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**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA**

**WASHINGTON PARISH POLICE JURY
FRANKLINTON, LOUISIANA**

ANNUAL 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.

JUN 16 1999

Release Date _____

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA**

**WASHINGTON PARISH POLICE JURY
FRANKLINTON, LOUISIANA**

Component Unit Financial Statements
As of and for the Year Ended December 31, 1998
With Supplemental Schedules

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MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA

WASHINGTON PARISH POLICE JURY
FRANKLINTON, LOUISIANA

Component Unit Financial Statements
As of and for the Year Ended December 31, 1998
With Supplemental Schedules

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Mount Hermon Water District of the
Parish of Washington, Louisiana
Washington Parish Police Jury
Franklinton, Louisiana

We have audited the accompanying component unit financial statements of the Mount Hermon Water District of the Parish of Washington, Louisiana, a component unit of the Washington Parish Police Jury, as of December 31, 1998, and for the year then ended, as listed in the Table of Contents. These component unit financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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*, as amended by GASB Technical Bulletin 99-1, requires disclosure of certain matters regarding the year 2000 issue. The Mount Hermon Water District has included such disclosures in Note 10. 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 Mount Hermon Water District's disclosures with respect to the year 2000 issue made in note 10. Further, we do not provide assurance that the Mount Hermon Water District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Mount Hermon Water District does business with 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of the Mount Hermon Water District of the Parish of Washington, Louisiana, as of December 31, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 1999, on our consideration of the Mount Hermon Water District of the Parish of Washington, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

To the Board of Commissioners
Mount Hermon Water District of the
Parish of Washington, Louisiana
Page 2

Our audit was performed for the purpose of forming an opinion on the component unit financial statements taken as a whole. The schedules listed on the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of Mount Hermon Water District of the Parish of Washington, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

April 5, 1999

**Mount Hermon Water District
of the
Parish of Washington, State of Louisiana
Washington Parish Police Jury
Franklinton, Louisiana**

STATEMENT A

**BALANCE SHEET - PROPRIETARY FUND TYPE
December 31, 1998**

Assets

Current Assets:

Cash	\$	2,822
Accounts Receivable, Net		4,001
Accrued Billings		3,456
Total Current Assets		10,279

Restricted Assets:

Cash - RUS Depreciation & Contingency Fund		9,659
Cash - RUS Bond Reserve Fund		9,555
Total Restricted Assets		19,214

Property, Plant and Equipment:

Land		3,890
Water System		1,603,212
Total Property, Plant and Equipment		1,607,102

Less: Accumulated Depreciation

		(72,802)
--	--	----------

Net Property, Plant and Equipment		1,534,300
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Other Assets:

Utility Deposits		220
Total Other Assets		220

Total Assets	\$	1,564,013
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Liabilities and Fund Equity

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$	2,936
Sales Tax Payable		142
Total Current Liabilities (Payable From Current Assets)		3,078

Current Liabilities (Payable From Restricted Assets):

Security Deposits Payable		1,265
Current RUS Bond Payable		8,214
Accrued RUS Bond Interest		5,205
Total Current Liabilities (Payable From Restricted Assets)		14,684

Continued on the following page

The accompanying notes are an integral part of these statements.

Mount Hermon Water District
of the
Parish of Washington, State of Louisiana
Washington Parish Police Jury
Franklinton, Louisiana

STATEMENT A

BALANCE SHEET - PROPRIETARY FUND TYPE

(Continued)

December 31, 1998

Long-Term Liabilities:		
RUS Bonds Payable	\$	736,795
Total Long-Term Liabilities		<u>736,795</u>
Total Liabilities		<u>754,557</u>
Fund Equity:		
Contributed Capital		897,287
Less: Accumulated Amortization		(39,056)
Net Contributed Capital		<u>858,231</u>
Retained Earnings:		
Reserved for RUS Bond Depreciation and Contingency		9,659
Reserved for RUS Bond Reserve Fund		9,555
Unreserved - (Deficit)		(67,989)
Total Retained Earnings (Deficit)		<u>(48,775)</u>
Total Fund Equity		<u>809,456</u>
Total Liabilities and Fund Equity	\$	<u><u>1,564,013</u></u>

(Concluded)

The accompanying notes are an integral part of these statements.

