

From [unclear]
90111-0 1111:19

**OFFICIAL
FILE COPY**

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

99100076
8592
23

VERNON PARISH WATER AND SEWER
COMMISSION NO. 1

FINANCIAL STATEMENTS

May 31, 1997

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 ~~NOV 7 8 1998~~

CONTENTS

	<u>Page No.</u>
Unqualified Opinion on General-Purpose Financial Statements-Governmental Entity	1 - 2
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3 - 4
Schedule of Findings and Questioned Costs	5 - 6
Balance Sheet - Exhibit A	7
Statement of Revenues, Expenses, and Changes in Retained Earnings - Exhibit B	8
Statement of Cash Flows - Exhibit C	9
Notes to Financial Statements	10 - 16
SUPPLEMENTARY INFORMATION	
Schedule 1 - Compensation of Board Members	18
Schedule 2 - Management's Schedule of Prior Year Findings	19
Schedule 3 - Management's Corrective Action Plan	20

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

(318) 239-2535
(318) 238-5135
Fax 239-2295

W. Micheal Elliott, CPA

UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

Independent Auditor's Report

Board of Commissioners
Vernon Parish Water and Sewer Commission No. 1
New Llano, Louisiana:

I have audited the accompanying general-purpose financial statements of the Vernon Parish Water and Sewer Commission No. 1, a component unit of the Vernon Parish Police Jury, as of and for the year ended May 31, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Vernon Parish Water and Sewer Commission No. 1's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Vernon Parish Water and Sewer Commission No. 1 as of and for the year ended May 31, 1997, and the results of its operations and changes in cash flow for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 7, 1997, on my consideration of the Vernon Parish Water and Sewer Commission No. 1's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Vernon Parish Water and Sewer Commission No. 1. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Elliott & Assoc. "APAC"
Leesville, Louisiana
November 7, 1997

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

(318) 239-2535
(318) 238-5135
Fax 239-2295

W. Micheal Elliott, CPA

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

Board of Commissioners
Vernon Parish Water and Sewer Commission No. 1
New Llano, Louisiana:

I have audited the general-purpose financial statements of the Vernon Parish Water and Sewer Commission No. 1, as of and for the year ended May 31, 1997, and have issued my report thereon dated November 7, 1997. I conducted my 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 Vernon Parish Water and Sewer Commission No. 1's general-purpose financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that are required to be reported under *Government Auditing Standards* which is described as follows:

Finding: This audit report is not being issued within the six months of the close of its May 31, 1997 fiscal year-end. This is a violation of LA R.S. #24:518(A)(5)(a).

Management Response: The audit report is late because the audit firm had not completed its quality review within the prescribed time frame and therefore could not release the report until its review was completed and Legislative Auditor approval was obtained of its report.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Vernon Parish Water and Sewer Commission No. 1's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

Elliott & Assoc. "APAC"

Leesville, Louisiana
November 7, 1997

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended May 31, 1997

I have audited the financial statements of Vernon Parish Water and Sewer Commission No. 1 as of and for the year ended May 31, 1997, and have issued my report thereon dated November 7, 1997. I conducted my 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. My audit of the financial statements as of May 31, 1997 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance
Material to the Financial Statements

Internal Control

Material Weaknesses () Yes (X) No
Reportable Conditions () Yes (X) No

Compliance

Compliance Material to Financial
Statements (X) Yes () No

b. *Federal Awards*

Internal Control

Material Weaknesses () Yes () No (X) N/A
Reportable Conditions () Yes () No (X) N/A

Type of Opinion On Compliance For Major Programs

Unqualified () Qualified ()
Disclaimer () Adverse ()
N/A (X)

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)?

() Yes () No (X) N/A

c. Identification of Major Programs

CFDA Number(s)

Name of Federal Program

None

None

Dollar threshold used to distinguish between Type A and Type B Programs: \$ N/A

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?
() Yes () No (X) N/A

Section II Financial Statement Findings

1997.1 Late Filing: This audit report is not being issued within the six months of the close of its May 31, 1997 fiscal year-end. This is a violation of LA R.S. #24:513(A)(5)(a), but does not have any effect on the financial statements. All future reports should be issued within the required time frame.

