICT**  
**OF THE**  
**PARISH OF WASHINGTON, LOUISIANA**  
**Washington Parish Police Jury**  
**Franklinton, Louisiana**  
**Notes to the Financial Statements**  
**(Continued)**  
**As of and for the Year Ended December 31, 1997**

**3. RECEIVABLES**

All customer receivables are reported at gross value and periodically reduced by the portion that is expected to be uncollectible. The board of commissioners of the Mount Hermon Water District review past due accounts and authorize the write-off of uncollectible amounts directly against the accounts receivable account. At fiscal year-end, the district had not established an allowance for uncollectible accounts, and sufficient data was not available to establish an aging of accounts receivable. However, a listing of accounts receivable was provided at December 31, 1997, totaling \$4,863.

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following close of the fiscal year. At December 31, 1997, Mount Hermon Water District accrued accrued billings of \$3,211.

Also included as a receivable is a total of \$13,890 due from the Rural Utilities Service. This represents the balance of grant funds due under the water system construction project completed in March of 1995. These funds, per authorization from the Rural Utilities Service, are to be applied to the annual bond interest payment due February 8, 1998.

**4. FIXED ASSETS**

A summary of fixed assets at December 31, 1997, follows:

Description	Life Yrs	Cost	Accumulated Depreciation	Net	Depreciation Current
Land	-	\$ 3,899	\$ -	\$ 3,899	\$ -
Water System	48	1,603,212	32,732	1,570,480	32,732
<b>Totals</b>		<u>\$1,607,112</u>	<u>\$ 32,732</u>	<u>\$1,574,380</u>	<u>\$ 32,732</u>

The water system, financed under the United States Department of Agriculture, Rural Utilities Service Loan/Grant program, became operational in March of 1997. Equipment, furniture, and fixtures are depreciated using the useful lives of 5 to 10 years, and the water distribution system uses a useful life of 48 years. All assets are depreciated by the straight-line method. Total depreciation expense of \$32,732 was recorded for the fiscal year ending December 31, 1997.

The total costs for the water system include \$24,343 of interest costs during the fiscal year ending December 31, 1997, capitalized as part of the construction costs for the water system.

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklin, Louisiana  
Notes to the Financial Statements  
(Continued)  
As of and for the Year Ended December 31, 1997**

**8. LONG-TERM DEBT**

The following is a summary of bond transactions of the Mount Hermon Water District of the Parish of Washington, Louisiana for the year ended December 31, 1997:

	1996 \$1.2 Water Revenue Bonds
Bonds Payable January 1, 1997	\$ 754,000
Bonds Retired	(2,500)
Bonds Payable December 31, 1997	\$ 751,418

Bonds Payable at December 31, 1997, are comprised of the following current and long-term amounts:

	Current Amount 12/31/97	Long-Term Amount 12/31/97	Total Principal Balance 12/31/97
1996 Revenue Bonds: \$754,000 utility bonds, dated 12/08/96, due in monthly installments of \$3,702 through Feb. 6, 2036; interest at 5.8%	\$ 4,936	\$ 746,442	\$ 751,418

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA**  
Washington Parish Police Jury  
Franklinton, Louisiana  
Notes to the Financial Statements  
(Continued)  
As of and for the Year Ending December 31, 1997

The annual requirements to amortize all debt outstanding as of December 31, 1997, including interest payments of \$396,714 are as follows:

Year Ending December 31,	1996 \$US Water Revenue Bonds \$754,000
1998	\$ 41,482
1999	44,426
2000	44,426
2001	44,426
2002	44,426
2003-2007	225,130
2008-2012	221,130
2013-2017	221,130
2018-2022	221,130
2023-2027	221,130
2028-2032	225,130
2033-2038	96,234
	<b>\$ 1,608,542</b>

**6. FLOW OF FUNDS, RESTRICTIONS ON USE**

As of December 31, 1996, the Mount Hermon Water District of the Parish of Washington, State of Louisiana, has one Rural Utilities Service (RUS) Revenue Bond. The total bond amount of \$754,000 was issued February 8, 1996, at an interest rate of 3.87%. The original bond resolution specifies that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions are summarized below:

- a) The issuer, the Mount Hermon Water District of the Parish of Washington, State of Louisiana, covenants to file, establish, and maintain each year and unless each time, rate, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120% of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

Since construction of the water system was not completed until March of 1997, and the system was not operational for the entire fiscal year, this bond-debt coverage factor could not be calculated for the fiscal year ending December 31, 1997.

