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TREMONT WATERWORKS DISTRICT

FINANCIAL REPORT  
JUNE 30, 1998

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 FEB 10 1999

TREMONT WATERWORKS DISTRICT

FINANCIAL REPORT  
JUNE 30, 1998

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**DON M. McGEHEE**

*(A Professional Accounting Corporation)*

P.O. Box 1344

806 North Trenton

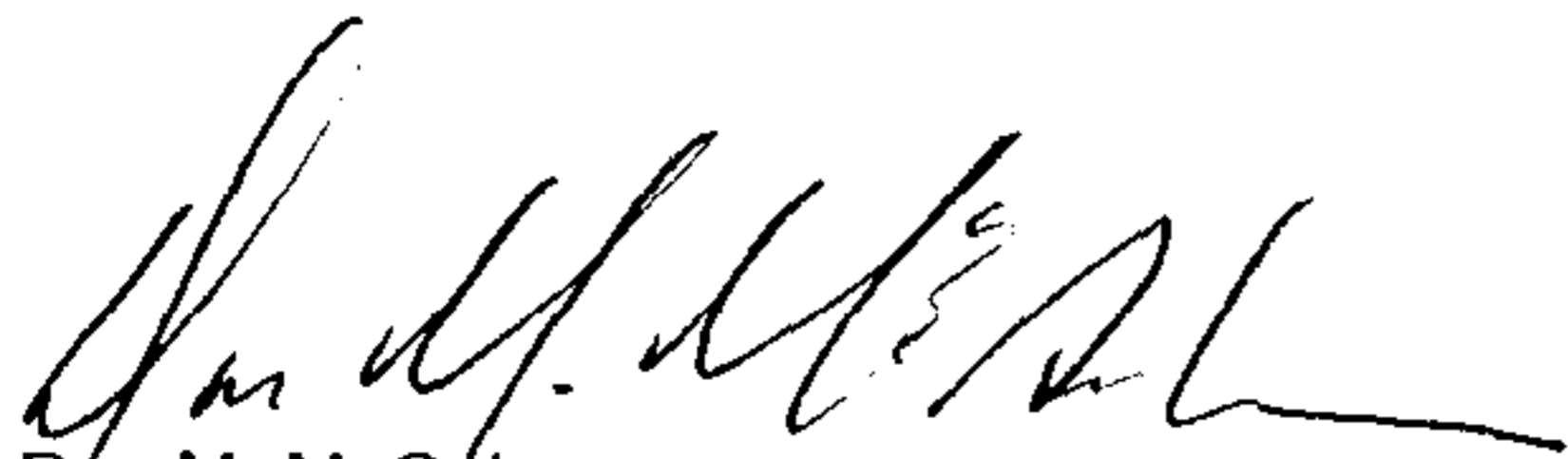
Ruston, Louisiana 71273-1344

**ACCOUNTANT'S COMPILATION REPORT**

Wayne McNabb, President  
Tremont Waterworks District  
706 Pleasant Grove Road  
Choudrant, LA 71227

I have compiled the accompanying general purpose financial statements of the Tremont Waterworks District, a component unit of the Lincoln Parish Police Jury, as of and for the year ended June 30, 1998, as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.



Don M. McGehee  
Certified Public Accountant  
December 31, 1998

**TREMONT WATERWORKS DISTRICT  
BALANCE SHEET  
AS OF JUNE 30, 1998**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	12,714
Accounts Receivable		2,035
<b>TOTAL CURRENT ASSETS</b>		<b>14,749</b>

**RESTRICTED ASSETS**

Cash		6,925
<b>TOTAL CURRENT RESTRICTED ASSETS</b>		<b>6,925</b>

**PLANT AND EQUIPMENT**

Plant and Equipment, Net of Accumulated Depreciation of \$8,702		347,091
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<b>TOTAL ASSETS</b>	<b>\$</b>	<b>368,765</b>
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**LIABILITIES AND FUND EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	\$	901
Sales Tax Payable		869
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,770</b>

**CURRENT LIABILITIES (Payable from Restricted Assets)**

Current Maturities of Long-Term Debt		303
Accrued Interest		2,223
<b>TOTAL CURRENT LIABILITIES (Payable from Restricted Assets)</b>		<b>2,526</b>

**LONG-TERM LIABILITIES**

Long-Term Debt, less current maturities		130,697
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<b>TOTAL LIABILITIES</b>		<b>134,993</b>
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**FUND EQUITY**

Contributed Capital - Government		228,405
Retained Earnings		
Reserved for Revenue Bond Renewal and Replacement		320
Unreserved		5,047
<b>Total Retained Earnings</b>		<b>5,367</b>

<b>TOTAL FUND EQUITY</b>		<b>233,772</b>
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<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$</b>	<b>368,765</b>
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See accountant's compilation report, page 1.  
The accompanying notes are an integral part of these financial statements.

