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TOWN OF WATERPROOF, LOUISIANA

General Purpose Financial Statements
With Independent Auditors' Report
As of and for the Year Ended June 30, 1998
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, 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 ~~OCT 27 1998~~

TOWN OF WATERPROOF, LOUISIANA
YEAR ENDED JUNE 30, 1998
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SECTION I - GENERAL PURPOSE FINANCIAL STATEMENTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
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ROXANNE B. JAMES, CPA

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT

Honorable Mary T. Owen, Mayor
and Members of the Board of Aldermen
Town of Waterproof, Louisiana

We have audited the accompanying general purpose financial statements, as listed in the table of contents, as of June 30, 1998 and for the year then ended. These general purpose financial statements are the responsibility of the Town of Waterproof, Louisiana management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Town of Waterproof, Louisiana, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued reports dated September 22, 1998 on our consideration of the Town of Waterproof's internal control structure and 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 supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Town of Waterproof, Louisiana. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Ferriday, Louisiana
September 22, 1998

Switzer, Hopkins & Mange

TOWN OF WATERPROOF, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1998

	Governmental Fund Types		Proprietary Fund Type Enterprise	Account Groups		Totals (Memorandum Only)	
	General	Debt Service		General Fixed Assets	1998	1997	
<u>ASSETS AND OTHER DEBITS</u>							
Cash	\$ 26,487	\$ -	\$ 28,100	\$ -	\$ 54,587	\$ 38,201	
Certificates of deposit	-	-	25,669	-	25,669	40,694	
Receivables, (net, where applicable, of allowance for uncollectables)-	-	-	-	-	-	-	
Utility customers(Note A)	-	-	20,435	-	20,435	19,464	
Others	6,959	-	-	-	6,959	3,480	
Prepaid expenses	-	-	739	-	739	-	
Inventory	-	-	600	-	600	3,076	
Restricted assets (Note A):							
Cash	-	-	55,313	-	55,313	78,548	
General fixed assets	-	-	-	197,304	197,304	178,416	
Utility plant and equipment (Note E)	-	-	4,581,092	-	4,581,092	4,379,792	
Accumulated Depreciation (Note E)	-	-	(1,674,064)	-	(1,674,064)	(1,539,945)	
Total assets	<u>\$ 33,446</u>	<u>\$ -</u>	<u>\$ 3,037,884</u>	<u>\$ 197,304</u>	<u>\$ 3,268,634</u>	<u>\$ 3,201,726</u>	

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1998

	Governmental Fund Types		Proprietary Fund Type	Account Groups	Totals	
	General	Debt Service			General Fixed Assets	(Memorandum Only) 1998
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>						
Liabilities:						
Accounts payable	\$ 6,235	\$ -	\$ 14,753	\$ -	\$ 20,988	\$ 22,224
Customer deposits	-	-	25,892	-	25,892	27,402
Interest payable	-	-	2,215	-	2,215	23,590
Revenue bonds	-	-	561,415	-	561,415	566,100
Total liabilities	<u>6,235</u>	<u>-</u>	<u>604,275</u>	<u>-</u>	<u>610,510</u>	<u>639,316</u>
Fund equity:						
Contributed capital	-	-	2,940,931	-	2,940,931	2,940,931
Investment in general fixed assets	-	-	-	197,304	197,304	178,416
Retained earnings- Unreserved	-	-	(507,322)	-	(507,322)	(596,082)
Unreserved- undesignated	<u>27,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,211</u>	<u>39,145</u>
Total fund equity	<u>27,211</u>	<u>-</u>	<u>2,433,609</u>	<u>197,304</u>	<u>2,658,124</u>	<u>2,562,410</u>
Total liabilities and fund equity	<u>\$ 33,446</u>	<u>\$ -</u>	<u>\$ 3,037,884</u>	<u>\$ 197,304</u>	<u>\$ 3,268,634</u>	<u>\$ 3,201,726</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Governmental Fund Types</u>		Totals	
	<u>General</u>	<u>Debt Service</u>	(Memorandum Only) <u>1998</u>	<u>1997</u>
Revenues:				
Taxes	\$ 22,316	\$ -	\$ 22,316	\$ 17,351
Licenses and permits	16,184	-	16,184	15,106
Intergovernmental	7,178	-	7,178	150,331
Fines	18,772	-	18,772	19,358
Miscellaneous	6,731	-	6,731	22,195
Total revenues	<u>71,181</u>	<u>-</u>	<u>71,181</u>	<u>224,341</u>
Expenditures:				
Current-				
General government	61,311	-	61,311	180,530
Public safety-				
Police	14,888	-	14,888	31,669
Fire	-	-	-	7,180
Capital outlay	18,889	-	18,889	45,000
Debt service-				
Principal retirement	-	-	-	6,000
Interest and fiscal charges	-	-	-	249
Total expenditures	<u>95,088</u>	<u>-</u>	<u>95,088</u>	<u>270,628</u>
Excess of revenues (under) expenditures	(23,907)	-	(23,907)	(46,287)
Other financing sources:				
Operating transfers	<u>16,257</u>	<u>(4,284)</u>	<u>11,973</u>	<u>14,457</u>
Excess of revenues and other sources (under) expenditures and other uses	(7,650)	(4,284)	(11,934)	(31,830)
Fund balances, beginning	<u>34,861</u>	<u>4,284</u>	<u>39,145</u>	<u>59,676</u>
Fund balances, ending	<u>\$ 27,211</u>	<u>\$ -</u>	<u>\$ 27,211</u>	<u>\$ 27,846</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES-BUDGET AND ACTUAL-(GAAP BASIS)