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Fossblinnia, Louisiana  
Notes to the Financial Statements  
(Continued)  
As of and for the Year Ended December 31, 1997**

- b) The establishment and maintenance of a "Water Bond and Interest Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the bonds.

The actual creation of a sinking fund was not required since the district pays required bond installments directly to Rural Utilities Service, on a monthly basis.

- c) The establishment of the "Water Revenue Bond Reserve Fund" (the Reserve Fund) by transferring from the Water Revenue Fund, the operating account of the district, monthly in advance on or before the 10<sup>th</sup> of each month a sum at least equal to the per cent (7%) of the amount to be paid each month for bond principal and interest payments. The actual amount to be transferred for bonds outstanding at December 31, 1997, per the RUS Letter of Conditions, was a total of \$183 per month. Deposit of funds shall continue until such time as there has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements of any succeeding twelve month period. The money in the Reserve Fund is required to be set aside solely for the purpose of paying the principal and interest on bonds payable, upon approval by the Rural Utilities Service office, for which there would otherwise be default. Deposits to the Reserve Fund were required to commence with the month following completion and acceptance of the improvements and extensions financed with the proceeds of the bonds. The system improvements financed with the 1996 Revenue Bonds became revenue producing during March 1997.

The district made all of the required deposits to the Reserve Fund, maintaining a balance of \$7,135, at December 31, 1997. The balance of \$7,135 at December 31, 1997 included a deposit of \$5,865 made per bond closing requirements for the RUS bond.

- d) The establishment and maintenance of the "Water Depreciation and Contingency Fund" (the Contingency Fund) to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System, by transferring from the Water Revenue Fund, the operating account of the district, monthly in advance on or before the 10<sup>th</sup> of each month the sum of \$191 per month. Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

The district made all of the required deposits to the Depreciation and Contingency Fund, maintaining a balance of \$7,668, at December 31, 1997. The balance of \$7,668 at December 31, 1997 included a deposit of \$5,493 made per bond closing requirements for the RUS bond.

- e) The district, in the original bond resolution also obligated itself to abide by the following covenants:
1. The district will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within fifteen days from the date on which such charges became delinquent.
  2. A penalty of 10% will be charged on all delinquent accounts, and interest at a reasonable rate as established by the district, as well payment of a reasonable amount charge for the consumption of services.
  3. The district agrees to maintain the System in first class repair and working order and condition.
  4. The district will carry full insurance coverage on the System in the manner required by the Government, with a company licensed to do business under the laws of Louisiana.



**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklinston, Louisiana  
Notes to the Financial Statements  
(Continued)  
As of and for the Year Ended December 31, 1997**

5. The district will maintain separate and correct records and accounts, and will have the books audited no later than three months after the end of the fiscal year.
6. The district will not sell, lease or in any manner dispose of the System or any substantial part thereof, provided the district may dispose of property that in its judgement is worn-out, unserviceable, uneconomical, or unnecessary in the operation of the System.
7. The district will not, except as provided by this bond resolution, voluntarily create or cause to be created any debt, lien, pledge, mortgage, assignment, or any other charge having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security therefor.
8. That, to the extent permitted by law, the district will not grant a franchise to any utility for operation within the boundaries of the district.
9. In operation of the System, the district will require all officers and employees in a position of authority or in possession of access derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.

The current rate schedule, the schedule of insurance coverage (Item 8) and fidelity bond coverage (Item 9) are disclosed in the "Supplemental Information" schedules included as a part of this audit report. Non-compliance was not noted in the review of the remaining bond covenants.

