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**WATERWORKS DISTRICT NO. 2
OF NATCHITOCHES PARISH
NATCHEZ, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 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 APR 04 1998

NATURAL DISTRICT NO. 5 OF BERCHTENSCHER PARISH
NATCHEZ, LOUISIANA
DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

President and Board of Commissioners
Waterworks District No. 2 of Natchitoches Parish
Natchitoches, Louisiana 71455

We have audited the accompanying component unit financial statements of the Waterworks District No. 2 of Natchitoches Parish, Natchitoches, Louisiana, a component unit of the Natchitoches Parish Police Jury, as of and for the year ended December 31, 1997, as listed in the table of contents. These financial statements are the responsibility of the management of the Waterworks District No. 2 of Natchitoches Parish. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 2 of Natchitoches Parish, Natchitoches, Louisiana, a component unit of the Natchitoches Parish Police Jury, as of December 31, 1997, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 1998, on our consideration of the Waterworks District No. 2 of Natchitoches Parish's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the component unit financial statements of the Waterworks District No. 2 of Natchitoches Parish, Natchitoches, Louisiana, a component unit of the Natchitoches Parish Police Jury, taken as a whole. The accompanying financial information listed as "Schedule" in the table of contents is presented for purposes of additional analysis and is not a representation of the component unit financial statements. 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.

The financial information for the year ended December 31, 1998, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion dated March 27, 1999, on the component unit financial statements of the Waterworks District No. 2 of Natchitoches Parish.

HINES, JACKSON & HINES
Certified Public Accountants
February 27, 1998

COMPONENT UNIT FINANCIAL STATEMENTS

WALLENBORO DISTRICT NO. 1 OF WASHINGTON PARISH
 IN THE STATE OF LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES
 DECEMBER 31, 1997 AND 1996

EXHIBIT A

	<u>1997</u>		<u>1996</u>
ASSETS			
Cash and cash equivalents	\$ 139,696	\$	137,482
Accounts Receivable	15,443		13,363
Prepaid expenses	1,434		2,870
Deposits	982		982
Premonied assets			
Cash and cash equivalents	116,963		116,852
Time deposits	15,880		15,880
Property, plant and equipment, net of accumulated depreciation	<u>1,115,620</u>		<u>1,136,611</u>
TOTAL ASSETS	<u>\$ 1,487,531</u>	<u>\$</u>	<u>1,489,598</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 85,183	\$	9,322
Obligation under capital lease	34,797		41,878
Installment note payable	0		487
Revenue bonds payable	489,648		489,889
Customers' refundable motor deposits	<u>68,705</u>		<u>61,772</u>
TOTAL LIABILITIES	698,333		603,348
Fund Equity			
Contributed capital			461,000
Retained earnings	443,994		427,551
Reserve for capital liabilities and PFA depreciation and contingency	31,266		37,889
Unreserved	<u>673,618</u>		<u>769,682</u>
TOTAL RETAINED EARNINGS	<u>443,994</u>		<u>427,551</u>
TOTAL FUND EQUITY	<u>989,564</u>		<u>886,251</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,487,531</u>	<u>\$</u>	<u>1,489,598</u>

The accompanying notes are an integral part of this statement.

**MULLENDORF'S DISTRICT NO. 2 OF WACHITOCHIEFS PARISH
NATCHEZ, LOUISIANA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE
YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
Operating revenues		
Charges for services		
Water sales	\$ 344,134	\$ 349,871
Delinquency charges	9,483	9,894
Meter connection and re-connection fees	30,731	24,860
Miscellaneous income	<u> 794</u>	<u>11,632</u>
TOTAL OPERATING REVENUES	365,252	396,457
Operating expenses		
Automotive equipment-fuel and lubrication	4,988	3,872
Automotive equipment-maintenance and repairs	2,988	1,974
Billing expense	573	611
Board members - per diem	2,540	4,880
Chemicals	16,839	17,170
Employer's contribution to group insurance	13,326	13,442
Employer's payroll taxes	8,654	8,708
Insurance	16,212	16,293
Tuition and professional	7,338	14,073
Miscellaneous - equipment-repairs	8,538	11,627
Maintenance - materials and supplies	19,639	24,819
Maintenance - salaries	44,193	42,369
Miscellaneous	2,433	1,804
Office supplies	1,546	1,622
Pest-control	168	168
Postage and express	4,252	4,284
Rent - building and equipment	0	528
Salaries - supervisor and clerical	47,063	46,082
Telephone	4,414	3,826
Utilities	26,288	21,349
Depreciation	<u>31,982</u>	<u>31,436</u>
TOTAL OPERATING EXPENSES	392,321	322,088
OPERATING INCOME	65,841	76,182
Nonoperating revenue/expense		
Interest income	13,341	10,197
Interest expense	(10,286)	(10,111)
Paying agent's fee	(1,273)	(1,081)
Transfer in	<u> 0</u>	<u> 0</u>

