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WEST VERNON PARISH WATERWORKS DISTRICT
FINANCIAL STATEMENTS
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 7-14-99

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UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

Board of Commissioners
West Vernon Waterworks District:

I have audited the accompanying general-purpose financial statements of West Vernon Waterworks District, a component unit of the Vernon Parish Police Jury, as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of West Vernon Waterworks District's management. My responsibility is to express an opinion on these 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 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. 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 West Vernon Waterworks District 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, I have also issued my report dated June 17, 1999, on my consideration of West Vernon Waterworks District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The year 2000 supplementary information on page 22 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and the presentation of the supplementary information. However, I did not audit the information and do not express an opinion on it. In addition, I do not provide assurance that the Cameron Parish Recreation District No. 5 is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

My audit was performed for the purpose of forming an opinion on the general-purpose financial statements of West Vernon Waterworks District taken as a whole. The accompanying schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. 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 stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Elliott & Assoc. "APAC"
Leesville, Louisiana
June 17, 1999

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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

Board of Commissioners
West Vernon Waterworks District

I have audited the general-purpose financial statements of the West Vernon Waterworks District, as of and for the year ended December 31, 1998, and have issued my report thereon dated June 17, 1999. 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 West Vernon Waterworks District'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the West Vernon Waterworks District'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 solely for the information and use of management, others within the organization, the Board of Commissioners, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Elliott & Assoc. "APAC"

Leesville, Louisiana

June 17, 1999

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 N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

See independent auditor's report.

West Vernon Parish Waterworks District

BALANCE SHEET

December 31, 1998

ASSETS

Current assets:	
Cash (Note 2)	\$ 65,606
State revenue sharing receivable	8,862
Ad valorem taxes receivable (Note 3)	<u>20,711</u>
Total current assets	<u>95,179</u>
Restricted assets:	
Bond construction accounts	
Cash and cash equivalents	430,000
Debt service accounts	
Cash and cash equivalents (Note 2)	300,307
Ad valorem taxes receivable (Note 3)	<u>49,740</u>
Total restricted assets	<u>780,047</u>
Organization costs (Note 4)	22,179
Less: accumulated amortization	<u>---</u>
Organization costs (net of accumulated amortization)	<u>22,179</u>
Land	<u>7,500</u>
Construction-in-progress (Note 5)	<u>76,648</u>
 Total assets	 <u>\$981,553</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND EQUITY

Current liabilities:	
Ad valorem deductions payable	\$ <u>2,409</u>
Total current liabilities	<u>2,409</u>
Current liabilities from restricted assets:	
Accrued interest payable	8,470
Bonds payable (Note 6)	20,000
Customer deposits	<u>46,462</u>
Total current liabilities from restricted assets	<u>74,932</u>
Long-term liabilities:	
Bonds payable (Note 6)	<u>430,000</u>
Total liabilities	<u>507,341</u>
Equity:	
Retained earnings:	
Reserved for debt service (Note 8)	275,115
Unreserved	<u>199,097</u>
Total retained earnings	<u>474,212</u>
Total equity	<u>474,212</u>
Total liabilities and equity	<u>\$981,553</u>

West Vernon Parish Waterworks District
Statement of Revenues, Expenses, and Changes in Retained Earnings
For the year ended December 31, 1998

Operating revenues:	
Charges for sales and services:	
Water sales	\$ <u> ---</u>
Total operating revenues	<u> ---</u>
Operating expenses:	
Current:	
Office expense	128
Contract labor	278
Insurance	225
Professional fees	2,459
Pension costs-ad valorem deductions	<u>2,409</u>
Total operating expenses	<u>5,499</u>
Net income (loss) before nonoperating revenues (expenses)	<u>(5,499)</u>
Nonoperating revenues (expenses):	
Interest income	20,718
Interest expense (Note 6)	(30,825)
State revenue sharing	13,293
Ad valorem taxes-restricted (Notes 3 and 8)	63,864
Ad valorem taxes-unrestricted (Note 3)	<u>13,012</u>
Total nonoperating revenues (expenses)	<u>80,062</u>
Net income	<u>74,563</u>
Retained earnings, beginning balance	407,204
Prior period adjustment (Note 9)	<u>(7,555)</u>
Retained earnings, beginning, as restated	<u>399,649</u>
Retained earnings, ending	<u>\$ 474,212</u>

The accompanying notes are an integral part of this statement.

