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WATERWORKS DISTRICT NO. 1  
A COMPONENT UNIT OF LINCOLN PARISH POLICE JURY  
PROPRIETARY FUND - ENTERPRISE FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1977

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the media, 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 9-9-2008

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund—Enterprise Fund**

**Financial Statements**  
**For the Year Ended December 31, 1997**

**Table of Contents**

	<b>Page</b>
<b>Independent Auditor's Report</b>	<b>0-2</b>
<b>Balance Sheet</b>	<b>3-4</b>
<b>Statement of Revenue, Expenses, and Changes in Retained Earnings – Budget (GAAP Basis) and Actual</b>	<b>5-6</b>
<b>Statement of Cash Flows</b>	<b>7-8</b>
<b>Notes to the Financial Statements</b>	<b>9-14</b>
<b>Independent Auditor's Report on Internal Control Structure Related Matters Noted in a Financial Statement Audit Conducted in Accordance with <u>Government Auditing Standards</u></b>	<b>15-17</b>
<b>Independent Auditor's Report on Compliance with Laws and Regulations Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u></b>	<b>18-19</b>
<b>Schedule of Prior Year Findings</b>	<b>20-21</b>
<b>Management's Corrective Action Plan</b>	<b>22</b>

RAIDIAN E. HENMKIAN  
Certified Public Accountant  
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Bossier, LA 71278  
318-245-9165

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Waterworks District No. 1  
Farmersville, Louisiana

I have audited the accompanying balance sheet of Waterworks District No. 1 (a component unit of Union Parish Police Jury) as of December 31, 1997, and the related statements of revenues, expenses, and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of Waterworks District No. 1's management. Our responsibility is to express an opinion on these financial statements on our audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 as of December 31, 1997, and the results of its operations and its cash flows for the year ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The budgetary information included on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements of Waterworks District No. 1. Such information has been subjected to the auditing procedures applied in the audit of the financial

statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully,



Radwan L. Hennigan  
Certified Public Accountant

June 25, 1998

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type - Enterprise Fund**  
**Balance Sheet**

	<u>December 31,</u> <u>1987</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 22,636
Accounts Receivable - Customers	14,188
Prepaid Expenses	2,512
Total Current Assets	<u>39,336</u>
<b>Restricted Assets</b>	
Cash	10,139
Investments	8,863
Accrued Interest Receivable	34
Total Restricted Assets	<u>19,036</u>
<b>Property, Plant and Equipment</b>	
Water Plant and Water Lines	560,876
Furniture and Equipment	1,024
Total	<u>571,900</u>
Less: Accumulated Depreciation	(219,956)
Net Depreciable Assets	351,944
Land	1,825
Construction in Progress	73,890
Total Property, Plant and Equipment	<u>427,659</u>
<b>Other Assets</b>	1,046
<b>TOTAL ASSETS</b>	<u>\$ 486,075</u>

The accompanying notes are an integral part of this statement.

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type - Enterprise Fund**  
**Balance Sheet**

	<u>December 31,</u> <u>1997</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
<b>(Payable from Current Assets)</b>	
Accounts Payable	\$ 3,813
Notes Payable	550
Total	<u>4,363</u>
<b>Current Liabilities</b>	
<b>(Payable from Restricted Assets)</b>	
Accrued Interest Payable	3,184
Bonds Payable	10,047
Customers' Meter Deposits	2,859
Total	<u>16,090</u>
Total Current Liabilities	<u>19,853</u>
<b>Long-term Liabilities</b>	
Bonds Payable	217,832
Notes Payable	34,340
Total Long-term Liabilities	<u>252,172</u>
<b>TOTAL LIABILITIES</b>	<u>312,024</u>
<b>RETAINED EARNINGS</b>	
<b>Reserved</b>	
Reserved for Debt Service, Depreciation, and Contingency	24,903
<b>Unreserved</b>	
Undesignated	149,883
<b>TOTAL RETAINED EARNINGS</b>	<u>174,883</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<u>\$ 486,907</u>

The accompanying notes are an integral part of this statement.

