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**EAST ALLEN PARISH WATERWORKS DISTRICT**  
Oberlin, Louisiana

Financial Report

Year Ended December 31, 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 JUN 23 1999

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## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
East Allen Parish Waterworks District  
Oberlin, Louisiana

We have audited the accompanying general purpose financial statements of the East Allen Parish Waterworks District (District), a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 1998. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards, 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. The District has included such disclosures in Note 11. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the District's disclosures with respect to the year 2000 issue made in Note 11. Further, we do not provide assurance that the District is or will be year 2000 ready, that the District's year 2000 remediation efforts will be successful in whole or in part, or that the parties with which the District does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the East Allen Parish Waterworks District, as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated May 25, 1999 on our consideration of the District's internal control structure and its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of the East Allen Parish Waterworks District taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the East Allen Parish Waterworks District. Such information, except for the portion marked "Unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to such general purpose financial statements taken as a whole.

The financial information for the preceding year, which is included for comparative purposes was taken from the financial report dated May 28, 1999 for that year in which we expressed an unqualified opinion on the general purpose financial statements of East Allen Parish Waterworks District.

***Kolder, Champagne, Slaven & Rainey, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
May 25, 1999

**GENERAL PURPOSE FINANCIAL STATEMENTS**

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Utility Fund

Comparative Balance Sheet  
December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 56,226	\$ 75,045
Time deposits	95,510	90,862
Accounts receivable, net of allowance for uncollectible accounts (1998 - \$415; 1997 - \$533)	13,408	17,228
Accrued interest	1,911	282
Total current assets	<u>167,055</u>	<u>183,417</u>
Restricted assets:		
Revenue bond and interest sinking account - Interest-bearing deposits	43,155	130,629
Revenue bond reserve account - Interest-bearing deposits	2,392	44,078
Revenue bond contingency account - Interest-bearing deposits	48,331	43,588
Customer deposits - Cash	3,780	2,678
Total restricted assets	<u>97,658</u>	<u>220,973</u>
Property, plant and equipment:		
Property, plant and equipment at cost, net of accumulated depreciation (1998 \$795,948; 1997 \$726,160)	2,105,045	2,148,705
Bond issue costs, net of accumulated amortization (1998 \$335; 1997 \$14,722)	10,527	34,277
Organization costs, net of accumulated amortization (1998 \$9,142; 1997 \$8,405)	20,308	21,044
Total assets	<u>\$2,400,593</u>	<u>\$2,608,416</u>

The accompanying notes are an integral part of this statement.

	<u>1998</u>	<u>1997</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Current liabilities (payable from current assets) -		
Accounts payable	\$ 15,232	\$ 4,920
Accrued liabilities	<u>1,519</u>	<u>1,353</u>
Total current liabilities (payable from current assets)	<u>16,751</u>	<u>6,273</u>
Current liabilities (payable from restricted assets) -		
Revenue bonds payable	17,000	10,000
Interest payable	16,301	53,182
Customer's deposits	<u>3,780</u>	<u>2,678</u>
Total current liabilities (payable from restricted assets)	<u>37,081</u>	<u>65,860</u>
Long-term liabilities -		
Revenue bonds payable	571,592	736,415
Compensated absences payable	<u>450</u>	<u>7,276</u>
Total long-term liabilities	<u>572,042</u>	<u>743,691</u>
Total liabilities	<u>625,874</u>	<u>815,824</u>
Fund equity:		
Contributed capital -		
Waterworks district customers	68,674	68,674
Federal grants, net of accumulated amortization (1998 \$486,685; 1997 \$447,487)	<u>1,448,315</u>	<u>1,487,513</u>
Total contributed capital	<u>1,516,989</u>	<u>1,556,187</u>
Reserved for revenue bond retirement	60,577	155,113
Unreserved	<u>197,153</u>	<u>81,292</u>
Total retained earnings	<u>257,730</u>	<u>236,405</u>
Total fund equity	<u>1,774,719</u>	<u>1,792,592</u>
Total liabilities and fund equity	<u>\$2,400,593</u>	<u>\$2,608,416</u>

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Utility Fund

Comparative Statement of Revenues, Expenses and  
Changes in Retained Earnings  
Years Ended December 31, 1998 and 1997