West Vernon Parish Waterworks District
Statement of Revenues, Expenses, and Changes in Retained Earnings
Budget and Actual (GAAP Basis)
For the year ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues:			
Charges for sales and services:			
Water sales	\$ ---	\$ ---	\$ ---
Total operating revenues	<u>---</u>	<u>---</u>	<u>---</u>
Operating expenses:			
Current:			
Office expense	100	128	(28)
Contract labor	300	278	22
Insurance	250	225	25
Professional fees	2,500	2,459	41
Pension costs-ad valorem deductions	<u>2,500</u>	<u>2,409</u>	<u>91</u>
Total operating expenses	<u>5,650</u>	<u>5,499</u>	<u>151</u>
Net income (loss) before nonoperating revenues (expenses)	<u>(5,650)</u>	<u>(5,499)</u>	<u>151</u>
Nonoperating revenues (expenses):			
Interest income	21,000	20,718	(282)
Interest expense (Note 6)	(31,000)	(30,825)	175
State revenue sharing	13,000	13,293	293
Ad valorem taxes - restricted (Notes 3 and 8)	64,000	63,864	(136)
Ad valorem taxes - unrestricted (Note 3)	<u>13,000</u>	<u>13,012</u>	<u>12</u>
Total nonoperating revenues (expenses)	<u>80,000</u>	<u>80,062</u>	<u>62</u>
Net income	<u>74,350</u>	<u>74,563</u>	<u>213</u>
Retained earnings, beginning balance	407,204	407,204	---
Prior period adjustment (Note 9)	<u>---</u>	<u>(7,555)</u>	<u>(7,555)</u>
Retained earnings, beginning, as restated	<u>407,204</u>	<u>399,649</u>	<u>(7,555)</u>
Retained earnings, ending	<u>\$481,554</u>	<u>\$474,212</u>	<u>\$ (7,342)</u>

The accompanying notes are an integral part of this statement.

West Vernon Parish Waterworks District
Statement of Cash Flows
For the year ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ (5,499)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	----
Changes in assets and liabilities:	
Customer deposits	7,854
Prior period adjustment	(7,555)
Ad valorem deductions payable	<u>(82)</u>
Net cash (used) by operating activities	<u>(5,282)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Ad valorem taxes	<u>26,744</u>
------------------	---------------

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Ad valorem taxes	66,527
Right-of-way payment - organization costs	(3,000)
Payments for land	(7,500)
Interest paid on long-term debt	(30,972)
Payments of revenue bonds	<u>(20,000)</u>
Net cash provided by capital financing activities	<u>5,055</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>20,718</u>
Increase in cash & cash equivalents	47,235
Cash & cash equivalents, beginning of fiscal year	<u>748,678</u>
Cash & cash equivalents, end of fiscal year	<u>\$795,913</u>

CLASSIFIED AS

Current assets	\$ 65,606
Restricted assets	<u>730,307</u>
Total	<u>\$795,913</u>

The accompanying notes are an integral part of this statement.

West Vernon Parish Waterworks District

Notes to the Financial Statements

December 31, 1998

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.

West Vernon Parish Waterworks District, "District," is a component unit of the Vernon Parish Police Jury as defined by GASB codification Section 2100. The District was created by the Vernon Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The District is governed by a board of five commissioners appointed by the Vernon Parish Police Jury, who are responsible for providing water service within the boundaries of the district.

A. FUND ACCOUNTING

West Vernon Parish Waterworks District 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.

West Vernon Parish Waterworks District

Notes to the Financial Statements (Continued)

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

B. 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.

C. CASH AND CASH EQUIVALENTS

Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

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.

West Vernon Parish Waterworks District

Notes to the Financial Statements (Continued)

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

D. BUDGETARY PRACTICE

The West Vernon Parish Waterworks District utilizes the following budgetary practice:

Annually the District adopts a budget for the general fund type as a management device for control of revenues and expenses. The budget is amended at various times during the year as the need arises.

E. BAD DEBTS

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

F. STATUS OF OPERATIONS

At December 31, 1998, the District was still seeking FHA and/or similar government agency financing in the approximate amount of \$4,900,000. The District expects to commence construction in late 1999 and will seek to continue signing members with related meter deposits in 1999. The only costs incurred at December 31, 1998, and expected in 1999 consist of engineering, legal and/or organizational costs which will be capitalized and amortized when the District produces water in 1999 or thereafter.

G. INTEREST EXPENSE

The District has been expensing interest during its development stage and will continue this policy in 1998.

West Vernon Parish Waterworks District

Notes to the Financial Statements (Continued)

NOTE 2--CASH AND CASH EQUIVALENTS

At December 31, 1998, the District had cash and investments as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash (demand deposits)	\$ 65,606	\$232,966	\$298,572
Investments	<u>---</u>	<u>497,341</u>	<u>497,341</u>
Total	<u>\$ 65,606</u>	<u>\$730,307</u>	<u>\$795,913</u>

At year end, the carrying amount of the District's deposits were \$795,913, and bank balances were \$815,097. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$265,606
Uncollateralized (In accordance with GAAP - See below)	<u>549,491</u>
	<u>\$815,097</u>

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 at least equal the amount on deposit with the fiscal agent.