**TREMONT WATERWORKS DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 1998**

<b>REVENUE</b>	
Water Sales	\$ 27,532
Other Operating Revenue	1,600
<b>TOTAL REVENUE</b>	<u>29,132</u>
<b>OPERATING EXPENSES</b>	
Cost of Sales and Services	8,209
Advertising	30
Bank Charges	53
Bookkeeping	2,634
Contract Labor	1,600
Depreciation Expense	8,702
Insurance	200
Installation Expense	100
Meter Reading	1,125
Office Supplies	238
Postage	164
<b>TOTAL EXPENSES</b>	<u>23,055</u>
<b>OPERATING INCOME</b>	6,077
<b>NONOPERATING EXPENSES</b>	
Interest Expense	<u>6,036</u>
<b>NET INCOME</b>	41
<b>RETAINED EARNINGS - BEGINNING</b>	<u>5,326</u>
<b>RETAINED EARNINGS - ENDING</b>	<u>\$ 5,367</u>

See accountant's compilation report, page 1.  
The accompanying notes are an integral part of these financial statements.

**TREMONT WATERWORKS DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1998**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash Received from Customers and Users	\$ 27,097
Cash Payments for Goods and Services	(12,583)
Net Cash Provided by Operating Activities	14,514

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Fixed Assets	(3,926)
Net Cash Used in Investing Activities	(3,926)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Construction of Assets (including capitalized interest)	(211,347)
Interest Paid	(3,813)
Grant for Construction Received	219,440
Net Cash Provided from Capital Financing Activities	4,280

**NET INCREASE IN CASH** 14,868

**CASH AT BEGINNING OF YEAR** 4,771

**CASH AT END OF YEAR** \$ 19,639

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	\$ 6,077
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	8,702
Changes in Assets and Liabilities Which Required or Provided Cash:	
(Increase) Decrease in Accounts Receivable	(2,035)
Increase (Decrease) in Accounts Payable	901
Increase (Decrease) in Sales Tax Payable	869
Net Cash Provided by Operating Activities	\$ 14,514

See accountant's compilation report, page 1.  
The accompanying notes are an integral part of these financial statements.

**TREMONT WATERWORKS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Tremont Waterworks District was organized by the Lincoln Parish Police Jury October 8, 1991 for the purpose of constructing a waterworks system and providing such service to the residents in Tremont Waterworks District, Lincoln Parish. The district was altered and enlarged by the Lincoln Parish Police Jury August 22, 1995. All existing water distribution lines in the service area were abandoned and efforts to officially organize the Tremont Waterworks District were begun in April, 1996. On August 5, 1997 the construction of the system was substantially complete and the system was providing water service to its customers.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local government. The accounting and reporting policies of the Tremont Waterworks District conform to these generally accepted accounting principles and the requirements of Louisiana Revised Statute 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and local Governmental Units, published by the American Institute of Certified Public Accountants.

**A. REPORTING ENTITY**

For financial reporting purposes, in conformity with GASB Statement No. 14, the Tremont Waterworks District is a component unit of the Lincoln Parish Police Jury. For the purpose of this financial report, this component unit serves as the nucleus for its own financial reporting entity and issues separate financial statements.

**B. BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial records of the Tremont Waterworks District utilize the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

**C. CASH AND INVESTMENTS**

Cash and investments consist of interest bearing demand deposits. 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. Deposits are carried at cost which approximates market value.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

See accountant's compilation report, page 1.

TREMONT WATERWORKS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. RESTRICTED ASSETS

Certain resources that are set aside for the repayment of the Revenue Bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The following is a summary of the flow of funds and restrictions on use under the terms of the Water Revenue Bond agreement, dated March 7, 1997.

All of the income and revenues earned from the operation of the waterworks system, after payment of all reasonable and necessary expenses of operating and maintaining the system shall be administered in the following order of priority:

(a) Money sufficient to pay the principal and interest due on an annual installment shall be set aside and accumulated on a monthly basis in an amount equal to 1/12 of the annual installment into the Sinking Fund.