Mount Hermon Water District
Washington Parish Police Jury
Franklinton, Louisiana

STATEMENT B

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED
RETAINED EARNINGS - PROPRIETARY FUND TYPE**
Year Ended December 31, 1998

Operating Revenues		\$ 66,482
Water Sales		3,555
Installation Fees		1,383
Penalties		510
Interest Income		387
Miscellaneous Revenue		<u>72,317</u>
Total Operating Revenues		
 Operating Expenses		
Operations and Maintenance - Contract	24,841	
Office Expenses	20	
Utilities	3,718	
Insurance	2,288	
Accounting	2,500	
Repairs and Maintenance	655	
Bad Debts	2,481	
Miscellaneous Expense	294	
Depreciation Expense	40,080	
Total Operating Expense		<u>76,877</u>
 Net Operating Income (Loss)		<u>(4,560)</u>
 Non-Operating Revenue (Expenses):		
Interest Expense		<u>(37,387)</u>
Total Non-Operating Revenue (Expenses)		<u>(37,387)</u>
 Net Income (Loss)		(41,947)
 Amortization of Contributed Capital	21,303	
Decrease in Reserve for Contingencies	(4,929)	
(Deficit) Retained Earnings-Unreserved		<u>(42,416)</u>
January 1, 1998		\$ <u>(67,989)</u>
(Deficit) Retained Earnings-Unreserved December 31, 1998		<u><u>(67,989)</u></u>

The accompanying notes are an integral part of these statements.

**Mount Vernon Water District
of the
Parish of Washington, Louisiana
Washington Parish Police Jury
Franklinton, Louisiana**

STATEMENT C

**STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE
Year Ended December 31, 1998**

Cash Flows from Operating Activities:

Operating Income (Loss)	\$ <u>(4,560)</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	40,080
Changes in Accounts Receivable	662
Changes in Accrued Billings	(245)
Changes in Due From Rural Utilities Service	13,880
Changes in Accounts Payable	1,005
Changes in Sales Tax Payable	(678)
Changes in Customer Deposits Payable	810
Changes in Accrued RUS Bond Interest	<u>(30,925)</u>
Total Adjustments	<u>24,589</u>
Net Cash Provided by (Used For) Operating Activities	<u>20,029</u>
Cash Flows from Capital and Related Financing Activities:	
Bond Principal Repayment - RUS Bond	(6,409)
Interest Payments - RUS Bond	<u>(37,387)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(43,796)</u>
Net Cash Increase (Decrease) for Year	(23,767)
Cash at Beginning of Year	<u>45,803</u>
Cash at End of Year	<u>\$ 22,036</u>

The accompanying notes are an integral part of these statements.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana**

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

INTRODUCTION

Mount Hermon Water District of the Parish of Washington, State of Louisiana was established July 23, 1986, by an ordinance of the Washington Parish Police Jury. The ordinance, enacted pursuant to Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950, and other constitutional and statutory authority supplemented thereto, describes and defines the boundaries of the water district, and provides for a 5-member governing board of commissioners appointed by the Washington Parish Police Jury.

Mount Hermon Water District was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Construction of the water system plant and equipment for the water system was financed under a loan/grant program from the United States Rural Utilities Service (RUS) office, with construction completed in March, 1997. Mount Hermon Water District, as of December 31, 1998, serves 273 water customers. The district contracts the operation and maintenance of the water system, including billings of water customers, to an outside agent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying component unit financial statements of the Mount Hermon Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, the Washington Parish Police Jury is the financial reporting entity for Washington Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Washington Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana
Notes to the Financial Statements
(Continued)
As of and for the Year Ended December 31, 1998**

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the governing board and the scope of public service is determined by the police jury, the district was determined to be a component unit of the Washington Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the district and do not present information on the police jury, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Mount Hermon Water District of the Parish of Washington, Louisiana is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprise its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues

Fees for water services are recorded as revenues after the meters are read. All other revenues are recorded when the service has been provided.

Expenditures

All operating expenses, except depreciation, are recorded when they are incurred. Depreciation is recorded each month over the life of the asset.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana
Notes to the Financial Statements
(Continued)
As of and for the Year Ended December 31, 1998**

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. 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.

Under state law, the district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if the original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments, if any, are stated at fair value.

F. INVENTORIES

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

G. PREPAID ITEMS

Purchase of items regarded as having a future economical use are expensed when purchased, and prepaid amounts for such items are not recorded as assets at the close of the fiscal year.

H. 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.

I. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of 20 to 40 years for water systems and 5 to 10 years for equipment.

J. COMPENSATED ABSENCES

At December 31, 1998, the district did not have employees that accumulate or vest benefits.

K. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana
Notes to the Financial Statements
(Continued)
As of and for the Year Ended December 31, 1998**

L. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This amortization is closed to the contributed capital account.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

M. USE OF ESTIMATES

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

2. CASH AND CASH EQUIVALENTS

At December 31, 1998, the district has cash and cash equivalents (book balances) totaling \$22,036, as follows:

Non-Interest Bearing Demand Deposits	\$	2,822
Interest-Bearing Demand Deposits		19,214
		<hr style="width: 100%;"/>
	\$	<u>22,036</u>

These deposits are stated at cost, which approximates market value. 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. 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. At December 31, 1998, the district had \$26,985 in collected bank balances within two separate banks consisting of \$5,103 in non interest-bearing demand deposits and \$19,214 in interest-bearing deposits in the first bank, and \$2,668 in non-interest bearing demand deposits in the second bank. Each category of demand deposits is protected by \$100,000 of federal deposit insurance.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 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.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana
Notes to the Financial Statements
(Continued)
As of and for the Year Ended December 31, 1998**

3. RECEIVABLES

All customer receivables are reported at gross value and periodically reduced by the portion that is expected to be uncollectible. The board of commissioners of the Mount Hermon Water District review past due accounts and authorize the write-off of uncollectible amounts directly against the accounts receivable account. At fiscal year-end, the district had not established an allowance for uncollectible accounts, since an aging of accounts receivable was not provided to the Mount Hermon Water District on a monthly basis. However, an aging of accounts receivable was compiled at December 31, 1998, as follows:

Current	\$	3,649
31 -60		226
61 - 90		46
Over 90		80
Total	\$	<u>4,001</u>

Estimated unbilled revenues (accrued billings) are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following close of the fiscal year. At December 31, 1998, Mount Hermon Water District recorded accrued billings of \$3,456.

4. FIXED ASSETS

A summary of fixed assets at December 31, 1998, follows:

Description	Life Yrs	Cost	Accumulated Depreciation	Net	Depreciation Current
Land	-	\$ 3,890		\$ 3,890	\$ -
Water System	40	1,603,212	72,802	1,530,410	40,080
Totals		<u>\$1,607,102</u>	<u>\$ 72,802</u>	<u>\$ 1,534,300</u>	<u>\$ 40,080</u>

The water system, financed under the United States Department of Agriculture, Rural Utilities Service Loan/Grant program, became operational in March of 1997. Equipment, furniture, and fixtures are depreciated using the useful lives of 5 to 10 years, and the water distribution system uses a useful life of 40 years. All assets are depreciated by the straight-line method. Total depreciation expense of \$40,080 was recorded for the fiscal year ending December 31, 1998.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana
Notes to the Financial Statements
(Continued)
As of and for the Year Ended December 31, 1998**

5. LONG-TERM DEBT

The following is a summary of bond transactions of the Mount Hermon Water District of the Parish of Washington, Louisiana for the year ended December 31, 1998:

	1996 RUS Water Revenue Bonds \$754,000
Bonds Payable January 1, 1998	\$ 751,418
Bonds Retired	(6,409)
Bonds Payable December 31, 1998	\$ 745,009

Bonds Payable at December 31, 1998, are comprised of the following current and long-term amounts:

	Current Amount 12/31/98	Long-Term Amount 12/31/98	Total Principal Balance 12/31/98
1996 Revenue Bonds: \$754,000 utility bonds, dated 2/08/96; due in monthly installments of \$3,702 through Feb. 6, 2036; interest at 5.0%	\$ 8,214	\$ 736,795	\$ 745,009

**MOUNT HERMON WATER DISTRICT
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Washington Parish Police Jury
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Notes to the Financial Statements
(Continued)
As of and for the Year Ended December 31, 1998**

The annual requirements to amortize all debt outstanding as of December 31, 1998, including interest payments of \$861,731 are as follows:

Year Ending December 31,	1996 RUS Water Revenue Bonds \$754,000
1999	\$ 44,426
2000	44,426
2001	44,426
2002	44,426
2003	44,426
2004-2008	222,130
2009-2013	222,130
2014-2018	222,130
2019-2023	222,130
2024-2028	222,130
2029-2033	222,130
2034-2036	51,830
	<u>\$ 1,606,740</u>

6. FLOW OF FUNDS, RESTRICTIONS ON USE

As of December 31, 1998, the Mount Hermon Water District of the Parish of Washington, State of Louisiana, has one Rural Utilities Service (RUS) Revenue Bond. The total bond amount of \$754,000 was issued February 8, 1996, at an interest rate of 5.0%. The original bond resolution specifies that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions are summarized below:

- a) The issuer, the Mount Hermon Water District of the Parish of Washington, State of Louisiana, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120% of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

For the fiscal year ending December 31, 1998, the bond debt coverage factor was 81%, and is below the percentage required by bond covenants.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana
Notes to the Financial Statements
(Continued)**

As of and for the Year Ended December 31, 1998

- b) The establishment and maintenance of a "Water Bond and Interest Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the bonds.