Section III Federal Award Findings and Questioned Costs

N/A

See independent auditor's report.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

BALANCE SHEET

May 31, 1997

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 25,867
Receivables	
Interest	802
Accounts	64,961
Inventory, at cost	16,396
Prepaid expenses	<u>3,485</u>

Total current assets 111,511

Restricted assets:

Cash and cash equivalents (Note 2)	<u>341,686</u>
------------------------------------	----------------

Total restricted assets 341,686

Fixed assets (Note 3):

Land	21,661
Buildings	105,075
Improvements other than buildings	2,822,955
Furniture, fixtures, and equipment	127,495
Less: accumulated depreciation	<u>(1,003,216)</u>

Fixed assets (net of accumulated depreciation) 2,073,970

Bond issuance costs

34,080

Less: accumulated amortization

(9,278)

Bond issuance costs (net of accumulated amortization) 24,802

Total assets \$ 2,551,969

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:

Accounts payable	\$ 5,483
Sales tax payable	1,370
Payroll taxes payable	3,173
Current maturity of note payable (Note 4)	<u>1,015</u>

Total current liabilities 11,041

Current liabilities payable from restricted assets:

Customer deposits	74,809
Accrued interest payable--bonds (Note 4)	37,254
Due to Farmers Home Administration (Note 5)	3,226
General obligation bonds payable--current (Note 4)	<u>26,630</u>

Total current liabilities payable from restricted assets 141,919

Long-term liabilities (Note 4):

General obligation bonds payable (net of current portion)	<u>1,497,766</u>
---	------------------

Total long-term liabilities 1,497,766

Total liabilities 1,650,726

Equity:

Retained earnings:

Reserved for customer deposits	16,581
Reserved for general obligation bond indentures	183,186
Unreserved	<u>701,476</u>

Total retained earnings 901,243

Total equity 901,243

Total liabilities and equity \$ 2,551,969

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
Statement of Revenues, Expenses and Changes in Retained Earnings
For the year ended May 31, 1997

Operating revenues:

Charges for sales and services:	
Water sales	\$ 455,493
Service connection fees	4,715
Penalty and reconnect fees	26,980
Gain on sale of truck	500
Miscellaneous income	<u>726</u>
Total operating revenues	<u>488,414</u>

Operating expenses:

Current:

Salaries and related benefits	164,820
Depreciation (Note 3)	81,210
Utilities and telephone	51,396
Repairs and maintenance	16,536
Insurance	14,299
Office expense	9,389
Accounting and legal	7,144
Truck expense	20,451
Supplies	4,895
Per diem of board members	4,430
Equipment rent	251
Miscellaneous	812
Uniform service	2,149
Amortization	1,136
Land lease expense	698
Small tools	40
Bank charges	228
Dues and subscriptions	<u>150</u>
Total operating expenses	<u>380,034</u>

Operating income	<u>108,380</u>
------------------	----------------

Nonoperating revenues (expenses):

Interest income	9,672
Interest expense (Note 4)	<u>(138,574)</u>

Total nonoperating revenues (expenses)	<u>(128,902)</u>
--	------------------

Net loss	(20,522)
----------	----------

Retained earnings, beginning	<u>921,765</u>
------------------------------	----------------

Retained earnings, ending	<u>\$ 901,243</u>
---------------------------	-------------------

The accompanying notes are an integral part of this statement.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1
Statement of Cash Flows
For the year ended May 31, 1997