(b) Upon completion of and acceptance of the waterworks improvements, an amount equal to 5% of the amount paid into the Sinking Fund must be deposited into the Tremont Reserve Fund until February 20, 1999. Beginning March 20, 1999, \$32 a month must be deposited into the Tremont Reserve Fund, until there is on deposit an amount equal to \$7,593.

(c) Upon completion of and acceptance of the waterworks improvements, \$32 a month must be deposited into the Tremont Contingency fund.

E. FIXED ASSETS

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

Office Equipment	5-10 years
Water Utility System	40 years

All fixed assets are stated at historical cost.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities, (2) disclosure of contingent assets and liabilities at the date of the financial statements, and (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See accountant compilation report, page 1.



**TREMONT WATERWORKS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

**NOTE 2 - CASH AND INVESTMENTS**

Cash consists of demand deposits. At June 30, 1998, the carrying amount of the District's deposits was \$19,639. The bank balance for the deposits was \$19,639. Of the bank balance, the entire amount was covered by federal depository insurance.

**NOTE 3 - RESTRICTED ASSETS**

Certain assets of the Tremont Waterworks District in the amount of \$6,925 have been restricted for debt service and repairs and maintenance of the water system and customer deposits.

**NOTE 4 - PLANT AND EQUIPMENT**

A summary of plant and equipment at June 30, 1998 and is as follows:

Office Furniture and Equipment	\$	3,925
Water System		351,868
Total		355,793
Less Accumulated Depreciation		(8,702)
Net	\$	347,091

Depreciation Expense for the year ended June 30, 1998 was \$8,702.

In May, 1996, the Tremont Waterworks District signed a construction contract with Ates Construction to construct a water distribution system for approximately \$280,000. Engineering, legal, and other costs were expected to add an additional \$87,000 to the project. The District received loan approval (\$131,000 bond issue) and grant approval (\$236,000 grant) from the Rural Economic and Community Development to finance this project.

The construction project was completed during the year ended June 30, 1998, at a total cost of \$355,793.

Interest incurred during construction of \$1,542 was capitalized.

**NOTE 5 - LONG-TERM DEBT**

Long-Term debt payable is comprised of the following debt instrument:

\$131,000 Water Revenue Bonds, dated March 7, 1997, interest only payments due on March 7, 1998 and 1999 and due in monthly installments of \$633 beginning April 7, 1999 through March 7, 2037; interest at 4-7/8%	\$	131,000
Less: Current Maturities		(303)
Long-Term Debt, Net of Current Maturities	\$	130,697

See accountant's compilation report, page 1.

**TREMONT WATERWORKS DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998**

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

The annual requirement to amortize all debt outstanding as of June 30, 1998, including \$155,345 of interest, is as follows:

June 30, 1999	\$ 8,917
June 30, 2000	7,593
June 30, 2001	7,593
June 30, 2002	7,593
June 30, 2003	7,593
June 30, 2004 - 2037	247,056
Totals	\$ <u>286,345</u>

The annual sinking fund requirement for all debt outstanding as of June 30, 1998, for the next five years is as follows:

June 30, 1999	\$ 6,788
June 30, 2000	\$ 7,593
June 30, 2001	\$ 7,593
June 30, 2002	\$ 7,593
June 30, 2003	\$ 7,593

**NOTE 6 - YEAR 2000 ISSUE**

The Tremont Waterworks District Management is aware of the Year 2000 issue and that it could affect the operations of the computer used by the management. There has been no formalized plan or budget adopted to deal with the year 2000 issue at this time.

**NOTE 7 - PRIOR PERIOD ADJUSTMENT**

The beginning fund equity account balance for the District has been restated from an amount previously reported to reflect corrections for errors, due to oversight of facts that existed at the time the financial statements were prepared, to the beginning balance for the year ended June 30, 1998. The net change in the fund equity account was a \$5,900 increase.

See accountant's compilation report, page 1.

**AGREED-UPON PROCEDURES**

**DON M. McGEHEE**  
(A Professional Accounting Corporation)  
P.O. Box 1344  
806 North Trenton  
Ruston, Louisiana 71273-1344

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Wayne McNabb, President  
Tremont Waterworks District  
706 Pleasant Grove Road  
Choudrant, LA 71227

I have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of the Tremont Waterworks District and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Tremont Waterworks District's compliance with certain laws and regulations during the year ended June 30, 1998 included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000 and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

Four expenditures were made on a contract during the year for public works, which in the aggregate exceeded \$100,000. I examined documentation which indicated that all of these expenditures had been properly advertised and accepted in accordance with the provisions of LSA-RS 38:2211-2251.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

There were no employees during the period under examination.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included in the listing obtained from management in agreed-upon procedure (2) as immediate family member.