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type - Enterprise Fund**

**Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget**  
**(GAAP Basis) and Actual**  
**For the Year Ended December 31, 1997**

	1997		Variance - Favorable (Unfavorable)
	Budget	Actual	
<b>Operating Revenues</b>			
Water Sales	97,500	100,982	3,482
Installation Fees	3,000	2,300	(800)
<b>Total Operating Revenues</b>	<u>100,500</u>	<u>103,282</u>	<u>2,782</u>
<b>Operating Expenses</b>			
Debt Debt	-	1,136	(1,136)
Board of Commissioners' Fees	1,300	1,139	170
Contract Labor	14,580	14,580	0
Depreciation	-	11,398	(11,398)
Equipment Rental	2,000	1,753	247
Insurance	2,700	2,532	168
Materials, Repairs, and Supplies	30,000	11,365	18,635
Office Expense	1,800	1,948	(148)
Other Expense	-	1,883	(1,883)
Payroll Taxes	-	586	(586)
Professional Fees	6,000	6,659	(659)
Salaries	7,603	7,603	0
Sales Tax	3,900	3,511	389
Utilities	14,000	14,500	(500)
<b>Total Operating Expenses</b>	<u>83,418</u>	<u>83,418</u>	<u>0</u>
<b>Total Operating Income</b>	<u>17,082</u>	<u>20,764</u>	<u>3,682</u>
<b>Nonoperating Income (Expense)</b>			
Interest Earned	2,000	1,089	(911)
Interest Expense	(13,830)	(14,013)	(183)
<b>Total Nonoperating Income (Expense)</b>	<u>(11,830)</u>	<u>(12,924)</u>	<u>(1,094)</u>

The accompanying notes are an integral part of this statement.

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type - Enterprise Fund**  
**Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget**  
**(GAAP Basis) and Actual**  
**For the Year Ended December 31, 1997**

	1997		Variance - Favorable (Unfavorable)
	Budget	Actual	
Net Income (Loss)	5,212	(23,862)	(18,650)
Retained Earnings at Beginning of Year	361,041	361,041	
Retained Earnings at End of Year	\$ 166,253	\$ 137,179	

The accompanying notes are an integral part of this statement.



**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type - Enterprise Fund**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 1997**

	1997
<b>Cash flows from Operating Activities</b>	
Operating Income	26,764
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	11,298
Changes in:	
Accounts Receivable	(2,277)
Prepaid Expenses	(1,681)
Accounts Payable	2,316
Total Adjustments	9,296
Net Cash Provided by Operating Activities	36,060
<b>Cash flows from Noncapital Financing Activities</b>	
Change in Customers' Meter Deposits	(185)
<b>Cash flows from Capital and Related Financing Activities</b>	
Principal payments on bonds payable	(8,591)
Principal payments on notes payable	(750)
Proceeds from interim loan	74,800
Interest paid on bonds and notes payable	(14,635)
Prior period adjustment	(967)
Net Cash Provided by Capital and Related Financing Activities	32,857
<b>Cash flows from Investing Activities</b>	
Purchase of fixed assets	(88,490)
Sale of investments	13,000
Purchase of investments	(1,832)
Interest received from investments	532
Net Cash used by Investing Activities	(77,590)
<b>Net Increase in Cash and Cash Equivalents</b>	11,836
<b>Cash and Cash Equivalents, Beginning of Year</b>	20,009
<b>Cash and Cash Equivalents, End of Year</b>	32,715

The accompanying notes are an integral part of this statement.

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type - Enterprise Fund**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 1997**

Cash and Cash Equivalents shown on Balance Sheet as:

<b>Current Assets</b>	
Cash	21,036
<b>Restricted Assets</b>	
Cash	10,139
<b>Total Cash and Cash Equivalents</b>	<u>31,175</u>

The accompanying notes are an integral part of this statement.

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type – Enterprise Fund**  
**Notes to the Financial Statements**  
**December 31, 1997**

The accounting and reporting policies of Waterworks District No. 1 (the District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, *Audit of State and Local Governmental Units*.

The following notes to the financial statements are an integral part of the District's financial statements.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. HISTORY**

The District, a component unit of Union Parish Police Jury, was created by the Union Parish Police Jury as authorized by Chapter 9 of Title 33 of the Louisiana Revised Statutes of 1956. The District is governed by a five-member Board of Commissioners. The District is responsible for the maintenance and operation of the water system within the boundaries of the water district.