### **7. FUND EQUITY**

Reserved Retained Earnings is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account, based on assets held by the water district that are restricted for bond payments. The purpose of the reserved retained earnings is to service the revenue bonds. Reserved Retained Earnings totaled \$14,285 at December 31, 1997.

### **8. DEFICIT UNRESERVED-RETAINED EARNINGS**

The water district has an unreserved retained earnings deficit of \$(2,416) for the fiscal year ending December 31, 1997. The deficit represents an increased deficit of \$26,168 from the \$(18,248) deficit reported at December 31, 1996. Management of Mount Hermon Water District plans to intensify efforts for increasing new sign-ups for the water system and will continue to monitor the level of revenues and expenses to determine the adequacy of the existing rate structure.

### **9. WATER SYSTEM MANAGEMENT**

The water district is operated under a contract with an outside party. The contract management provides services for operation and maintenance of the system, including billing services for the water district.

## SUPPLEMENTAL INFORMATION

Mount Hermon Water District  
of the  
Parish of Washington, State of Louisiana  
Washington Parish Police Jury  
Franklin, Louisiana

SCHEDULE 1

**COMPARATIVE BALANCE SHEET - PROPRIETARY FUND THREE**

December 31, 1997 and 1998

Assets	Enterprise Fund	
	1997	1998
<b>Current Assets:</b>		
Cash	\$ 30,899	\$ 8,200
Accounts Receivable, Net	4,800	-
Accrued Billings	5,211	-
Due From Rural Utilities Service	13,889	-
<b>Total Current Assets</b>	<u>52,799</u>	<u>8,200</u>
<b>Restricted Assets:</b>		
Cash - RUS Depreciation & Contingency Fund	7,768	8,820
Cash - RUS Bond Reserve Fund	7,118	9,878
Cash - RUS Construction Fund	518	872
<b>Total Restricted Assets</b>	<u>14,804</u>	<u>19,570</u>
<b>Property, Plant and Equipment:</b>		
Land	3,880	3,880
Water System	1,803,212	-
Construction in Progress	-	1,428,872
<b>Total Property, Plant and Equipment</b>	<u>1,807,092</u>	<u>1,432,752</u>
<b>Less: Accumulated Depreciation</b>	<u>(52,733)</u>	<u>-</u>
<b>Net Property, Plant and Equipment</b>	<u>1,754,359</u>	<u>1,432,752</u>
<b>Other Assets:</b>		
Utility Deposits	220	220
<b>Total Other Assets</b>	<u>220</u>	<u>220</u>
<b>Total Assets</b>	<u>\$ 1,842,157</u>	<u>\$ 1,458,000</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities:</b>		
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts Payable	\$ 1,801	\$ -
Sales Tax Payable	828	-
<b>Total Current Liabilities (Payable From Current Assets)</b>	<u>2,629</u>	<u>-</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Security Deposits Payable	418	-
Construction Payable	-	22,962
Retainage Payable	-	142,887
Current RUS Bond Payable	9,878	-
Accrued RUS Bond Interest	20,118	22,187
<b>Total Current Liabilities (Payable From Restricted Assets)</b>	<u>40,424</u>	<u>188,036</u>

Continued on the following page

The accompanying notes are an integral part of these statements.

Mount Hermon Water District  
of the  
Parish of Washington, State of Louisiana  
Washington Parish Police Jury  
Franklin, Louisiana

SCHEDULE 1

**COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE**

(Continued)

December 31, 1997 and 1996

	Enterprise Fund	
	1997	1996
Long-Term Liabilities:		
PLUS Bonds Payable	744,442	754,390
Total Long-Term Liabilities	744,442	754,390
Total Liabilities	744,442	754,390
Fund Equity:		
Contributed Capital	587,267	642,289
Less: Accumulated Amortization	(17,753)	-
Net Contributed Capital	569,514	642,289
Retained Earnings:		
Reserved for PLUS Bond Depreciation and Contingency	7,069	5,953
Reserved for PLUS Bond Reserve Fund	7,516	8,076
Unreserved - (Deficit)	(62,416)	(18,246)
Total Retained Earnings (Deficit)	(47,831)	(2,217)
Total Fund Equity	521,683	640,072
 Total Liabilities and Fund Equity	 \$ 1,266,125	 \$ 1,394,462

(Continued)

The accompanying notes are an integral part of these statements.