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2 OF MATCHBROOKS POLICE
MATCHBEE, LOUISIANA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE (CONTINUED)
YEARS ENDED DECEMBER 31, 1997 AND 1996**

	<u>1997</u>	<u>1996</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ (18,620)	\$ 22,526
NET INCOME	45,416	89,318
(Increase)/decrease in retained earnings - reserved for capital additions and contingency	(3,310)	3,310
(Increase)/decrease in retained earnings - reserved for FFA, depreciation and contingency fund	(7,227)	(7,227)
Net change in unreserved retained earnings	42,879	84,401
RETAINED EARNINGS-Unreserved, Beginning of year	268,682	275,159
RETAINED EARNINGS-Unreserved, End of year	<u>\$ 311,561</u>	<u>\$ 359,560</u>

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2 OF NATCHITOCHES PARISH
NATCHEZ, LOUISIANA
COMPARATIVE STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEARS ENDED DECEMBER 31, 1997 AND 1996**

EXHIBIT C

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 46,873	\$ 93,318
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation	33,892	51,458
Increase/Decrease in operating assets:		
Accounts receivable	(96)	188
Prepaid expenses	(794)	358
Increase/Decrease in operating liabilities:		
Accounts payable	261	848
Customer meter deposits	1,392	1,248
	18,478	148,208
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	18,478	148,208
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal repayments - revenue bonds	(46,441)	(38,912)
Principal repayments - installment loans	(88)	(2,840)
Principal repayments - lease obligations	(9,121)	(8,417)
Purchase of capital assets	(31,871)	(39,138)
	(87,521)	(89,307)
NET CASH PROVIDED BY/(USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(87,521)	(89,307)
NET INCREASE/(DECREASE) IN CASH	18,957	12,380
CASH AND CASH EQUIVALENTS, Beginning of year	282,678	280,898
CASH AND CASH EQUIVALENTS, End of year	\$ 301,635	\$ 293,278

The accompanying notes are an integral part of this statement.

**WATERWORKS DISTRICT NO. 2 OF NATCHITOCHEES PARISH
NATCHITOCHEE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Waterworks District No. 2 of Natchitoches Parish was created by an ordinance of the Natchitoches Parish Police Jury on April 30, 1983. The District is a political subdivision of the Natchitoches Parish Police Jury, whose jurors are elected officials. The District Commissioners are appointed by the Natchitoches Parish Police Jury.

The accounting and reporting policies of the Waterworks District No. 2 of Natchitoches Parish conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements set forth in the Louisiana Governmental Audit Guide and to Louisiana Revised Statutes 24:117, and to the industry audit guide, *Audits of State and Local Governmental Units*.

4. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the Natchitoches Parish Police Jury is the financial reporting entity for Natchitoches 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 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.

Government Accounting Standards Board Statement No. 14 established criteria for determining which component unit should be considered part of the Natchitoches 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 the organization and/or
 - b) The potential for the organization to provide specific financial benefits to 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.

The District Commissioners are appointed by the Natchitoches Parish Police Jury. Also, because of the nature and significance of the services provided by the District, the financial statements of the reporting entity would be misleading if the District were excluded. Therefore, the Waterworks District No. 2 of Natchitoches Parish was determined to be a component unit of the Natchitoches Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services, provided by that government unit, or the other governmental units that comprise the financial reporting entity.

WATERBURY DISTRICT NO. 2 OF MIDDLESEX COUNTY
MIDDLESEX COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The District uses periods of only one generic fund type and one broad fund category as follows:

Proprietary Fund Type - Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary for sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity is an important financial indicator. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Enterprise Fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or (c) net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

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

The enterprise fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. The enterprise fund is measured for on a flow of economic resources measurement flows and a determination of net income and capital maintenance. With this measurement flows, all assets and all liabilities associated with the operations of this fund are included on the balance sheet. The purchase of various operating supplies are regarded as expenditures at the time purchased.