GENERAL AND DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 1998

	General Fund Type			Debt Service Fund Type		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Taxes (Note F)	\$ 20,400	\$ 22,316	\$ 1,916	\$ -	\$ -	\$ -
Licenses and permits	14,000	16,184	2,184	-	-	-
Intergovernmental	10,900	7,178	(3,722)	-	-	-
Fines	24,000	18,772	(5,228)	-	-	-
Miscellaneous	4,600	6,731	2,131	-	-	-
Total revenues	<u>73,900</u>	<u>71,181</u>	<u>(2,719)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:						
Current-						
General government	47,130	61,311	(14,181)	-	-	-
Public safety-						
Police	19,130	14,888	4,242	-	-	-
Capital outlay	4,500	18,889	(14,389)	-	-	-
Total expenditures	<u>70,760</u>	<u>95,088</u>	<u>(24,328)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	3,140	(23,907)	(27,047)	-	-	-
Other financing sources:						
Operating transfers in (out)	-	16,257	16,257	(4,284)	(4,284)	-
Excess of revenues and other sources over (under) expenditures and other uses	3,140	(7,650)	10,790	-	-	-
Fund balances, beginning	<u>34,861</u>	<u>34,861</u>	<u>-</u>	<u>4,284</u>	<u>4,284</u>	<u>-</u>
Fund balances, ending	<u>\$ 38,001</u>	<u>\$ 27,211</u>	<u>\$ 10,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1998

	<u>1998</u>	(Memorandum Only) <u>1997</u>
Operating revenues:		
Charges for services-		
Gas sales	\$ 142,959	\$ 138,436
Water sales	87,812	100,554
Sewer sales	19,927	19,924
Garbage sales	26,855	10,298
Backhoe and mowing charges	486	514
Grant income	223,426	-
Miscellaneous revenues	13,195	11,649
Total operating revenues	<u>514,660</u>	<u>281,375</u>
Operating expenses:		
Gas department expenses	133,748	153,664
Water department expenses	172,377	178,732
Sewer department expenses	37,840	48,937
Garbage department expenses	44,679	47,913
Backhoe and mowing expenses	1,095	11,434
Total operating expenses	<u>389,739</u>	<u>440,680</u>
Operating income (loss)	124,921	(159,305)
Nonoperating revenues (expenses):		
Interest earned	3,809	2,036
Interest expense	(27,997)	(25,893)
Total nonoperating revenues (expenses):	<u>(24,188)</u>	<u>(23,857)</u>
Income (loss) before operating transfers	100,733	(183,162)
Operating transfers:		
Transfer from capital projects fund	-	14,109
Transfer (to) general fund	(16,257)	-
Transfer from debt service fund	4,284	-
	<u>(11,973)</u>	<u>14,109</u>
Net income (loss)	88,760	(169,053)
Retained earnings, beginning	<u>(596,082)</u>	<u>(427,029)</u>
Retained earnings, ending	<u>\$(507,322)</u>	<u>\$(596,082)</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