Mount Heimon Water District  
Washington Parish Police Jury  
Franklin, Louisiana

SCHEDULE 2

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED  
RETAINED EARNINGS (BUDGET AND ACTUAL)-PROPRIETARY FUND TYPE**  
Year Ended December 31, 1997  
And Actual for the Year Ended December 31, 1996

	Enterprise Fund			
	1997 Budget	1997 Actual	Variance- Favorable (Unfavorable)	1996 Actual
<b>Operating Revenues</b>				
Water Sales	\$ 66,300	\$ 64,281	\$ (2,019)	\$ -
Installation Fees	-	1,570	1,570	-
Fees/Chgs	1,300	525	(775)	-
Interest Income	-	382	382	308
Miscellaneous Revenue	-	120	120	-
<b>Total Operating Revenues</b>	<u>68,000</u>	<u>67,888</u>	<u>(2,112)</u>	<u>308</u>
<b>Operating Expenses</b>				
Operations and Maintenance - Contract	14,000	8,911	5,089	-
Billings - Contract	8,500	8,594	190	-
Office Expenses	300	334	(34)	88
Utilities	4,200	2,880	1,320	470
Insurance	700	1,691	(991)	1,355
Accounting	-	9,534	(9,534)	-
Repairs and Maintenance	-	375	(375)	-
Postage and Freight	-	280	(280)	-
Bank Charges	580	142	438	135
Rent Costs	500	4,885	(4,385)	-
Miscellaneous Expense	1,000	-	1,000	85
Depreciation Expense	49,004	30,720	1,320	-
<b>Total Operating Expense</b>	<u>89,884</u>	<u>70,268</u>	<u>(19,216)</u>	<u>2,623</u>
<b>Net Operating Income (Loss)</b>	<u>(21,884)</u>	<u>(2,380)</u>	<u>(2,584)</u>	<u>(2,315)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Expense	(17,000)	(36,150)	870	-
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(17,000)</u>	<u>(36,150)</u>	<u>870</u>	<u>-</u>
<b>Net Income (Loss)</b>	<u>\$ (40,884)</u>	<u>(40,567)</u>	<u>\$ (2,315)</u>	<u>(2,315)</u>
Amortization of Contributed Capital		17,750		-
Increase in Reserve for Contingencies		1,848		(15,500)
(Deficit) Retained Earnings-Unreserved				
January 1, 1997		(18,248)		-
<b>(Deficit) Retained Earnings-Unreserved December 31, 1997</b>		<u>\$ (42,415)</u>		<u>\$ (18,248)</u>

The accompanying notes are an integral part of these statements.

Mound Vernon Water District  
of the  
Parish of Washington, Louisiana  
Washington Parish Police Jury  
Franklinton, Louisiana

SCHEDULE 3

**COMPARATIVE SCHEDULE OF CASH FLOWS-PROPRIETARY FUND TYPE**  
Years Ended December 31, 1997 and 1996

	12/31/97	12/31/96
<b>Cash Flows from Operating Activities:</b>		
Operating Income (Loss)	\$ (7,437)	\$ (9,317)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	32,722	-
Changes in Accounts Receivable	(4,893)	-
Changes in Accrued Billings	(3,211)	-
Changes in Due From Rural Utilities Service	(13,880)	-
Changes in Accounts Payable	1,801	-
Changes in Sales Tax Payable	819	-
Changes in Construction Payable	(28,891)	23,981
Changes in Retainage Payable	(143,657)	143,687
Changes in Customer Deposits Payable	408	-
Changes in Utility Deposits	-	(220)
Changes in Accrued RUS Bond Interest	12,733	23,387
Total Adjustments	(142,842)	182,726
Net Cash Provided by (Used For) Operating Activities	(150,270)	173,409
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from Revenue Bonds	-	794,800
Proceeds from Contributed Capital	384,989	491,537
Bond Principal Payment - RUS Bond	(2,982)	-
Interest Payments - RUS Bond	(28,130)	-
Payments for Capital Additions	(773,486)	(1,453,707)
Net Cash Provided by Capital and Related Financing Activities	(29,509)	(167,370)
Net Cash Increase for Year	(179,779)	6,039
Cash at Beginning of Year	23,806	20,760
Cash at End of Year	\$ 4,027	\$ 26,799

The accompanying notes are an integral part of these statements.