The actual creation of a sinking fund was not required since the district pays required bond installments directly to Rural Utilities Service, on a monthly basis. At December 31, 1998, Mount Hermon Water District was one month delinquent in payments, not having made the monthly bond installment of \$3,702.14 due December, 1998.

- c) The establishment of the "Water Revenue Bond Reserve Fund" (the Reserve Fund) by transferring from the Water Revenue Fund, the operating account of the district, monthly in advance on or before the 20th of each month a sum at least equal to five per cent (5%) of the amount to be paid each month for bond principal and interest payments. The actual amount to be transferred for bonds outstanding at December 31, 1998, per the RUS Letter of Conditions, was a total of \$185 per month. Deposit of funds shall continue until such time as there has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements of any succeeding twelve month period. The money in the Reserve Fund is required to be retained solely for the purpose of paying the principal and interest on bonds payable, upon approval by the Rural Utilities Service office, for which there would otherwise be default. Deposits to the Reserve Fund were required to commence with the month following completion and acceptance of the improvements and extensions financed with the proceeds of the bonds. The system improvements financed with the 1996 Revenue Bonds became revenue producing during March, 1997.

The district made all of the required deposits to the Reserve Fund, maintaining a balance of \$9,555, at December 31, 1998.

- d) The establishment and maintenance of the "Water Depreciation and Contingency Fund" (the Contingency Fund) to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the System, by transferring from the Water Revenue Fund, the operating account of the district, monthly in advance on or before the 20th of each month the sum of \$191 per month. Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

The district made all of the required deposits to the Depreciation and Contingency Fund, maintaining a balance of \$9,659 at December 31, 1998.

- e) The district, in the original bond resolution also obligated itself to abide by the following covenants:
1. The district will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within fifteen days from the date on which such charges became delinquent.
 2. A penalty of 10% will be charged on all delinquent accounts, and interest at a reasonable rate as established by the district, as well as payment of a reasonable reconnect charge for the resumption of services.
 3. The district agrees to maintain the System in first class repair and working order and condition.
 4. The district will carry full insurance coverage on the System in the manner required by the Government, with a company licensed to do business under the laws of Louisiana.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana
Notes to the Financial Statements
(Continued)
As of and for the Year Ended December 31, 1998**

5. The district will maintain separate and correct records and accounts, and will have the books audited no later than three months after the end of the fiscal year.
6. The district will not sell, lease or in any manner dispose of the System or any substantial part thereof, provided the district may dispose of property that in its judgement is worn-out, unserviceable, unsuitable, or unnecessary in the operation of the System.
7. The district will not, except as provided by this bond resolution, voluntarily create or cause to be created any debt, lien pledge, mortgage, assignment, or any other charges having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security therefor.
8. That, to the extent permitted by law, the district will not grant a franchise to any utility for operation within the boundaries of the district.
9. In operation of the System, the district will require all officers and employees in a position of authority or in possession of money derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.

The current rate schedule, the schedule of insurance coverages (Item # 4) and fidelity bond coverages (Item # 9) are disclosed in the "Supplemental Information" schedules included as a part of this audit report. Non-compliance was not noted in the review of the remaining bond covenants.

7. FUND EQUITY

Reserved Retained Earnings is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account, based on assets held by the water district that are restricted for bond payments. The purpose of the reserved retained earnings is to service the revenue bonds. Reserved Retained Earnings totaled \$19,214 at December 31, 1998.

8. DEFICIT UNRESERVED RETAINED EARNINGS

The water district has an unreserved retained earnings deficit of \$(67,989) for the fiscal year ending December 31, 1998. The deficit represents an increased deficit of \$25,573 from the \$(42,416) deficit reported at December 31, 1997. Management of Mount Hermon Water District plans to monitor the level of revenues and expenses to determine the adequacy of the existing rate structure.