**B. REPORTING ENTITY**

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

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

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type – Enterprise Fund**  
**Notes to the Financial Statements**  
**December 31, 1997**

applied. The District's records are maintained on an accrual basis. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

**D. BUDGETARY PRACTICES**

The Secretary-Treasurer prepares the annual budget and presents it to the Board at the last meeting of the preceding year for adoption. Budgeted amounts, including subsequent amendments, have been included in the accompanying financial statements.

**E. STATEMENT OF CASH FLOWS**

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

**F. INVESTMENTS**

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

**G. PROPERTY, PLANT AND EQUIPMENT**

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

Expenditures for repairs and maintenance are expensed as incurred, significant betterments are capitalised.

**H. VACATION, SICK LEAVE AND RETIREMENT PLAN**

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

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type – Enterprise Fund**  
**Notes to the Financial Statements**  
**December 31, 1997**

**L. BAD DEBTS**

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

**J. RESERVATIONS OF RETAINED EARNINGS**

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

**K. ESTIMATES**

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

**3. CASH AND INVESTMENTS**

At December 31, 1997, the District's cash and investments, shown on the balance sheet under current assets and restricted assets, consisted of checking, savings, and certificate of deposit accounts. The carrying amounts of these accounts totaled \$41,638 and the corresponding bank balances totaled \$51,404. All of the bank balances were covered by federal depository insurance.

**3. RESTRICTED ASSETS (CASH AND INVESTMENTS)**

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

1. A customer meter deposit account in which all customer meter deposits are held.
2. A revenue bond and interest sinking fund account from which bond principal and interest are paid. On or before the 31<sup>st</sup> of each month, the District is required to deposit a sum equal to one-twelfth of the total amount of principal and interest falling due in the following year.

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type – Enterprise Fund**  
**Notes to the Financial Statements**  
**December 31, 1997**

3. A reserve fund account in which funds are held for payment of bond principal and interest in the event the sinking fund account is unable to pay. On or before the 20<sup>th</sup> of each month, the District is required to deposit a sum at least equal to five percent of the amount to be paid into the sinking fund provided for in paragraph 2 above. The payments into the reserve are to continue until the reserve equals the highest combined principal and interest falling due in any year.
4. A depreciation and contingency fund account to cover depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. On or before the 20<sup>th</sup> of each month, the District is required to deposit \$50 per month.

The account balances as of December 31, 1997 are listed below:

	<u>1997</u>
Customers' Meter Deposit Account	\$ 2,829
Waterworks Reserve Bond and Interest Sinking Fund Account	5,099
Waterworks Reserve Fund Account	1,824
Waterworks Depreciation and Contingency Fund Account	7,831
Accrued Interest Receivable – Waterworks Depreciation and Contingency Fund Account	<u>54</u>
TOTAL	<u>\$ 17,587</u>

**4. LEASES**

The District has a month-to-month operating lease for computer equipment for \$158 per month. For the year ended December 31, 1997, the District paid \$1,896 in connection with the computer equipment.

**5. LONG-TERM LIABILITIES**

Notes Payable:

	<u>December 31</u>
	<u>1997</u>
T. L. James and Co.; due in annual installments of \$750 through 1999, noninterest bearing	\$ 1,000

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type – Enterprise Fund**  
**Notes to the Financial Statements**  
**December 31, 1997**

Rural Development Interim Loan	34,800
Total Notes Payable	35,800
Less: Current portion	<u>(7,500)</u>
Total Long-term notes payable	<u>\$ 28,300</u>
Revenue Bonds Payable:	
	<u>December 31</u>
	<u>1997</u>
<b>1965 Issue</b>	
\$127,080 – 1965 Waterworks District No. 1 bonds payable in monthly installments of \$521 through June 21, 2005; interest rate of 3.75%	\$ 14,879
<b>1980 Issue</b>	
\$242,000 – 1980 Waterworks District No. 1 bonds payable in annual principal installments of \$2,000 to \$13,000 through September 5, 2020; interest rate of 5.0%	<u>153,090</u>
Total Bonds Payable	221,879
Less: Current Portion	<u>(10,042)</u>
<b>TOTAL LONG-TERM BONDS PAYABLE</b>	<u><b>\$ 211,837</b></u>