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklinton, Louisiana**

Schedule 4

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
For the Year Ended December 31, 1997**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

NAME	Amount
Dennis Riley, Chairman	\$ -
Damon Miller, Vice-Chairman	-
Wendell Smith, Secretary/Treasurer	-
Everette Roberts, Commissioner	-
Buddy Helms, Commissioner	-
	\$ -

Board of Commissioners	Address	Term of Office
Dennis Riley, Chairman	1701 Washington Street Franklinton, LA 70438	Expires Dec. 31, 2001
Damon Miller, Vice-Chairman	Riverview Apartments, Room 287 1738 Main Street Franklinton, LA 70438	Expires Dec. 31, 2001
Wendell Smith, Secretary/Treasurer	24291 Sunny Hill Road Mt. Hermon, LA 70450	Expires Dec. 31, 1997
Everette Roberts, Commissioner	36095 Thomas Croy Road Mt. Hermon, LA 70450	Expires Dec. 31, 1998
Buddy Helms, Commissioner	38892 Hwy. 78 Mt. Hermon, LA 70450	Expires Dec. 31, 1999

The accompanying notes are an integral part of this statement.

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklin, Louisiana**

Schedule 5

**SCHEDULE OF INSURANCE  
For the Year Ended December 31, 1997**

Insurance Company	Coverage	Amount	Period
American Central Insurance Company Policy # MEK490548	General Aggregate Limit (other than Products / Completed Operations)	\$200,000	1/01/97 1/01/98
	Products / Completed Operations Aggregate Limit	\$200,000	
	Personal and Advertising Injury	\$200,000	
	Each Occurrence Limit	\$200,000	
	Fire Damage Limit	\$ 180,000	
Western Surety Policy # 08483190	Public Official Position Schedule Bond:		1/01/96 Until Cancelled
	President	\$ 40,000	
	Secretary-Treasurer	\$ 40,000	
American Central Insurance Company Policy # MEK490298	Building	\$ 2,000	1/1/97
	Personal Property	\$ 75,000	1/1/98

The accompanying notes are an integral part of this statement.



**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklin, Louisiana**

**Schedule 5**

**SCHEDULE OF WATER CUSTOMERS  
For the Year Ended December 31, 1997**

As of December 31, 1997, Mount Hermon Water District had the following number of customers.

Residential	298
Commercial	<u>7</u>
Total Customers	<u>305</u>

**SCHEDULE OF WATER RATES  
For the Year Ended December 31, 1997**

At December 31, 1997, Mount Hermon Water District had adopted the following rate schedule.

<u>Category of Service</u>	<u>Rate/Year</u>
<b>Residential:</b>	
First 2,000 gallons	\$ 11.00
Over 2,000 gallons	\$ 2.50/1000 gallons
<b>Commercial:</b>	
First 10,000 gallons	\$ 30.00
Over 10,000 gallons	\$ 2.50/1000 gallons

The accompanying notes are an integral part of this statement.