	<u>1998</u>	(Memorandum Only) <u>1997</u>
Cash flows from operating activities:		
Cash received from customers	\$ 513,689	\$ 288,467
Cash payments to suppliers for goods and services	(179,317)	(201,034)
Cash payments to employees for services	<u>(79,501)</u>	<u>(84,592)</u>
Net cash provided by operating activities	<u>254,871</u>	<u>2,841</u>
Cash flows from non-capital financing activities:		
Operating transfers (to) from other funds	(11,973)	14,109
(Decrease) in consumer deposits	<u>(1,510)</u>	<u>(1,195)</u>
Net cash (used) by non-capital financing activities	<u>(13,483)</u>	<u>12,914</u>
Cash flows from capital and related financing activities:		
Principal paid on notes	(4,685)	-
Interest paid on notes	(49,372)	-
Acquisition of fixed assets	<u>(201,300)</u>	<u>(23,655)</u>
Net cash provided (used) by capital and related financing activities	<u>(255,357)</u>	<u>(23,655)</u>
Cash flows from investing activities:		
Investment income	<u>3,809</u>	<u>2,036</u>
Net (decrease) in cash and cash equivalents	(10,160)	(5,864)
Cash and cash equivalents at July 1, 1997	<u>119,242</u>	<u>125,106</u>
Cash and cash equivalents at June 30, 1998	<u>\$ 109,082</u>	<u>\$ 119,242</u>
Reconciliation of operating (loss) income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 124,921	\$(159,305)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:		
Depreciation	134,119	138,943
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(971)	7,092
Decrease in other assets	1,737	889
Increase (decrease) in accounts payable	<u>(4,935)</u>	<u>15,222</u>
Net cash provided by operating activities	<u>\$ 254,871</u>	<u>\$ 2,841</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Waterproof, Louisiana was incorporated under the provisions of the Lawrason Act. The Town operates under a Mayor-Board of Aldermen form of government.

The accounting and reporting policies of the Town of Waterproof, Louisiana 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 Guides and to the industry guide, Audits of State And Local Governmental Units.

The following is a summary of certain significant accounting policies.

1. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the Town executive and legislative branches (the Mayor and Board of Alderpersons). Control by or dependence on the Town was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

2. Fund Accounting

The accounts of the Town of Waterproof, Louisiana are organized on the basis of funds and account groups each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUND TYPES

General fund

The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt service funds

Debt service funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPRIETARY FUND TYPE

Enterprise fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Property, Plant and Equipment and Long-Term Liabilities

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending of "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. The Town has elected to not capitalize public domain "infrastructure" fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks and drainage improvements. No depreciation has been provided on general fixed assets.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

TOWN OF WATERPROOF, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Gas lines	40 years
Water lines and plant	25 to 40 years
Sewer lines	40 years
Vehicles and equipment	2 to 10 years

All fixed assets are stated at historical cost.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at the time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the "accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Bad debts are recognized when they become uncollectable."

5. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTES A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
 4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
 5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
 6. All budgetary appropriations lapse at the end of each fiscal year.
 7. Budgets for the General, Debt Service and Capital Projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.
6. Inventories
- Inventories of materials and supplies are valued at lower of cost or market.
7. Amounts due from other funds
- Amounts reflected as due from other funds represent short-term operating loans and are considered "available spendable resources".
8. Allowance for uncollectable accounts
- Allowance for uncollectable accounts receivable at June 30, 1998 is \$8,272.
9. Restricted assets
- Certain assets of the Town of Waterproof, Louisiana have been restricted for customers' deposits and bond payments and these assets total \$55,313.
10. Total columns on combined statements - overview
- Total columns on the combined statements - overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in

TOWN OF WATERPROOF, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1998

NOTES A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions for the Town of Waterproof Louisiana for the fiscal year ended June 30, 1998:

Proprietary Fund

The following is a summary of bond transactions of the Town of Waterproof for the year ended June 30, 1998:

Bonds payable at June 30, 1998	\$ 561,415
Less: current portion	<u>5,917</u>
Long-term portion	<u>\$ 555,498</u>

Bonds payable at June 30, 1998 are comprised of the following issue:

Water Revenue Bonds:

\$566,415 in revenue bonds due in annual installments of \$31,180 through July of 2035; interest at 4.5%.