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 108,380
Operating Income	
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	82,346
Changes in assets and liabilities:	
Accounts receivable	(6,754)
Inventory	(309)
Prepaid expenses	654
Accounts payable	(3,201)
Customer deposits	2,089
Note payable	(7,664)
Other current liabilities	<u>73</u>
Net cash provided by operating activities	<u>175,614</u>
CASH FLOWS FORM NONCAPITAL FINANCING ACTIVITIES	<u>---</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition of property, plant, and equipment	(18,518)
Payments of general obligation bonds and other indebtedness	(24,644)
Interest paid on long-term debt	<u>(141,368)</u>
Net cash used by capital financing activities	<u>(184,530)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>9,674</u>
Net cash provided by investing activities	<u>9,674</u>
Increase in cash	758
Cash, beginning of fiscal year	<u>366,795</u>
Cash, end of fiscal year	<u>\$ 367,553</u>
CLASSIFIED AS	
Current Assets	\$ 25,867
Restricted Assets	<u>341,686</u>
TOTALS	<u>\$ 367,553</u>

The accompanying notes are an integral part of this statement.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1997

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vernon Parish Police Jury is a political subdivision of the State of Louisiana. The Vernon Parish Police Jury is the reporting entity for Vernon Parish as defined by NCGA Statement 3, (Defining the Governmental Reporting Entity).

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 governments. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

Vernon Parish Water and Sewer Commission No. 1 ("Commission) is a component unit of the Vernon Parish Police Jury as defined by GASB codification Section 2100. The Commission was created by the Vernon Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The Commission is governed by a board of seven commissioners appointed by the Vernon Parish Police Jury, who are responsible for providing water and sewer service within the boundaries of the district.

A. FUND ACCOUNTING

Vernon Parish Water and Sewer Commission No. 1 is organized and operated on a fund basis as a Proprietary Fund Type-Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. Enterprise Funds are used to account for operations 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.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1997

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less. Under state law, the commission may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana, or U.S. bonds, treasury bills and notes, or certificates.

C. RESTRICTED ASSETS

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

D. ACCOUNTS RECEIVABLE WRITE-OFF METHOD

The Commission has adopted a write off policy wherein any account that is deemed uncollectible is written off directly when the account's collection efforts have been deemed unsuccessful.

E. FIXED ASSETS AND LONG-TERM LIABILITIES

The fixed assets and long-term liabilities of the water and sewer commission are accounted for on the balance sheet of the Enterprise Fund. The fixed assets of the commission as shown on the balance sheet are recorded at historical cost. Depreciation is computed by the straight line method based on the estimated useful life of the individual assets.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1997

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BASIS OF ACCOUNTING

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

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

G. BUDGETARY PRACTICE

The Vernon Parish Water and Sewer Commission No. 1 utilizes the following budgetary practice:

Annually the Commission adopts a budget for the Enterprise Fund as a management device for control of revenues and expenses. The budget is amended at various times during the year as the need arises. A comparison of revenues and expenses is not included with the accompanying statements.

H. INVENTORY

Inventories are valued at cost. Inventories in the Enterprise Fund consist of expendable supplies held for use in repairs and extending water mains of the water and sewer district. The cost is recorded as an expense at the time the item is purchased. At year end the physical inventory is adjusted to expenses and carried on the balance sheet as a current asset.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1997

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. RETIREMENT COMMITMENTS

All employees of the Commission are members of the federal social security system. The commission contributes 7.65% of gross salaries up to appropriate statutory limits to that system. The Federal Social Security System administrates the plan and pays benefits.

J. BOND ISSUANCE COSTS

Amortization of bond issuance costs is computed on the straight-line method over thirty years.

NOTE 2--CASH AND CASH EQUIVALENTS

At May 31, 1997, the carrying amount of the Commission's cash and cash equivalents was \$367,553 and the bank balance was \$370,784. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$270,784 was covered by collateral held in the Commission's name by the pledging banks' safekeeping agent.

NOTE 3--CHANGES IN FIXED ASSETS

Fixed assets are recorded at cost or estimated cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the various classes of assets.