Board of Accountancy Minutes (Quarterly)  
Washington Heights Public Health Agency  
Financials, Continuation

**SCHEDULE 1**

**Statement of Expenditures of Federal Awards  
For the Year Ended December 31, 1997**

Federal Award Title or Statement of Purpose	Federal CFDA Number	Program or Activity	Fiscal Year Ending December 31, 1997	Fiscal Year Ending December 31, 1997	Expenditures for December 31, 1997	Expenditures for December 31, 1997
Federal Services Through HRSA, Budget for Maintenance of Programs						
Aids and Virus - Special Expend						
For Fiscal Commitments						
- Joint Employment	18-418	750,000		1,000,000	1,000,000	1,000,000
Total Job Activity						1,000,000
B. U. Expenditures of Agencies Under Authority of Various Statutes For Fiscal Commitments						
- Community Development	18-418	1,000,000		241,100	241,100	241,100
Fiscal 1/1/97						
Total Commitment Activity						241,100
<b>Total Federal Program Expenditures</b>				<b>1,241,100</b>	<b>1,241,100</b>	<b>1,241,100</b>

Note 1: The Statement of Expenditures of Federal Awards presented above is a summary of the total activity of the (HRSA) Aids and Virus program. The total of \$1,000,000 pertains to the total grant proceeds received during the fiscal year ending December 31, 1997. An additional \$70,000 is included in the annual book under the audit for fiscal payments for the balance of funds due HRSA (Status: Write Status) at December 31, 1997, but not received until January, 1998.

Note 2: The above schedule shows, on a total basis, the bi-commensurate expenditures of \$241,100 for the fiscal year ending December 31, 1997. Reconciliation to the account books, as reported in the audited financial statements, is as follows:

Commitment Program - December 31, 1998	\$ 1,029,800
Expenses, Fiscal Year ending December 31, 1997	(80,200)
Contributions-Expenditures, Cash Basis	24,400
Contributions-Principals Interest	
Joint awards at December 31, 1995	(22,200)
Accrued and Unpaid Interest Payable	20,000
Contributions-Advances/Programs	(1,000,000)
Reserve/Programs	1,000,000
Balance of Write Status Fiscal Awards at December 31, 1997	\$ 1,000,000

HRSA account with completed at December 31, 1997. Fiscal status of the (HRSA) schedule is total of \$1,000,000 expenditure to purchase bond, reconcile the fiscal year ending December 31, 1998

MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklinton, Louisiana

Schedule B

Corrective Action Plan for Current Year Audit Findings

Reference Number: #7-1

**Description of Finding:**

As of December 31, 1997, Mount Hermon Water District has not determined the amount of uncollectible accounts receivable, nor developed an aging of accounts receivable. During each month of the fiscal year ending December 31, 1997, billing and account data was received from the billing agent of the water district, indicating the amounts currently billed and past due. However, sufficient detail was not received on the past due amount as of December 31, 1997, to age the accounts receivable and to properly determine the amounts that must be written off. We recommend that the water district notify the billing agent that an aging of accounts is required for proper management and reporting of accounts receivable.

**Corrective Action Planned (Response by Management):**

The board of commissioners of Mount Hermon Water District will notify the billing agent that an aging of accounts receivable must be provided as of the end of each billing month.

**Additional Explanation:**

Continuing follow-up on this finding will be required to insure that the water district is provided the necessary monthly reports to properly manage accounts receivable.

**Name of Contact Person:**

Donnie Riley, Chairman  
Mount Hermon Water District  
1781 Washington Street  
Franklinton, LA 70428  
(504) 838-6609

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklin, Louisiana**

**Schedule B**

**Corrective Action Plan for Current Year Audit Findings  
(Continued)**

**Reference Number: 97-2**

**Description of Finding:**

As of December 31, 1997, Mount Hermon Water District reported a deficit of \$(92,418) in unreserved retained earnings. This represents an increased deficit of \$24,168 from the \$(113,483) deficit reported at December 31, 1996. In addition, the bond requirements for the district specify that the water district must "...maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System..." Part of the reason for the deficit was that the system was operational for only part of the year, and also that of the 363 required customers, only 289 remained on the water system at December 31, 1997.

We ascertain that the district intensify efforts to sign up customers, and the board of commissioners continue to monitor revenues and expenses, and consider the need for a rate adjustment.

**Corrective Action Planned (Response by Management):**

The board of commissioners is aware of the need to increase the revenue base for Mount Hermon Water District. We are increasing our efforts to bring more customers into the water system, and we will continue to monitor the level of revenues and expenses, and if determined necessary, we will consider the need for a rate adjustment.