The annual requirements to amortize the bonds as of June 30, 1998 are as follows:

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 5,927	\$ 25,264	\$ 31,191
2000	6,184	24,997	31,181
2001	6,462	24,719	31,181
2002	6,753	24,428	31,181
2003	7,057	24,124	31,181
Thereafter	<u>529,032</u>	<u>491,444</u>	<u>1,020,476</u>
Total	<u>\$ 561,415</u>	<u>\$ 614,976</u>	<u>\$ 1,176,391</u>

NOTE C - PROPRIETARY FUND BOND INDENTURE RESTRICTIONS

The Town's proprietary fund bonds are governed by bond indenture, the terms of which are summarized as follows:

TOWN OF WATERPROOF, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1998

NOTE C - PROPRIETARY FUND BOND INDENTURE RESTRICTIONS CONTINUED

1. Commencing with the month following completion of improvements financed with the proceeds of the bonds, a reserve fund shall be maintained. For the period August 20, 1997 through July 20, 2035, \$130 must be deposited into this fund until \$31,180 has been accumulated.
2. Commencing with the month following completion of improvements financed with the proceeds of the bonds, a contingency fund shall be maintained. For the period August 20, 1995 through July 20, 2035, \$129 must be deposited monthly.

The Town is in compliance with these restrictions.

NOTE D - CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in general fixed assets follows:

	Balance July 1, 1997	Additions	Balance June 30, 1998
Equipment	\$ 136,275	\$ 18,888	\$ 155,163
Buildings	42,141	-	42,141
Total	<u>\$ 178,416</u>	<u>\$ 18,888</u>	<u>\$ 197,304</u>

NOTE E - PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund's plant and equipment at June 30, 1998 follows:

Water	\$ 3,004,854
Sewer	651,795
Gas	803,896
Garbage	117,755
Backhoe and Mowing	2,792
Plant and equipment	<u>4,581,092</u>
Less accumulated depreciation	<u>(1,674,064)</u>
Net	<u>\$ 2,907,028</u>

NOTE F - AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied by the Town in September or October and are billed to the taxpayers in November. Billed taxes become delinquent on January 1, of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

TOWN OF WATERPROOF, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE F - AD VALOREM TAXES - CONTINUED

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

For the year ended June 30, 1998 taxes of 7.27 mills were levied on property with assessed valuations totaling \$1,310,167 and were dedicated to general corporate purposes.

Total taxes levied were \$9,524.

NOTE G - RETIREMENT COMMITMENTS

All employees are members of the social security system. The expense of the social security is reflected in payroll taxes in the various statements of income.

NOTE H - CASH AND CASH EQUIVALENTS

Under state law, the city 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 principal offices in Louisiana.

At June 30, 1998, the town had cash and cash equivalents according to the bank's balances totaling \$149,416 as follows:

Demand deposits	\$ 97,741
Time deposits	57,675
Total	<u>\$ 149,416</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent banks. 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 banks in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1998, the clerk has \$135,569 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance.

NOTE I - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The Town grants one week after one year of service and two weeks after two years of service. Each employee is entitled to ten sick days per year. Vacation or sick pay does not accumulate. The cost of accrued absences at June 30, 1998 is \$2,010. The Town's policy concerning compensation for unpaid vacation pay or sick pay is that upon termination of an employee, vacation days and sick days not previously used by the employee are not reimbursed.