	1998	1997
Operating revenues:		
Charges for services -		
Water sales	\$ 247,722	\$ 232,350
Penalties	3,504	3,685
Miscellaneous	5,309	5,978
Total operating revenues	256,535	242,013
Operating expenses:		
Salaries	79,220	69,699
Payroll taxes	1,474	1,214
Insurance	10,455	8,572
Office expenses	4,338	3,598
Telephone and utilities	19,991	19,708
Uniforms	898	949
Supplies and parts	14,992	19,571
Amortization	2,941	2,026
Depreciation	69,788	69,385
Bad debts expense	75	86
Accounting fees	4,608	3,500
Maintenance and repairs	15,341	10,272
Retirement expenses	3,346	4,295
Travel expenses	10,100	10,400
Miscellaneous expenses	1,548	1,359
Total operating expenses	239,115	224,634
Operating income	17,420	17,379
Nonoperating revenues (expenses):		
Interest income	8,659	9,442
Interest expense and other fiscal charges	(43,952)	(53,182)
Total nonoperating expenses	(35,293)	(43,740)
Net loss	(17,873)	(26,361)
Add: Depreciation on fixed assets acquired by federal grant revenues externally restricted for capital acquisitions and construction that reduces contributed capital	39,198	39,198
Increase in retained earnings	21,325	12,837
Retained earnings, beginning	236,405	223,568
Retained earnings, ending	\$ 257,730	\$ 236,405

The accompanying notes are an integral part of this statement.



EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Utility Fund

Comparative Statement of Cash Flows  
Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Operating income	\$ 17,420	\$ 17,379
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	69,788	69,385
Amortization	2,941	2,026
Increase (decrease) in provision for uncollectible accounts	(118)	8
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	3,938	(268)
Increase (decrease) in accounts payable	10,312	(96)
Increase in accrued liabilities	166	157
Increase (decrease) in compensated absences payable	(6,826)	1,580
Total adjustments	<u>80,201</u>	<u>72,792</u>
Net cash provided by operating activities	<u>97,621</u>	<u>90,171</u>
Cash flows used by capital and related financing activities:		
Proceeds from meter deposits	1,125	975
Refund of meter deposits	(23)	(805)
Acquisition of property, plant and equipment	(26,118)	(7,963)
Interest and fiscal charges paid on revenue bonds	(76,130)	(53,895)
Principal paid on revenue bonds	(746,415)	(10,000)
Proceeds from refunding bonds	621,000	-
Bond issue costs paid on refunding bonds	(900)	-
Net cash used by capital and related financing activities	<u>(227,461)</u>	<u>(71,688)</u>
Cash flows from investing activities:		
Net proceeds in redemptions and purchases of certificates of deposits	(1,907)	(2,651)
Interest received on interest-bearing deposits	7,030	9,444
Net cash provided by investing activities	<u>5,123</u>	<u>6,793</u>
Net increase (decrease) in cash and cash equivalents	(124,717)	25,276
Cash and cash equivalents, beginning of period	<u>334,111</u>	<u>308,835</u>
Cash and cash equivalents, end of period	<u>\$ 209,394</u>	<u>\$ 334,111</u>

(continued)

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Utility Fund

Comparative Statement of Cash Flows (Continued)  
Years Ended December 31, 1998 and 1997

	1998	1997
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$ 75,045	\$ 70,490
Cash - restricted	2,678	2,508
Interest-bearing deposits - unrestricted	90,862	86,904
Interest-bearing deposits - restricted	218,295	199,051
Less: Certificates of deposit with a maturity over three months when purchased	<u>(52,769)</u>	<u>(50,118)</u>
Total cash and cash equivalents	<u>334,111</u>	<u>308,835</u>
Cash and cash equivalents, end of period -		
Cash - unrestricted	56,226	75,045
Cash - restricted	3,780	2,678
Interest-bearing deposits - unrestricted	95,510	90,862
Interest-bearing deposits - restricted	93,878	218,295
Less: Certificates of deposit with a maturity over three months when purchased	<u>(40,000)</u>	<u>(52,769)</u>
Total cash and cash equivalents	<u>209,394</u>	<u>334,111</u>
Net increase (decrease)	<u><u>\$(124,717)</u></u>	<u><u>\$ 25,276</u></u>

The accompanying notes are an integral part of this statement.

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The East Allen Parish Waterworks District (the District), which is a component unit of the Allen Parish Police Jury, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing water to the rural areas of East Allen Parish. The District is governed by a board of commissioners composed of seven members appointed by the Allen Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

This report is comprised of a proprietary fund that is administered by the District's board of commissioners and controlled by the Allen Parish Police Jury. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Allen Parish Police Jury and the general governmental services provided by that governmental unit.

B. Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, of which there exists only an 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 that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements (Continued)

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

Utility System and Improvements	25-50 years
Equipment	5 years

D. 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 applied.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables, resulting from utility services rendered between the date of meter reading and billing and the end of the month, are not recorded due to immateriality at December 31, 1998.

E. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

F. Bad Debts

Through the establishment of an allowance account, uncollectible amounts due from customers' utility receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables at December 31, 1998 and 1997 was \$415 and \$533 respectively.

G. Vacation and Sick Leave

The District allows one week paid vacation after one year as a full-time employee. Additionally, the District allows employees to take time off (comp time) in lieu of payment for overtime hours. It is the District's policy to carry over comp time and pay it at termination if the employee has not used it all through time off. Vacation normally is taken in the year accrued, however it may be carried over if not taken. Sick leave may be carried over with no restrictions but is not payable at termination of employment and is recorded as an expense of the period in which paid. As of December 31, 1998, the liability for accrued comp time and accrued vacation was \$450.

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements (Continued)

II. Capitalization of Interest Expense

It is the policy of the East Allen Parish Waterworks District to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. At December 31, 1998 and 1997, there was no capitalized interest expense recorded due to immateriality.

I. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

J. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use.

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 1998 and 1997, the District had cash and interest-bearing deposits (book balances) totaling \$249,394 and \$386,880, respectively, as follows:

	1998	1997
Demand deposits	\$ 60,006	\$ 77,723
Time deposits and money market accounts	189,388	309,157
	\$249,394	\$386,880

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements (Continued)

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at December 31, 1998 and 1997 were secured as follows:

	1998	1997
Bank balances	<u>\$249,850</u>	<u>\$387,453</u>
Federal deposit insurance	249,850	269,159
Pledged securities (Category 3)	<u>198,134</u>	<u>255,228</u>
 Total federal insurance and pledged securities	 <u>\$447,984</u>	 <u>\$524,387</u>
 Excess of federal insurance and pledged securities over bank balances	 <u>\$198,134</u>	 <u>\$136,934</u>

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

(3) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at December 31:

	1998	1997
Revenue bond and interest sinking account	\$ 43,155	\$130,629
Revenue bond reserve account	2,392	44,078
Revenue bond contingency account	48,331	43,588
Customers' deposits	<u>3,780</u>	<u>2,678</u>
 Total restricted assets	 <u>\$ 97,658</u>	 <u>\$220,973</u>

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements (Continued)

(4) Fixed Assets

A summary of proprietary fund type property, plant and equipment at December 31, follows:

	1998	1997
Land	\$ 22,938	\$ 22,938
Buildings	331,161	305,549
Furniture, fixtures and equipment	49,482	48,966
Water system	<u>2,497,412</u>	<u>2,497,412</u>
Total	2,900,993	2,874,865
Less: Accumulated depreciation	<u>(795,948)</u>	<u>(726,160)</u>
Net Utility Fund property, plant and equipment	<u><u>\$2,105,045</u></u>	<u><u>\$2,148,705</u></u>

(5) Changes in Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 1998:

	Water Revenue Refunding Bonds	Utility Revenue Bonds
Long-term debt payable at January 1, 1998	\$ -	\$746,415
Long-term debt issued	621,000	-
Long-term debt retired	<u>-</u>	<u>746,415</u>
Long-term debt payable at December 31, 1998	<u><u>\$621,000</u></u>	<u><u>\$ -</u></u>

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements (Continued)

Long-term debt payable at December 31, 1998 is composed of the following individual issue:

Utility Revenue Bonds:

\$621,000 Utility Revenue Refunding Bonds, due in annual installments of principal of \$17,000 to \$55,000 and semiannual installments of \$1,444 to \$16,301 through February 1, 2012; interest at 5.25 percent	\$621,000
Less unamortized deferred loss on early retirement of debt	(32,408)
	\$588,592

The annual requirements to amortize all debts outstanding at December 31, 1998, including interest payments of \$257,854 are as follows:

	Refunding Bonds
1999	\$ 49,156
2000	65,791
2001	64,928
2002	64,985
2003	64,938
2004-2008	321,273
2009-2012	247,783
Total	\$878,854

East Allen Parish Waterworks District refunded the 1985 utility revenue bonds on August 1, 1998. The refunding of these bonds was a current refunding resulting in an economic gain of \$126,635. Cash flow requirements necessary to service the 1985 utility revenue bond was \$1,631,299. Cash flow requirements to service the 1998 refunding revenue bond is \$878,854.



EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements (Continued)

(6) Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the bond indenture on the \$621,000 water utility revenue refunding bonds dated August 1, 1998, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds.

Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment.

Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of five percent per annum of the amount paid into the sinking fund. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system.

All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

The East Allen Parish Waterworks District was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 1998.

(7) Retirement Commitments

The District employees have elected not to be included in the Social Security System but do pay medicare taxes. The District and its employees contribute a percentage of each employee's salary to medicare (1.45 percent contributed by the District and 1.45 percent by each employee). The District's contribution during the year ended December 31, 1998 and 1997, amounted to \$1,110 and \$891, respectively.

East Allen Parish Waterworks District employees contribute to a group deferred nonparticipating tax sheltered annuity policy. The District pays 70 percent and each employee 30 percent of the monthly premium. Monthly premiums are based on each employee's age, length of employment and salary. The District's contribution to this plan during the fiscal year ended December 31, 1998 and 1997, amounted to \$3,346 and \$4,295, respectively. Neither the District nor its employees are obligated to make contributions and the District has no further liability to the annuity plan. Data concerning the actuarial status of the plan are not available.

(8) Pending Litigation

There is no litigation pending against the East Allen Parish Waterworks District at December 31, 1998.

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements (Continued)

(9) Contributed Capital

Amounts contributed to enterprise funds for acquisition or construction of fixed assets are recognized as contributed capital. Contributed capital generated through grants externally restricted for capital acquisitions is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such grants. This amortization is closed to the appropriate contributed capital account and is reflected as an adjustment to net income on the Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings.

The sources of contributed capital used to acquire and construct facilities for the enterprise fund are as follows:

	<u>Grants</u>	<u>Customers</u>	<u>Total</u>
Total contributed capital	\$1,935,000	\$68,674	\$2,003,674
Less: Accumulated amortization	(486,685)	-	(486,685)
Net contributed capital	<u>\$1,448,315</u>	<u>\$68,674</u>	<u>\$1,516,989</u>

(10) Compensation of Board Members

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 1998 follows:

Pearl Shuff, President	\$ 840
Board members:	
Benton Smith	840
Malcolm Bertrand	840
Essie Victorian	780
Joseph Fontenot	660
J.D. Langley	840
Paul Young	840
	<u>\$ 5,640</u>

EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Notes to Financial Statements (Continued)

(11) Year 2000 Issue (Unaudited)

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the District's computer programs that have time sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, or engage in similar normal business activities.

The District has completed a preliminary assessment of the impact of this issue. The computer programs and other electronic equipment that may be affected by the year 2000 issue have been identified and tested for compliance.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 compliant, and that the District's remediation efforts will be successful in whole or in part, or that the parties with whom the District transacts business will be Year 2000 compliant.

**SUPPLEMENTARY INFORMATION**

**INTERNAL CONTROL  
AND  
COMPLIANCE**

**KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA  
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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 Board of Commissioners  
East Allen Parish Waterworks District  
Oberlin, Louisiana

We have audited the general purpose financial statements of the East Allen Parish Waterworks District (District), a component unit of the Allen Parish Police Jury for the year ended December 31, 1998, and have issued our report thereon dated May 25, 1999. 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 District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary schedule of current and prior year findings and corrective action plan at Item 98-1 (IC).

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 the reportable condition described above is a material weakness.

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

*Kolder, Champagne, Slaven & Rainey, LLC*  
Certified Public Accountants

Lafayette, Louisiana  
May 25, 1999

**OTHER SUPPLEMENTARY INFORMATION**



EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana  
Enterprise Fund  
Utility Fund

Schedule of Number of Utility Customers  
(Unaudited)  
December 31, 1998

Records maintained by the East Allen Parish Waterworks District indicated the following number of customers were being serviced during the month of December, 1998:

Water (metered)	800
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EAST ALLEN PARISH WATERWORKS DISTRICT  
Oberlin, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
Year Ended December 31, 1998

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (12/31/98)						
Internal Control:						
98-1 (IC)	Unknown	Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.	N/A	No response is considered necessary.	Chyralan Hebert, Clerk	N/A
PRIOR YEAR (12/31/97)						
98-1 (IC)	Unknown	Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system.	N/A	No response is considered necessary.	Chyralan Hebert, Clerk	N/A