There were no employees during the period under examination.

#### Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Tremont Waterworks District is not required under Louisiana state law to adopt a budget, as the District is a proprietary enterprise.

6. Trace the budget adoption and amendments to the minute book.

Tremont Waterworks District is not required to adopt a budget under Louisiana state law.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

Tremont Waterworks District is not required to adopt a budget under Louisiana state law.

#### Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined supporting documentation for all six disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct general ledger account; and

All six payments were coded to the correct general ledger account.

- (c) determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approval from the proper authorities.

#### Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1-42:12 (the open meeting law).

Tremont Waterworks District is only required to post a notice of each meeting and the accompanying agenda. Management has asserted that such documents were properly posted, but I could find no evidence supporting such assertion.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I inspected copies of bank deposit slips for the period under examination and noted five deposits which appeared to be bond proceeds which were approved by the State Bond Commission.

Advances and Bonuses

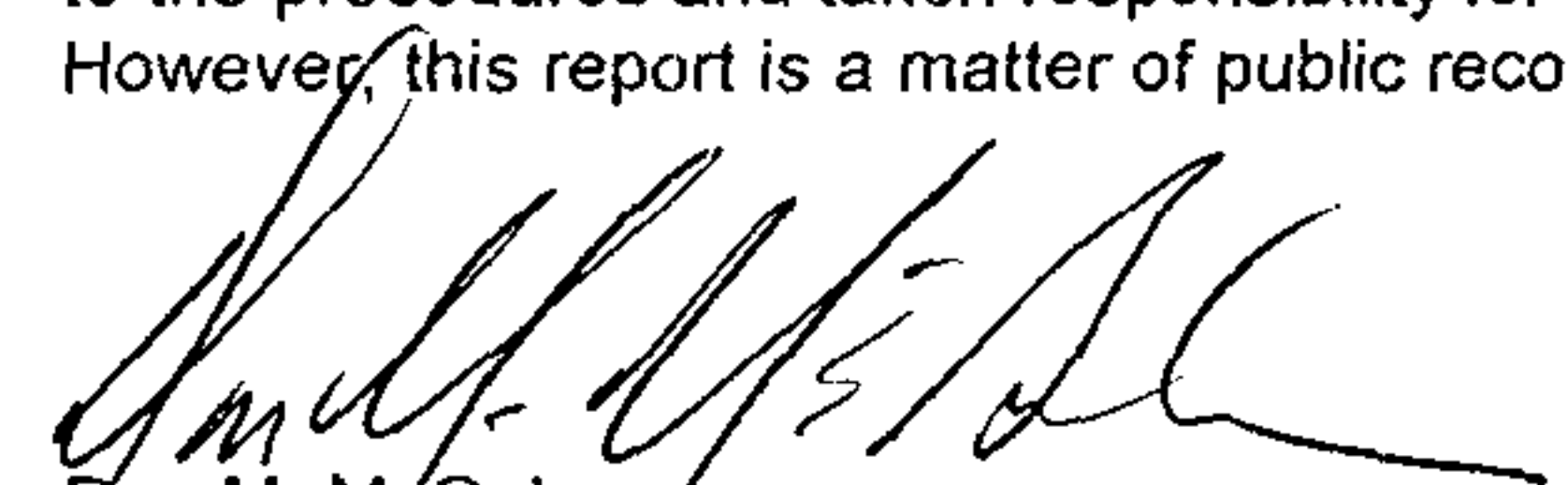
11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advance, or gifts.

There were no employees during the period under examination.

Our prior year report, dated December 31, 1997 did not include any comments or unresolved matters.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of the Tremont Waterworks District and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.



Don M. McGehee  
Certified Public Accountant  
December 31, 1998

**LOUISIANA ATTESTATION QUESTIONNAIRE  
(For Attestation Engagements of Government)**

12-31-98 (Date Transmitted)

Don M. McGhee, CPA  
806 North Trenton  
Bossier LA 71270

(Auditors)

In connection with your compilation of our financial statements as of 6-30-98 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of 12-31-98.

**Public Bid Law**

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes  No [ ]

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes  No [ ]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes  No [ ]

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes  No [ ]

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes  No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes  No

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes  No

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes  No

**Debt**

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes  No

**Advances and Bonuses**

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes  No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

<u>X [Signature]</u>	Secretary	<u>12/31/98</u>	Date
<u>X [Signature]</u>	Treasurer	<u>12/31/98</u>	Date
<u>X</u>	President		Date