9. WATER SYSTEM MANAGEMENT

The water district is operated under a contract with an outside party. The contract management provides services for operation and maintenance of the system, including billing services for the water district.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana
Notes to the Financial Statements
(Continued)
As of and for the Year Ended December 31, 1998**

10. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the district's operations as early as fiscal year 1999.

The Mount Hermon Water District has not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conduct the district's operations. It was noted that outside agencies process billing and accounting data for the district. Software and computer systems of other agencies providing services to the district have not been inventoried to determine year 2000 compliance. In addition, year 2000 compliance may be affected by the operation of electrical components within utility plants. It is unknown, as of December 31, 1998, what effects, if any, failing to remediate any such systems will have upon the Mount Hermon Water District's operations and financial reporting.

Because of the unprecedented nature of the year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the district will be year 2000 ready, the district's remediation efforts will be successful in whole or in part, or that parties with whom the district does business will be year 2000 ready.

SUPPLEMENTAL INFORMATION

Mount Hermon Water District
of the
Parish of Washington, State of Louisiana
Washington Parish Police Jury
Franklinton, Louisiana

SCHEDULE 1

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE
December 31, 1998 and 1997

	Enterprise Fund	
	1998	1997
Assets		
Current Assets:		
Cash	\$ 2,822	\$ 30,999
Accounts Receivable, Net	4,001	4,663
Accrued Billings	3,456	3,211
Due From Rural Utilities Service	-	13,880
Total Current Assets	10,279	52,753
Restricted Assets:		
Cash - RUS Depreciation & Contingency Fund	9,659	7,169
Cash - RUS Bond Reserve Fund	9,555	7,116
Cash - RUS Construction Fund	-	519
Total Restricted Assets	19,214	14,804
Property, Plant and Equipment:		
Land	3,890	3,890
Water System	1,603,212	1,603,212
Total Property, Plant and Equipment	1,607,102	1,607,102
Less: Accumulated Depreciation	(72,802)	(32,722)
Net Property, Plant and Equipment	1,534,300	1,574,380
Other Assets:		
Utility Deposits	220	220
Total Other Assets	220	220
Total Assets	\$ 1,564,013	\$ 1,642,157
 Liabilities and Fund Equity		
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 2,936	\$ 1,931
Sales Tax Payable	142	820
Total Current Liabilities (Payable From Current Assets)	3,078	2,751
Current Liabilities (Payable From Restricted Assets):		
Security Deposits Payable	1,265	455
Current RUS Bond Payable	8,214	6,976
Accrued RUS Bond Interest	5,205	36,130
Total Current Liabilities (Payable From Restricted Assets)	14,684	43,561

Continued on the following page
The accompanying notes are an integral part of these statements.

Mount Hermon Water District
of the
Parish of Washington, State of Louisiana
Washington Parish Police Jury
Franklinton, Louisiana

SCHEDULE 1

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE

(Continued)

December 31, 1998 and 1997

	Enterprise Fund	
	1998	1997
Long-Term Liabilities:		
RUS Bonds Payable	736,795	744,442
Total Long-Term Liabilities	736,795	744,442
Total Liabilities	754,557	790,754
Fund Equity:		
Contributed Capital	897,287	897,287
Less: Accumulated Amortization	(39,056)	(17,753)
Net Contributed Capital	858,231	879,534
Retained Earnings:		
Reserved for RUS Bond Depreciation and Contingency	9,659	7,169
Reserved for RUS Bond Reserve Fund	9,555	7,116
Unreserved - (Deficit)	(67,989)	(42,416)
Total Retained Earnings (Deficit)	(48,775)	(28,131)
Total Fund Equity	809,456	851,403
 Total Liabilities and Fund Equity	 \$ 1,564,013	 \$ 1,642,157

(Concluded)

The accompanying notes are an integral part of these statements.