TOWN OF WATERPROOF, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 1998

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Backhoe Mowing Fund</u>	<u>Total</u>
Operating Revenues	\$ 149,688	\$ 92,034	\$ 244,277	\$ 28,175	\$ 486	\$ 514,660
Depreciation	29,636	88,676	14,903	904	-	134,119
Operating income	63,710	39,975	8,744	12,492	-	124,921
Net income	45,768	28,403	6,213	8,876	-	88,760
Plant, property & equipment, net additions	-	-	-	-	-	4,581,092
Net working capital	16,668	10,459	2,288			32,683
Total assets	1,549,321	972,123	212,652	3,268	-	3,037,884
Long-term liabilities payable from operating revenues	-	561,415	-	-	-	561,415
Total equity	\$ 1,241,141	\$ 778,755	\$ 170,353	\$ 243,360	\$ 486	\$ 2,433,609

NOTE K - LITIGATION

The Town of Waterproof is party to legal proceedings which occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the funds of the Town.

NOTE L - EXPENDITURES - ACTUAL AND BUDGET

The following funds had actual expenditures over budgeted expenditures for the year ended June 30, 1998:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess of Actual Over Budgeted Expenditures</u>
General Fund	<u>\$ 70,760</u>	<u>\$ 95,088</u>	<u>\$ 24,328</u>

SECTION II - SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TOWN OF WATERPROOF, LOUISIANA
GENERAL FUND

COMPARATIVE BALANCE SHEET
YEAR ENDED JUNE 30, 1998

<u>ASSETS</u>	<u>1998</u>	(Memorandum Only) <u>1997</u>
Cash	\$ 26,487	\$ 33,917
Accounts receivable	6,959	3,480
Total assets	<u>33,446</u>	<u>37,397</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	<u>6,235</u>	<u>2,536</u>
Fund balance-unreserved	<u>27,211</u>	<u>34,861</u>
Total liabilities and fund balance	<u>\$ 33,446</u>	<u>\$ 37,397</u>

TOWN OF WATERPROOF, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
YEAR ENDED JUNE 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	1998		Variance- Favorable (Unfavorable)	(Memorandum) Only) 1997 Actual
	Budget	Actual		
Revenues:				
Taxes	\$ 20,400	\$ 22,316	\$ 1,916	\$ 20,851
Licenses and permits				
Occupational licenses	14,000	16,184	2,184	17,317
Intergovernmental				
Tobacco tax	5,700	5,618	(82)	5,619
Fire insurance tax	3,800	-	(3,800)	3,808
Beer tax	1,400	1,560	160	1,446
Fines	24,000	18,772	(5,228)	22,596
Miscellaneous	4,600	6,731	2,131	6,077
Total revenues	73,900	71,181	(2,719)	77,714
Expenditures:				
General government	47,130	61,311	(14,181)	49,493
Public safety-				
Police	19,130	14,888	4,242	19,110
Capital outlay	4,500	18,889	(14,389)	25,890
Total expenditures	70,760	95,088	(24,328)	94,493
Excess of revenues over (under) expenditures	3,140	(23,907)	(27,047)	(16,779)
Other financing sources in:				
Operating transfers	-	16,257	16,257	12,287
Excess of revenues and other sources over (under) expenditures	3,140	(7,650)	10,790	(4,492)
Fund balance, beginning	34,861	34,861	-	39,353
Fund balance, ending	\$ 38,001	\$ 27,211	\$ 10,790	\$ 34,861

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
 GENERAL FUND
 STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
 YEAR ENDED JUNE 30, 1998

With Comparative Actual Amounts for Year Ended June 30, 1997

	1998		Variance- Favorable (Unfavorable)	(Memorandum Only) 1997 Actual
	Budget	Actual		
General government:				
Salaries	\$ 6,900	\$ 9,337	\$ (2,437)	\$ 9,402
Aldermen fees	7,500	8,350	(850)	6,750
Professional services	3,500	5,317	(1,817)	4,126
Insurance	4,000	11,459	(7,459)	3,311
Utilities and telephone	16,050	16,814	(764)	16,367
Publication of minutes	500	826	(326)	895
Office supplies	600	780	(180)	477
Dues and subscriptions	600	383	217	513
Repairs	2,850	257	2,593	719
Supplies	510	2,294	(1,784)	446
Payroll taxes	1,250	1,154	96	1,353
Miscellaneous	2,870	3,471	(601)	3,315
Street repairs	-	767	(767)	1,631
Drug testing	-	102	(102)	188
Total general government	<u>47,130</u>	<u>61,311</u>	<u>(14,181)</u>	<u>49,493</u>
Public safety - police:				
Salaries	15,100	11,350	3,750	15,100
Payroll taxes	800	546	254	964
Gas, oil and repairs	1,500	1,947	(447)	1,335
Insurance	-	-	-	673
Miscellaneous	1,730	1,045	685	1,038
Total public safety	<u>19,130</u>	<u>14,888</u>	<u>4,242</u>	<u>19,110</u>
Capital outlay	<u>4,500</u>	<u>18,889</u>	<u>(14,389)</u>	<u>25,890</u>
Total expenditures	<u>\$ 70,760</u>	<u>\$ 95,088</u>	<u>\$ (24,328)</u>	<u>\$ 94,493</u>