**Additional Explanation:**

Continuing follow-up on this finding will be required until Mount Hermon Water District generates more funds to operate the water district.

**Name of Contact Person:**

Dennis Riley, Chairman  
Mount Hermon Water District  
1701 Washington Street  
Franklin, LA 70418  
(504) 839-6600

**MOUNT HERMON WATER DISTRICT  
OF THE  
PARISH OF WASHINGTON, LOUISIANA  
Washington Parish Police Jury  
Franklinton, Louisiana**

**Schedule 9**

**Corrective Action Plan for Prior Year Management Letter Recommendations  
For the Year Ended December 31, 1997**

**Reference Number: 8621-1**

**Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/96**

**Description of Finding:**

We noted in the management letter for the fiscal year ended December 31, 1996, that the fidelity bond of the billing agent should be checked to determine if it also provides coverage for Mount Hermon Water District in the event of a fidelity loss. This clarification is required since water fees are collected by the billing agent, and the fidelity bond is issued in the name of the billing agent.

**Corrective Action Planned (Response by Management):**

Preliminary discussions with the insurance agent of the billing agent for the water district have indicated that the fidelity bond is designed primarily to cover the interests of the billing agent as named insured. However, the fidelity bond also indicates that the bond covers property for which the insured is legally liable. We will discuss this matter with the billing agent and determine whether the contract with the billing agent specifies that the billing agent is legally liable for the collections of the water district.

**Corrective action taken: Partially**

**Additional Explanation:**

Corrective action is listed as partial since the water district must continue to follow-up on the information reported on fidelity insurance bond coverage.

**BRUCE BARRELL & CO.**  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners  
Mount Herman Water District of the  
Parish of Washington, Louisiana  
Washington Parish Police Jury

We have audited the component unit financial statements of the Mount Herman Water District of the Parish of Washington, Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated March 23, 1998. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

*In part of obtaining reasonable assurance about whether Mount Herman Water District of the Parish of Washington, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described within the Corrective Action Plan for Current Year Audit Findings as references numbers 97-1 and 97-2.*

**Internal Control Over Financial Reporting**

*In planning and performing our audit, we considered Mount Herman Water District of the Parish of Washington, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a low level the risk that misstatements 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 over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the Corrective Action Plan for Prior Year Management Letter Recommendations for the year ended December 31, 1997, as Reference Number 96-01.*

**BRUCE HARRELL & CO.**  
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Board of Commissioners  
Honest Revenue Water District  
Washington Parish Police Jury  
Page 2

This report is issued solely for the information of management, the Legislative Auditor, and the USDA Rural Utilities Service. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell and Company, CPAs  
*A Professional Accounting Corporation*

March 23, 1998

**BRUCE BARRELL & CO.**  
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Faculty of Louisiana CPAs

**REPORT ON COMPLIANCE WITH THE REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-113**

To the Board of Commissioners  
Mount Hermon Water District of the  
Parish of Washington, Louisiana  
Washington Parish Police Jury

**Compliance**

We have audited the compliance of Mount Hermon Water District of the Parish of Washington, Louisiana, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-113 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1997. Mount Hermon Water District's major federal programs are identified in the supplementary Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Mount Hermon Water District's management. Our responsibility is to express an opinion on Mount Hermon Water District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-113, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-113 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Hermon Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mount Hermon Water District's compliance with those requirements.

In our opinion, Mount Hermon Water District of the Parish of Washington, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997.

**Internal Control Over Compliance**

The management of Mount Hermon Water District of the Parish of Washington, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mount Hermon Water District's internal control over compliance with requirements that could have a direct and material



Board of Commissioners  
Mount Vernon Water District  
Washington Parish Police Jury  
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effect as a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management, the Legislative Auditor, and the USDA Rural Utilities Service. However, this report is a matter of public record and its distribution is not limited.



Bruce Hanrell and Company, CPAs  
A Professional Accounting Corporation

March 23, 1998