Mount Hermon Water District
Washington Parish Police Jury
Franklinton, Louisiana

SHEDULE 2

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED
RETAINED EARNINGS (BUDGET AND ACTUAL)-PROPRIETARY FUND TYPE**

Year Ended December 31, 1998
And Actual for the Year Ended December 31, 1997

	Enterprise Fund			
	1998 Budget	1998 Actual	Variance- Favorable (Unfavorable)	1997 Actual
Operating Revenues				
Water Sales	\$ 66,000	\$ 66,482	\$ 482	\$ 60,291
Installation Fees	3,800	3,555	(245)	1,570
Penalties	1,400	1,383	(17)	525
Interest Income	300	510	210	302
Miscellaneous Revenue	360	387	27	120
Total Operating Revenues	<u>71,860</u>	<u>72,317</u>	<u>457</u>	<u>62,808</u>
Operating Expenses				
Operations and Maintenance - Contract	25,200	24,841	359	17,515
Office Expenses	20	20	-	334
Utilities	3,800	3,718	82	2,808
Insurance	2,300	2,288	12	1,661
Accounting	2,500	2,500	-	9,504
Repairs and Maintenance	700	655	45	375
Postage and Freight	-	-	-	296
Bank Charges	-	-	-	142
Bad Debts	2,800	2,481	319	4,888
Miscellaneous Expense	350	294	56	-
Depreciation Expense	40,000	40,080	(80)	32,722
Total Operating Expense	<u>77,670</u>	<u>76,877</u>	<u>793</u>	<u>70,245</u>
Net Operating Income (Loss)	<u>(5,810)</u>	<u>(4,560)</u>	<u>1,250</u>	<u>(7,437)</u>
Non-Operating Revenue (Expenses):				
Interest Expense	<u>(37,387)</u>	<u>(37,387)</u>	<u>-</u>	<u>(36,130)</u>
Total Non-Operating Revenue (Expenses)	<u>(37,387)</u>	<u>(37,387)</u>	<u>-</u>	<u>(36,130)</u>
Net Income (Loss)	<u>\$ (43,197)</u>	<u>(41,947)</u>	<u>\$ 1,250</u>	<u>(43,567)</u>
Amortization of Contributed Capital		21,303		17,753
Increase in Reserve for Contingencies		(4,929)		1,646
(Deficit) Retained Earnings-Unreserved				
January 1, 1998		<u>(42,416)</u>		<u>(18,248)</u>
(Deficit) Retained Earnings-Unreserved December 31, 1998		<u>\$ (67,989)</u>		<u>\$ (42,416)</u>

The accompanying notes are an integral part of these statements.

Mount Vernon Water District
of the
Parish of Washington, Louisiana
Washington Parish Police Jury
Franklinton, Louisiana

SCHEDULE 3

COMPARATIVE SCHEDULE OF CASH FLOWS-PROPRIETARY FUND TYPE
Years Ended December 31, 1998 and 1997

	<u>12/31/98</u>	<u>12/31/97</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (4,560)	\$ (7,437)
Adjustments to Reconcile Net Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	40,080	32,722
Changes in Accounts Receivable	662	(4,663)
Changes in Accrued Billings	(245)	(3,211)
Changes in Due From Rural Utilities Service	13,880	(13,880)
Changes in Accounts Payable	1,005	1,931
Changes in Sales Tax Payable	(678)	819
Changes in Construction Payable	-	(25,861)
Changes in Retainage Payable	-	(143,687)
Changes in Customer Deposits Payable	810	455
Changes in Utility Deposits	-	-
Changes in Accrued RUS Bond Interest	(30,925)	12,733
Total Adjustments	<u>24,589</u>	<u>(142,642)</u>
Net Cash Provided by (Used For) Operating Activities	<u>20,029</u>	<u>(150,079)</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Revenue Bonds	-	-
Proceeds from Contributed Capital	-	384,988
Bond Principal Payment - RUS Bond	(6,409)	(2,582)
Interest Payments - RUS Bond	(37,387)	(36,130)
Payments for Capital Additions	-	(173,400)
Net Cash Provided by Capital and Related Financing Activities	<u>(43,796)</u>	<u>172,876</u>
Net Cash Increase for Year	(23,767)	22,797
Cash at Beginning of Year	<u>45,803</u>	<u>23,006</u>
Cash at End of Year	<u>\$ 22,036</u>	<u>\$ 45,803</u>

The accompanying notes are an integral part of these statements.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana**

Schedule 4

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
For the Year Ended December 31, 1998**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

NAME	Amount
Wendell Smith Chairman	\$ -
Everette Roberts, Vice-Chairman	-
Buddy Holmes, Secretary/Treasurer	-
Avant Vernon, Board Member	-
William Estes, Board Member	-
	\$ -

Board of Commissioners	Address	Term of Office
Wendell Smith, Chairman	34295 Sunny Hill Rd. Mt. Hermon, LA 70450	Expires Dec. 31, 2001
Everette Roberts, Vice-Chairman	36095 Thomas Cryer Rd. Mt. Hermon, LA 70450	Expires Dec. 31, 2002
Buddy Holmes, Secretary/Treasurer	36093 Hwy. 38 Mt. Hermon, LA 70450	Expires Dec. 31, 1999
Avant Vernon, Board Member	27285 Mt. Pisgah Rd. Mt. Hermon, LA 70450	Expires Dec. 31, 2000
William Estes, Board Member	38009 Bennie Morris Rd. Mt. Hermon, LA 70450	Expires Dec. 31, 2002