The accompanying notes are an integral part of these statements.

DEBT SERVICE FUNDS

1965 Sewer Bonds Fund - to accumulate monies for payment of the \$60,000
3.9 percent General Obligation Sewer Bonds.

TOWN OF WATERPROOF, LOUISIANA
DEBT SERVICE FUNDS

COMBINING BALANCE SHEET
JUNE 30, 1998

With Comparative Totals for June 30, 1997

	<u>1965</u> <u>Sewer</u> <u>Bonds</u>	<u>Totals</u> <u>(Memorandum Only)</u>	
		<u>1998</u>	<u>1997</u>
 <u>ASSETS</u>			
Cash	\$ <u>-</u>	\$ <u>-</u>	\$ <u>4,284</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Unreserved-undesignated	<u>-</u>	<u>-</u>	<u>4,284</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>4,284</u>
 Total liabilities and fund balances	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 4,284</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 1998
With Comparative Totals for June 30, 1997

	1965 Sewer Bonds	<u>Totals</u> (Memorandum Only)	
		<u>1998</u>	<u>1997</u>
Revenues:			
Interest income	\$ -	\$ -	\$ -
Expenditures:			
Interest & fiscal charges	-	-	-
Total expenditures	-	-	-
Excess revenues over expenditures	-	-	-
Other financing sources:			
Operating transfers	(4,284)	(4,284)	-
Fund balances, beginning	<u>4,284</u>	<u>4,284</u>	<u>4,284</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,284</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
DEBT SERVICE FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL (GAAP BASIS)

YEAR ENDED JUNE 30, 1998

With Comparative Totals for June 30, 1997

	1965 Sewer Bond Fund		
	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Expenditures:			
Interest and fiscal charges	<u> -</u>	<u> -</u>	<u> -</u>
Excess of revenues over expenditures	-	-	-
Other financing sources			
Operating transfers out	(4,284)	(4,284)	
Fund balance, beginning	<u> 4,284 </u>	<u> 4,284 </u>	<u> -</u>
Fund balance, ending	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

The accompanying notes are an integral part of these statements.

ENTERPRISE FUND

Utility Fund - To account for the provision of water, gas, sewer and sanitation services to residents of the Town and some residents of the Parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, maintenance, financing and related debt service, and billings and collection.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE BALANCE SHEET
JUNE 30, 1998

	<u>1998</u>	<u>(Memorandum Only) 1997</u>	<u>1998</u>	<u>(Memorandum Only) 1997</u>
<u>ASSETS</u>				
Current assets:				
Cash	\$ 28,100	-		
Certificates of deposit	25,669	40,694		
Accounts receivable:				
Customers-net of allowance for uncollectables	20,435	19,464		
Prepaid expenses	739	-		
Inventory	600	3,076		
Total current assets	<u>75,543</u>	<u>63,234</u>		
Restricted assets:				
Consumer deposits-cash	2,280	4,878		
Consumer deposits-investments	23,612	22,524		
Sinking fund	22,200	46,869		
Contingency fund	4,249	2,735		
Reserve fund	2,972	1,542		
Total restricted assets	<u>55,313</u>	<u>78,548</u>		
	E			
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Current liabilities				
(Payable from current assets):				
Accounts payable	\$ 14,753			\$ 19,688
Current liabilities (payable from restricted assets)				
Customer deposits	25,892	27,402		
Accrued interest payable	2,215	23,590		
Total current liabilities	<u>42,860</u>	<u>70,680</u>		
Long-term liabilities:				
Revenue bonds payable	561,415	566,100		
Total liabilities	<u>561,415</u>	<u>636,780</u>		
Fund equity:s				
Contributed capital	2,940,931	2,940,931		
Retained earnings-				
Unreserved	<u>(507,322)</u>	<u>(596,082)</u>		