The uncollateralized amount shown above is secured by pledged securities with a market value of \$566,801 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

West Vernon Parish Waterworks District
Notes to the Financial Statements (Continued)

NOTE 3--AD VALOREM TAXES RECEIVABLE

The District utilized the Vernon Parish Sheriff's Office to collect its property taxes using the assessed values determined by the tax assessor of Vernon Parish.

For the year ended December 31, 1998, taxes of 10 mils and 24 mils were levied on property with assessed valuation totaling \$2,239,270 and was dedicated toward operations and maintenance and the sinking fund respectively.

Total taxes levied were \$76,135 and the receivable at December 31, 1998 consisted entirely of the current year assessment.

NOTE 4--ORGANIZATION COSTS

Amortization of organization costs will be computed on the straight-line method over five years when the water system becomes functional and begins earning revenue.

NOTE 5--CONSTRUCTION-IN-PROGRESS

Construction-in-progress activity for the year ended December 31, 1998 was as follows:

Balance, December 31, 1996	\$ 76,648
Additions	---
Deletions	---
Balance, December 31, 1998	<u>\$ 76,648</u>

The construction-in-progress will be capitalized and not depreciated until the water system becomes functional.

West Vernon Parish Waterworks District
Notes to the Financial Statements (Continued)

NOTE 6--CHANGES IN LONG-TERM DEBT

Bonds payable at December 31, 1998 is comprised of the following issue:

Bonds payable, December 31, 1997	\$470,000
Bonds issued	---
Bonds retired	<u>(20,000)</u>
Bonds payable, December 31, 1998	<u>\$450,000</u>

\$525,000 of general obligation bonds dated June 1, 1992; due in annual installments of \$15,000-\$50,000 through 2012; interest at 4.00%-6.95%.

The annual requirements to amortize all revenue bonds outstanding as of December 31, 1998, including interest payments of \$236,275, are as follows:

1999	\$ 48,600
2000	47,300
2001	50,838
2002	49,212
2003	47,587
2004-2008	243,850
2009-2012	<u>198,888</u>
Total	<u>\$686,275</u>

NOTE 7--RISK MANAGEMENT

Since the District has not commenced operations as of December 31, 1998, the only insurance cost to date is fidelity bond coverage totaling \$225.

NOTE 8--RESERVED RETAINED EARNINGS

The balance of \$282,670 in reserved retained earnings represents the difference between assets restricted for debt service less liabilities payable from restricted assets including \$430,000 in long-term bonds to be utilized for construction purposes in future period.

West Vernon Parish Waterworks District
Notes to the Financial Statements (Continued)

NOTE 9--PRIOR PERIOD ADJUSTMENT

In the previous year, the District miscalculated the outstanding meter deposit liability, understating it by \$7,555. An adjustment has been made in the current period and is reflected in the financial statements for the year ended December 31, 1998.

SUPPLEMENTARY INFORMATION

West Vernon Parish Waterworks District
Supplementary Information
For the year ended December 31, 1998

Schedule 1

COMPENSATION OF BOARD MEMBERS

The Board of Commissioners of the West Vernon Parish Waterworks District served without compensation for the year ended December 31, 1998.

See independent auditor's report.

West Vernon Waterworks District
SCHEDULE OF PRIOR YEAR FINDINGS

For the Fiscal Year Ended December 31, 1998

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

The audit report for the year ended December 31 1997, contained a finding related to the report not being issued within the six months of the close of its' December 31, 1997 year-end. This was a violation of LA R.S. #24:513 (A)(5)(a), but did not effect the financial statements. The current year report will be issued to the Legislative Auditor within the statutory period.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS**

There were no prior year findings relating to internal control and compliance material to federal awards.

SECTION III MANAGEMENT LETTER

There was no management letter with the prior year audit report.

See independent auditor's report.

West Vernon Waterworks District
MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Fiscal Year Ended December 31, 1998

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENT**

N/A

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO
FEDERAL AWARDS**

N/A

SECTION III MANAGEMENT LETTER

N/A

See independent auditor's report.

West Vernon Waterworks District
Required Supplemental Information
Year 2000 Supplementary Information
December 31, 1998

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 District maintains all its accounting records on a manual system; thus, the Year 2000 issue is not applicable at this time.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that parties with whom the District does business will be Year 2000 ready.

See independent auditor's report.