The accompanying notes are an integral part of this statement.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana**

Schedule 5

**SCHEDULE OF INSURANCE
For the Year Ended December 31, 1998**

Insurance Company	Coverage	Amount	Period
American Central Insurance Company Policy # MEK490348	General Aggregate Limit (other than Products / Completed Operations)	\$200,000	2/01/98 2/01/99
	Products / Completed Operations Aggregate Limit	\$200,000	
	Personal and Adverting Injury	\$100,000	
	Each Occurrence Limit	\$100,000	
	Fire Damage Limit	\$ 100,000	
CNA Surety Policy # 68463190	Public Official Position Schedule Bond:		1/02/96 Until Canceled
	President	\$ 40,000	
	Secretary-Treasurer	\$ 40,000	
American Central Insurance Company Policy # MEK490298	Building	\$ 9,000	2/1/98
	Personal Property	\$ 75,000	2/1/99

The accompanying notes are an integral part of this statement.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana**

Schedule 6

**SCHEDULE OF WATER CUSTOMERS
For the Year Ended December 31, 1998**

As of December 31, 1998, Mount Hermon Water District had the following number of customers.

Residential	266
Commercial	7

Total Customers	273

**SCHEDULE OF WATER RATES
For the Year Ended December 31, 1998**

At December 31, 1998, Mount Hermon Water District had adopted the following rate schedule.

Category of Service	Rate/mo.
Residential:	
First 2,000 gallons	\$ 11.00
Over 2,000 gallons	\$ 2.50/thsd gallons
Commercial:	
First 10,000 gallons	\$ 30.00
Over 10,000 gallons	\$ 2.50/thsd gallons

The accompanying notes are an integral part of this statement.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana**

Schedule 7

Correction Action Plan for Current Year Audit Findings

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 98-1

Description of Finding:

It was noted within Footnote 10 (Year 2000 Issue) of the *Notes to the Financial Statements*, that the district has not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue, and that outside agencies process billing and accounting data for the district. Software and computer systems of other agencies providing services to the district have not been inventoried to determine year 2000 compliance. In addition, year 2000 compliance may be affected by the operation of electrical components within utility plants. It is unknown, as of December 31, 1998, what effects, if any, failing to remediate any such systems will have upon the Mount Hermon Water District's operations and financial reporting.

Corrective Action Planned (Response by Management):

The district will maintain contact with all entities providing services to Mount Hermon Water District and will monitor their efforts to achieve year 2000 compliance.

Anticipated Completion Date:

We will check with the above described agencies immediately and throughout the remainder of the year to determine year 2000 compliance for systems and programs that process financial and management data of the district.

Name of Contact Person:

Wendell Smith,
34295 Sunny Hill Road
Mt. Hermon, LA 70450
(504) 877-4263

Section II - Management Letter

No findings for Section II.

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana**

Schedule 8

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 1998**

Section I - Internal Control and Compliance Material to the Financial Statements

Reference Number: 97-1

Fiscal Year Finding Initially Occurred: Fiscal Year Ending December 31, 1997

Description of Finding:

It was noted that as of December 31, 1997, Mount Hermon Water District has not determined the amount of *uncollectible accounts receivable*, nor developed an *aging of accounts receivable*. As part of the financial audit for the fiscal year ending December 31, 1998, an aging of accounts receivable was compiled. However, it would be necessary for Mount Hermon to manually compile this information each month, in order to have the information needed to determine which accounts are uncollectible. We recommend that the water district once again notify the billing agent that an aging of accounts, on a monthly basis, is required for proper management and reporting of accounts receivable.

Corrective Action Planned (Response by Management):

The board of commissioners of Mount Hermon Water District will notify the billing agent that an aging of accounts receivable must be provided as of the end of each billing month.

Corrective action taken: Partially.

Additional Explanation:

Continuing follow-up on this finding will be required to insure that the water district is provided the necessary monthly reports to properly manage accounts receivable.