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1998

	<u>1998</u>	(Memorandum Only) <u>1997</u>
Operating revenues:		
Charges for services-		
Gas sales	\$ 142,959	\$ 138,436
Water sales	87,812	100,554
Sewer sales	19,927	19,924
Garbage sales	26,855	10,298
Backhoe and mowing charges	486	514
Grant income	223,426	-
Miscellaneous revenues	13,195	11,649
Total operating revenues	<u>514,660</u>	<u>281,375</u>
Operating expenses:		
Gas department expenses	133,748	153,664
Water department expenses	172,377	178,732
Sewer department expenses	37,840	48,937
Garbage department expenses	44,679	47,913
Backhoe and mowing expenses	1,095	11,434
Total operating expenses	<u>389,739</u>	<u>440,680</u>
Operating income (loss)	124,921	(159,305)
Nonoperating revenues (expenses):		
Interest earned	3,809	2,036
Interest expense	(27,997)	(25,893)
Total nonoperating revenues (expenses):	<u>(24,188)</u>	<u>(23,857)</u>
Income (loss) before operating transfers	100,733	(183,162)
Operating transfers:		
Transfer from capital projects fund	-	14,109
Transfer (to) general fund	(16,257)	-
Transfer from debt service fund	4,284	-
	<u>(11,973)</u>	<u>14,109</u>
Net income (loss)	88,760	(169,053)
Retained earnings, beginning	<u>(596,082)</u>	<u>(427,029)</u>
Retained earnings, ending	<u>\$(507,322)</u>	<u>\$(596,082)</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND-UTILITY FUND

COMPARATIVE STATEMENT OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	<u>1998</u>	(Memorandum Only) <u>1997</u>
Gas department:		
Gas purchases	\$ 75,659	\$ 88,139
Depreciation	29,636	31,013
Salaries	5,405	6,210
Insurance	3,468	6,690
Office salaries	8,669	9,644
Repairs	523	271
Utilities and telephone	1,376	1,009
Payroll taxes	1,214	1,286
Truck expenses	420	772
Office supplies	1,188	159
Gas leak survey	1,447	1,170
Bad debts	-	928
Supplies	1,969	3,351
Chemicals	451	98
Legal and accounting	1,150	1,688
Dues	487	-
Permits	645	-
Miscellaneous	41	1,236
Total gas expense	<u>133,748</u>	<u>153,664</u>
Water department:		
Depreciation	88,676	88,922
Salaries	19,852	18,259
Chemicals	14,343	19,080
Utilities and telephone	10,610	4,523
Repairs	6,526	1,851
Office salaries	8,669	9,644
Insurance	7,473	15,196
Payroll taxes	3,294	2,401
Supplies	4,679	4,482
Office supplies	1,033	156
Truck expenses	311	223
Permits and inspections	-	37
Bad debts	3,239	1,964
Drug tests	506	856
Travel	512	107
Legal and accounting	1,350	1,200
Advertising	100	60
Dues	1,204	168
Miscellaneous	-	9,603
Total water expenses	<u>\$ 172,377</u>	<u>\$ 178,732</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND-UTILITY FUND