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1997

NOTE 3--CHANGES IN FIXED ASSETS (CONTINUED)

The following is a summary of changes in fixed assets as of May 31, 1997:

	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than buildings</u>	<u>Furniture, fixtures, & equipment</u>	<u>Total</u>
Balance, June 1, 1996	\$21,661	\$105,075	\$ 2,809,221	\$ 125,786	\$3,061,743
Additions	---	---	13,734	4,784	18,518
Deletions	---	---	---	(3,075)	(3,075)
Balance, May 31, 1997	21,661	105,075	2,822,955	127,495	3,077,186
Less: Accumulated depreciation	---	(32,450)	(851,149)	(119,617)	(1,003,216)
Net fixed assets	<u>\$21,661</u>	<u>\$ 72,625</u>	<u>\$ 1,971,806</u>	<u>\$ 7,878</u>	<u>\$2,073,970</u>

The following estimated useful lives are used to compute depreciation:

Buildings	15-30 years
Improvements other than buildings	5-40 years
Furniture, fixtures, and equipment	3-7 years

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1997

NOTE 4--CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Vernon Parish Water and Sewer Commission No. 1 for the year ended May 31, 1997:

	<u>Revenue Bonds</u>	<u>Bank Note</u>	<u>Revenue Refunding Bonds</u>	<u>Total</u>
Debt payable, June 1, 1996	\$686,449	\$ 8,679	\$862,592	\$1,557,720
Debt retired	(5,090)	(7,664)	(19,555)	(32,309)
Debt incurred	---	---	---	---
Debt payable May 31, 1997	<u>\$681,359</u>	<u>\$ 1,015</u>	<u>\$843,037</u>	<u>\$1,525,411</u>

All of the outstanding balance of the bank note at Merchants & Farmers Bank has been classified as current since it is scheduled for payoff by the end of 1997.

The long-term debt payable at May 31, 1997 is comprised of the following issues:

Water Revenue Bonds:		
\$730,000 Waterworks Revenue Bonds dated January 15, 1988; due in annual installments of \$51,129 through November 17, 2027; interest at 6.375%		\$ 681,359
Utilities Revenue Refunding Bonds:		
\$973,721 Utilities Refunding Bonds dated 4/6/89 due in average annual installments of \$101,500 through April 1, 2019; interest at 11%		<u>843,037</u>
	Total	<u>\$1,524,396</u>

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

Notes to the Financial Statements

May 31, 1997

The annual requirements to amortize all revenue bonds outstanding as of May 31, 1997, including interest payments of \$2,165,440 are as follows:

<u>Year Ending May 31,</u>	<u>Revenue Bonds</u>	<u>Revenue Refunding Bonds</u>	<u>Total</u>
1998	\$ 51,129	\$ 113,364	\$ 164,493
1999	51,129	112,229	163,358
2000	51,129	111,032	162,161
2001	51,129	109,769	160,898
2002	51,129	108,437	159,566
Thereafter	<u>1,329,354</u>	<u>1,550,006</u>	<u>2,879,360</u>
Total	<u>\$1,584,999</u>	<u>\$2,104,837</u>	<u>\$3,689,836</u>

There are limitations and restrictions contained in the various bond indentures. The Vernon Parish Water and Sewer Commission No. 1 is in compliance with all significant limitations and restrictions.

NOTE 5--DUE TO FARMERS' HOME ADMINISTRATION

This amount of \$3,226 is interest earned on construction period advances and is restricted for use on the current construction project or payments on existing debts to the Farmers' Home Administration.

NOTE 6--LITIGATION

The Commission was not involved in any litigation nor did it have asserted claims lodged against it.

SUPPLEMENTARY INFORMATION

VERNON PARISH WATER AND SEWER COMMISSION NO. 1

COMPENSATION OF BOARD MEMBERS

For the year ended May 31, 1997

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 session of the Legislature.

As provided by Louisiana Revised Statute 33:4564, the president of the board and each member received \$60 and \$50 per diem, respectively, for attendance at meetings of the board.

	<u>Number Attended</u>	<u>Amount</u>
Susan Redmond	1	\$ 50
Sue Bailey	1	50
Hosmer Pate	1	50
Marvin Powell	10	500
Billy James	10	500
Paul Vinson	12	720
A. L. Scott	13	660
Lorin Mullins	13	650
James Merritt	12	600
Carney Jean Midkiff	13	<u>650</u>
Total		<u>\$4,430</u>

See independent auditor's report.