Reference Number: 97-2

Fiscal Year Finding Initially Occurred: Fiscal Year Ending December 31, 1997

Description of Finding:

As of December 31, 1997, Mount Hermon Water District reported a deficit of \$(42,416) in unreserved retained earnings. For the fiscal year ending December 31, 1998, the deficit increased to \$(67,989). The bond requirements for the district specify that the water district must "...maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of operating and maintaining the System, at least equal to 120%

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana**

**Summary Schedule of Prior Year Audit Findings
(Continued)**

of the largest amount of principal and interest remaining on the bonds in any future fiscal year...” . For the fiscal year ending December 31, 1998, this bond debt coverage factor was 81%, which is below the percentage required by applicable bond covenants. Part of the reason for the deficit was that the system was operational for only part of the fiscal year 1997, and also that of the 363 required customers, only 273 remained on the water system at December 31, 1998. For the fiscal year ending December 31, 1998, cash decreased by \$23,767 from the prior fiscal year. Since the cash balance at December 31, 1998, was \$22,036, ability to service the existing loan from the Rural Utilities Service could be affected. Although the water district could, upon approval of the Rural Utilities Service, utilize reserve fund account balances of \$19,214 to service debt, continuation of current trends, in future years, could cause doubt about the ability of Mount Hermon Water District to continue as a going concern.

We recommend that the board of commissioners continue to monitor revenues and expenses, and consider the need for a rate adjustment.

Corrective Action Planned (Response by Management):

The board of commissioners is aware of the need to increase the revenue base for Mount Hermon Water District. We are increasing our efforts to bring more customers into the water system, and a rate study has been completed for our water district, subsequent to fiscal year end. We are in the process of reviewing the rate study and determining if our water rate schedule should be adjusted.

Corrective action taken: Partial.

Additional Explanation:

Continuing follow-up on this finding will be required until Mount Hermon Water District generates more funds to operate the water district.

Section II - Management Letter

Reference Number: 96M-1

Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/96

Description of Finding:

We noted in the management letter for the fiscal year ended December 31, 1996, that the fidelity bond of the billing agent should be checked to determine if it also provides coverage for Mount Hermon Water District in the event of a fidelity loss. This clarification is required since water fees are collected by the billing agent, and the fidelity bond is issued in the name of the billing agent. Initial indications were that fidelity bonds for billing agents protect the interests of the district. However, the fidelity bond provisions indicate that “...The property covered under this insurance is limited to property that you own or hold; or for which you are legally liable. However, this insurance is for your benefit only.” Upon review by the State Rural Utilities Service office, the following opinion was issued:

**MOUNT HERMON WATER DISTRICT
OF THE
PARISH OF WASHINGTON, LOUISIANA
Washington Parish Police Jury
Franklinton, Louisiana**

**Summary Schedule of Prior Year Audit Findings
(Continued)**

In reviewing this matter with OGC, the fidelity bond requirements of our procedure must be met at a minimum. Therefore, Rural Development must be named as co-obligee and the agreement between the borrower and the billing agent must state that the billing agent is liable for the collections received. This contract should also be specifically referenced in the fidelity bond. Therefore, the borrower is protected in accordance with RUS Instructions.

We recommend that the water district immediately notify the billing agent of the above bond requirements, and follow-up to determine that their interests are protected.

Corrective Action Planned (Response by Management):

We will forward the above bond requirements to our billing agent, and will follow-up on recommended changes in bond policy provisions, and changes in our contract with the billing agent.

Corrective action taken: Partially

Additional Explanation:

Corrective action is listed as partial until the water district determines that their interests are protected.

BRUCE HARRELL & CO.
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MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

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

To the Board of Commissioners
Mount Hermon Water District of the
Parish of Washington, Louisiana
Washington Parish Police Jury
Franklinton, Louisiana

We have audited the component unit financial statements of the Mount Hermon Water District of the Parish of Washington, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated April 5, 1999, which was qualified because insufficient audit evidence exists to support the Mount Hermon Water District's disclosure with respect to the Year 2000 Issue. We conducted our audit in accordance with generally accepted auditing 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 Mount Hermon Water District of the Parish of Washington, Louisiana's 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 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 tested disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the Summary Schedule of Prior Year Audit Findings as Reference Number 97-1, and 97-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mount Hermon Water District of the Parish of Washington, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the Corrective Action Plan for Current Year Audit Findings as Reference Number 98-1, and Reference Number 96-M1 in the Summary Schedule of Prior Audit Findings.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

**Board of Commissioners
Mount Hermon Water District
Washington Parish Police Jury
Page 2**

This report is intended solely for the information of management, the Legislative Auditor, and the USDA Rural Utilities Service. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell and Company, CPAs
A Professional Accounting Corporation

April 5, 1999