COMPARATIVE STATEMENT OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	<u>1998</u>	(Memorandum Only) <u>1997</u>
Sewer department:		
Depreciation	\$ 14,903	\$ 16,072
Utilities and telephone	3,725	4,156
Repairs	554	8,248
Office salaries	5,210	3,868
Insurance	1,883	2,544
Salaries	6,232	8,758
Tests	1,864	2,344
Office supplies	790	40
Payroll taxes	902	1,085
Truck expenses	91	107
Bad debts	-	357
Supplies	629	793
Chemicals	371	-
Miscellaneous	442	565
Advertising	244	-
Total sewer expenses	<u>37,840</u>	<u>48,937</u>
 Garbage department:		
Depreciation	904	2,913
Salaries	20,300	22,676
Insurance	5,094	6,244
Truck expenses	344	1,279
Office salaries	5,164	3,868
Payroll taxes	2,031	2,033
Office supplies	1,384	302
Bad debts	-	321
Repairs	2,564	394
Supplies	3,491	4,491
Legal and accounting	2,200	2,200
Utilities	1,118	1,006
Miscellaneous	85	186
Total garbage expenses	<u>44,679</u>	<u>47,913</u>
 Backhoe and mowing department:		
Salaries	-	1,664
Payroll taxes	-	118
Repairs	479	6,768
Depreciation	-	23
Supplies	616	2,709
Miscellaneous	-	152
Total backhoe and mowing expenses	<u>\$ 1,095</u>	<u>\$ 11,434</u>

The accompanying notes are an integral part of these statements.

TOWN OF WATERPROOF, LOUISIANA
SCHEDULE OF COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 1998

<u>NAME</u>	<u>TITLE</u>	<u>COMPENSATION</u>
Albert Brown	Alderman	\$ 1,725
Bobby Wilkerson	Alderman	1,800
Robert Rushing	Alderman	1,425
Edna Cooper	Alderwoman	950
Hebert Williams	Alderman	1,800
Mary Favorite	Alderwoman	<u>650</u>
Total		<u>\$ 8,350</u>

SECTION III - COMPLIANCE/INTERNAL CONTROL

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
ROXANNE B. JAMES, CPA

JOHN M. JONES, CPA 1921 - 1983

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mary T. Owens, Mayor
and Members of the Board of Aldermen
Town of Waterproof, Louisiana

We have audited the general purpose financial statements of the Town of Waterproof, Louisiana for the year ended June 30, 1998 and have issued our report thereon dated September 22, 1998. 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.

Compliance

As part of obtaining reasonable assurance about whether the Town of Waterproof, Louisiana's general purpose 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that are required to be reported under Government Auditing Standards.

Expenditures in Excess of Budget

The Town of Waterproof, Louisiana spent \$95,088 in the general fund during the year ended June 30, 1998 when \$70,760 was budgeted for the period. Any expenditures in excess of 5% of the amount budgeted is a violation of State Law.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Towns of Waterproof, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our

The Honorable Mary T. Owen, Mayor
and Members of the Board of Aldermen
Page Two

attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Towns of Waterproof, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Segregation of Duties

We noted that the Town does not have adequate segregations of duties in accounting in the office. We recommend that an attempt be made to strengthen internal control problems created by having few employees.

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 misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

Ferriday, Louisiana
September 22, 1998

Switzer, Hopkins & Mang

SECCION IV - RESPONSE

TOWN OF WATERPROOF
P. O. BOX 248
WATERPROOF, LOUISIANA 71375
(318) 749-5233

MARY T. OWEN
MAYOR

CONNIE MCKEEL
CLERK

September 23, 1998

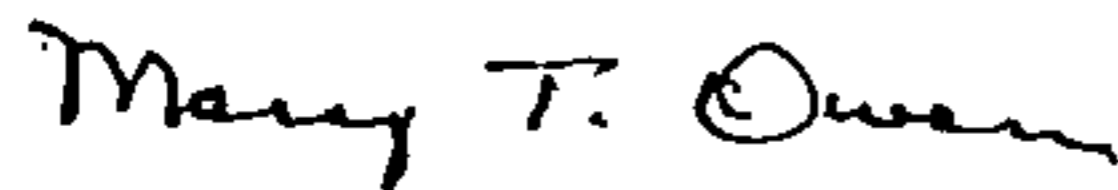
Switzer, Hopkins & Mange
P. O. Box 1518
Ferriday, LA 71334

Dear Mr. Hopkins:

In regard to the segregation of duties internal control problem discussed in our audit for the year ended June 30, 1998, there is nothing that we can do or plan to do about the problem. We have only one employee and do not plan to do about the problem. We have only one employee and do not plan to hire anyone else. There is no way to segregate duties when you have only one employee.

Also in regard to the expenditures being more than 5% greater than the budget in the general fund, this was an administrative problem and I will correct the problem.

Sincerely,



Mary T. Owen
Mayor