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

**Waterworks District No. 1**  
**A Component Unit of Union Parish Police Jury**  
**Proprietary Fund Type – Enterprise Fund**  
**Notes to the Financial Statements**  
**December 31, 1997**

The annual requirement to amortize the long-term obligations outstanding at December 31, 1997, including interest of \$139,683 attributable to Revenue Bonds, are as follows:

	<u>Bonds Payable</u>		Notes Payable	Total
	1995	1998		
	<u>Intst.</u>	<u>Intst.</u>		
1998	\$ 6,250	\$ 14,650	\$ 74,798	\$ 95,698
1999	6,250	14,480	340	29,990
2000	6,250	14,190	-	29,400
2001	6,250	13,900	-	29,150
2002	6,250	14,650	-	29,900
2003-2020	<u>2,812</u>	<u>296,750</u>	<u>-</u>	<u>299,562</u>
<b>Total debt payments:</b>	<b><u>\$ 79,062</u></b>	<b><u>\$ 328,500</u></b>	<b><u>\$ 75,098</u></b>	<b><u>\$ 442,662</u></b>

**6. BOARD OF COMMISSIONERS – PER DIEM PAYMENTS**

In compliance with Louisiana Revised Statute 33:3815, the commissioners, with the exception of the president, receive a per diem of \$20 for each meeting they attend to a maximum of 12 meetings per year. The president's per diem is \$50 per meeting up to a maximum of 12 meetings per year.

Board of Commissioners fees for 1997 were as follows:

Name	Number of Meetings	Amount
Charles A. Calcutt	7	\$ 190
Steve Bramley	3	180
Sam Mathews	6	120
Bruce Nolan	7	140
Carolyn Threlkoff	7	140
Technical Consultants:		
Kathy Davidoff	7	140
Jack Duran	7	140
<b>TOTAL</b>		<b><u>\$ 1,130</u></b>

**7. RISK FINANCING ACTIVITIES**

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



RAJUAN L. HENNEGAN  
Certified Public Accountant  
1501 Goodwin Road  
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225-285-6305

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL  
STATEMENT AUDIT CONDUCTED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Waterworks District No. 1  
Farmersville, Louisiana

I have audited the financial statements of Waterworks District No. 1 (the District), a component unit of Union Parish Police Jury, as of and for the year ended December 31, 1997, and have issued my report thereon dated June 23, 1998.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements referred to in the first paragraph of the District, for the year ended December 31, 1997, I considered its internal control structure in order to determine my auditing procedures. For the purpose of expressing my opinion on these financial statements and not to provide assurance on the internal control structure. Accordingly, I do not express such an opinion.

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 the Board 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 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 operations of policies and procedures may deteriorate.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

#### **I. FINDINGS AND EFFECTS**

The Board reviews invoices on a monthly basis for payment approval. When performing my audit, I found no evidence of their approval.

#### **RECOMMENDATION**

A Board member should initial these invoices approved for payment for authorization control purposes.

#### **RESPONSE**

The Board has determined to begin documenting the authorization of invoices to be paid by initialing those approved invoices.

#### **II. FINDINGS AND EFFECTS**

The cash accounts are being reconciled monthly. However, they are not always being reconciled as of the end of the month and then tied to the general ledger.

#### **RECOMMENDATION**

The cash accounts should be reconciled on a monthly basis as of the end of that monthly accounting period. They should then be tied to the general ledger.

RESPONSE

The cash accounts will be reconciled on a monthly basis as of the end of that accounting period. They will then be tied to the general ledger each month.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I consider the findings noted above to be material weaknesses.

This report is intended for the Board of Watershed District No. 1, its cognate audit agency, and other agencies granting funds to the District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Respectfully,



Nathan L. Hennigan  
Certified Public Accountant

June 25, 1998

RADHAN L. HENNIGAN  
Certified Public Accountant  
1500 Greystone Road  
Burrise, LA 71230  
318-255-6005

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

Board of Commissioners  
Waterworks District No. 1  
Farmerville, Louisiana

I have audited the financial statements of Waterworks District No. 1 (the District), a component unit of Union Parish Police Jury, as of and for the year ended December 31, 1997, and have issued my report thereon dated June 13, 1998.