D. Cash and Cash Equivalents

Consistent with GASB 9, "Reporting Cash Flows of Proprietary and Nonproprietary Trust Funds and Governmental Entities That Use Proprietary Fund Accounting", the District defines cash and cash equivalents as follows:

Cash includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

**WATERWORKS DISTRICT NO. 1 OF MATTHEWES PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Cash Equivalents (Continued)

Cash equivalents - short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

E. Accumulated unpaid vacation

All full time employees of the District are entitled to one week of vacation each year. This vacation time may not be carried over to the following year and does not vest or accumulate. Therefore, the District had no liability with respect to accumulated unpaid vacation at December 31, 1997.

F. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible. Estimated uncollectible revenues from the enterprise fund are recognized at the end of each year on a pro rata basis. The estimated amount is based on billings during the month following the close of the year.

G. Bad debts

Uncollectible amounts are recognized as bad debts through the establishment of an allowance account, as the cited information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 1997, all were considered to be uncollectible.

H. Prepaid items

Payments to vendors for services that will benefit periods beyond December 31, 1997, are recorded as prepaid items.

I. Fixed Assets

The proprietary fund is accounted for on a cost of service or "capital maintenance" measurement basis, and all assets and all liabilities (including current or noncurrent) associated with its activities are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by the District is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized. The estimated useful lives are as follows:

Water System	
Building	10 - 40 years
Furniture and equipment	3 - 25 years
Water distribution system	10 - 50 years

**WATERWORKS DISTRICT NO. 2 OF NATCHITOCHEE PARISH
NATCHITOCHEE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets

The Reserve Fund, based upon certain bond covenants, is required to establish and maintain prescribed amounts of reserves (consisting of cash and cash equivalents) that can be used only to service outstanding debt. These assets consist of cash money market accounts.

K. Fund equity

Unreserved retained earnings for the proprietary fund represents the net assets available for future operations or distribution. Reserved retained earnings for the proprietary fund represents the net assets that have been legally identified for specific purposes. Contributed capital is recorded in the Reserve Fund for capital grants restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on the portion of the assets acquired or constructed from such resources.

L. Comparative data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain amounts from prior year financial statements have been reclassified to conform with current classifications.

M. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 reporting period. Actual results could differ from these estimates.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

NOTE 2 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

Louisiana Revised Statutes authorizes the District to invest in United States bonds, treasury notes or certificates, or to 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. They are classified as investments if their original maturity exceed 90 days; however, if the original maturities are 90-days or less, they are classified as cash equivalents. Investments are stated at cost.

As December 31, 1997 and 1996, the District had cash and cash equivalents and time deposits totaling, \$311,629 and \$292,674, respectively, as follows:

**WATFORDS DISTRICT NO. 2 OF MATTHEWES PARISH,
MAINE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997**

NOTE 2 CASH AND CASH EQUIVALENTS AND TIME DEPOSITS (CONTINUED)

	1997	1996
Demand deposit accounts	\$ 116,639	\$ 97,619
Time deposits	193,000	193,000
Total	\$ 309,639	\$ 290,619

Under state law, these deposits must be secured by Federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the Federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. As of December 31, 1997 and 1996, the District had \$314,123, and \$294,652, respectively, in bank deposits. These deposits were secured from risk at December 31, 1997 and 1996 by \$114,112, and \$274,652, respectively, of Federal deposit insurance (GAISB-Campary Co).

NOTE 3 RESTRICTED ASSETS

At December 31, the District had the following restricted assets:

	1997	1996
Capital additions and contingency fund	\$ 13,394	\$ 13,094
Customer's refundable money deposits	64,649	62,980
Revenue bond reserve fund	36,329	36,329
Revenue bond sinking fund	8,778	9,589
FWA Revenue bond and interest sinking fund	1,943	1,681
FWA Revenue bond reserve fund	21,689	21,644
FWA Depreciation and contingency fund	33,004	15,811
Total	\$ 171,686	\$ 165,128

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment at December 31, 1997:

	Useful Life	Cost	Accumulated Depreciation	Net	Current Year Depreciation
Land		\$ 1,080	\$ 0	\$ 1,080	\$ 0
Building	10 - 40	23,132	(5,834)	17,298	1,470
Furniture and equipment	3 - 20	182,828	(119,598)	63,230	14,328
Water distribution system	20 - 50	1,723,820	(726,128)	997,692	27,186
Totals		\$ 1,930,860	\$ (841,726)	\$ 1,089,134	\$ 32,984