I conducted my audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the District is the responsibility of the district's Board of Commissioners (the Board). As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

I. FINDINGS AND EFFECTS

The bond covenants had not been met throughout the year of 1997. Two funds were overfunded, and one fund was underfunded.

RECOMMENDATION

Certain interfund transfers need to be made to correct the over/underfunding. Also the Board should review the bond covenants throughout the year to assure that they are in compliance.

RESPONSE

The appropriate transfers will be made to correct the over/underfunding. The Board will also review the bond covenants periodically to ensure that they are in compliance with the bond requirements.

This report is intended for the Board of Waterworks District No. 1, its cognizant audit agency, and other agencies granting funds to the District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Respectfully,



Pauline L. Hennigan  
Certified Public Accountant

June 23, 1998

**Waterworks District No. 1  
Schedule of Prior Year Findings  
For the Year Ended December 31, 1997**

<b>SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
1996-1 The District should include all compensation that an employee earns on their W-2. Additionally, a Form 1099 should be issued to any non-employer (individual or non-incorporated business) that performs services for the District totaling at least \$600 in a year.	Resolved – The District has completely and accurately issued all appropriate W-2's and 1099's for the year ended December 31, 1997.
1996-2 The Board commissioners and technical consultants received per diem in the form of cash for meetings they attended. This was accomplished by the bookkeeper cashing a check written to herself prior to the meeting. All payments should be made only by check and only after the services have been performed.	Resolved – The District issued the Board commissioners and technical consultants per diem in checks only.
1996-3 Checks should be properly and completely prepared prior to being presented for payment as several checks were written with the payee left blank or to "Cash".	Resolved – We noted no instances where checks were issued in blank or to "Cash" in 1997.
1996-4 Someone independent of the cash receipts and cash disbursements functions should receive the bank statements unopened and review all cancelled items on a monthly basis.	Resolved – Carolyn Thonkoff, Secretary/Treasurer, receives the bank statements and reviews the cancelled items on a monthly basis prior to forwarding this information to Kathy Deslinda, Accountant.
1996-5 The District should make every effort to deposit funds received, either in the form of waterfund transfer or water sales, on a timely basis.	Resolved – The district has been making timely deposits of its water sales receipts and interfund transfers in 1997.
1996-6 Several checks were signed in blank by both authorized check signers. Authorized check signers should sign only those checks that have, in every other respect, been completely prepared and have adequate documentation to support the check.	Resolved – We noted no instances of the authorized check signers signing checks in blank in 1997.

**Waterworks District No. 1**  
**Schedule of Prior Year Findings**  
**For the Year Ended December 31, 1997**

<p>1996-7 The District should prepare bank reconciliations that are timely and that agree with the applicable general ledger cash account.</p>	<p>Partially resolved - The District's accountant has been performing the bank reconciliations as of the date of reconciliations. She has not been tying the general ledger cash accounts to the reconciled cash balances as of the end of the accounting period. We suggest that this be done.</p>
<b>SECTION III - MANAGEMENT LETTER</b>	
N/A	

**Waterworks District No. 1  
Management's Corrective Action Plan  
For the Year Ended December 31, 1997**

<b>SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
1997-1 The Board of Commissioners reviews invoices on a monthly basis for payment approval. When performing my audit, I found no evidence of their approval. A board member should initial those invoices approved for payment for authorization control purposes.	Partially resolved - The board has determined to begin documenting the authorization of invoices to be paid by initialing those approved invoices.
1997-2 The bond covenants had not been met throughout the year of 1997. The Board should review these on a monthly basis to ensure that the District is in compliance with their bond covenants.	Partially resolved - The appropriate transfers will be made to correct the over/underfunding of the various required funds due to the bond covenants. The Board will continue to monitor this throughout 1998.
1997-3 Each cash account should be reconciled on a monthly basis as of the end of that monthly accounting period. They should also be tied to the general ledger balance as of the end of that monthly accounting period.	Partially resolved - The District's accountant has been reconciling the cash accounts on a monthly basis. In the future, she will reconcile them as of the end of each month and tie them to the appropriate general ledger balances as of the end of that monthly accounting period.
<b>SECTION III - MANAGEMENT LETTER</b>	
NA	