	Cost	Accumulated Depreciation	Net
Changes during the year			
Balance, beginning of year	\$ 1,979,121	\$ (796,478)	\$ 1,182,643
Additions:			
Building and equipment	28,087	0	28,087
Water distribution system	3,784	0	3,784
Depreciation	0	(12,902)	(12,902)
Balance, end of year	\$ 1,991,992	\$ (809,379)	\$ 1,182,613

**WATERWORKS DISTRICT NO. 2 OF BALTIMOREDACHS PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997**

NOTE 5 OBLIGATIONS UNDER CAPITAL LEASE

The Waterworks District is obligated under a capital lease agreement for the acquisition of a tractor. On March 2, 1996, the District entered a lease agreement for a tractor. The agreement provides for sixty (60) monthly payments of \$723.22. At the maturity of the lease term, the District may purchase the tractor for one (1) dollar. The related payment obligations are recorded as current and long-term debt obligations in the Enterprise fund.

The Waterworks District is obligated under a capital lease agreement for the acquisition of an office building. On January 12, 1994, the District entered a lease agreement for an office building. The agreement provides for one hundred and twenty (120) monthly payments of \$208.33. At the maturity of the lease term, the District may purchase the office building for one (1) dollar.

In accordance with FASB-13, the District accounts for these leases as capital lease transactions. The cost of the tractor, \$26,754, is included in the equipment account and the cost of the office building, \$25,800 is included in the office building account in the enterprise fund. The assets are being depreciated over their estimated useful lives. The related payment obligations are recorded as current and long-term debt obligations in the enterprise fund.

The following is a schedule of future minimum lease payments as of December 31, 1997:

Year Ending December 31	Tractor	Office Building	Total
1998	\$ 4,479	\$ 3,964	\$ 8,443
1999	4,479	3,964	8,443
2000	711	3,964	4,675
2001	0	3,964	3,964
2002	0	3,964	3,964
2003	0	3,964	3,964
Total minimum lease payments	18,669	22,764	41,433
Less amount representing interest:			
Equipment - 4.75% rate	(1,298)	0	(1,298)
Office Building - 10% rate	0	(2,922)	(2,922)
Present value of minimum lease payments	\$ 17,371	\$ 19,842	\$ 37,213

The Waterworks District was not obligated under any operating leases at December 31, 1997.

NOTE 6 LONG TERM DEBT

The following is a summary of debt transactions of the District for the year ended December 31, 1997:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
Revenue Bonds - 1988	3% & 6%	1996	\$ 415,000	\$ 21,000
Revenue Bonds - 1979	2%	2004	100,000	100,000
Revenue Bonds - 1987	3.75%	2028	230,000	230,000
Total			\$ 745,000	\$ 351,000

**WATERWORKS DISTRICT NO. 1 OF HATCH COOKES PARISH
NOTICE TO HOLDERS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997**

NOTE 4 LONG TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of December 31, 1997, including interest payments are as follows:

Year Ending December 31	Revenue Bond 1968	Revenue Bond 1979	Revenue Bond 1987	Total
1998	\$ 26,800	\$ 16,400	\$ 22,691	\$ 65,891
1999	0	16,700	22,691	41,441
2000	0	19,000	22,691	41,741
2001	0	18,300	22,691	40,991
2002	0	18,250	22,691	41,241
Thereafter	0	17,650	211,882	158,212
Total	<u>\$ 26,800</u>	<u>\$ 119,700</u>	<u>\$ 610,117</u>	<u>\$ 756,617</u>

NOTE 5 FLOW OF FUNDS; RESTRICTION ON USE

Under the terms of the bond indentures on outstanding Waterworks Revenue Bonds dated December 1, 1968, all income and revenues (hereafter referred to as revenues) of every nature, earned or derived from operations of the Waterworks System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following special funds:

- a) From "Waterworks System Fund", there must be paid all reasonable and necessary expenses of administration, operation and maintenance of the waterworks system.
- b) Each month, there will be set aside into a fund called the "Revenue Bond Sinking Fund" an amount consisting 1/12 of the next maturing installment of principal and 1/12 of the next maturing installment of interest on the outstanding bonds. Such amount shall be fully sufficient to assure the prompt payment of principal and interest on the bonds as they become due, and may be used only for such payments.
- c) There shall also be set aside into a "Revenue Bond Reserve Fund" until there has been accumulated \$26,276 representing the highest combined principal and interest requirements for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Revenue Bond Sinking Fund and as to which there would otherwise be default.
- d) Funds will also be set aside into a "Capital Addition and Contingency Fund" at the rate of \$100 each month until the amount of \$1,800 is on deposit in the fund. Money in this fund must be used to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the waterworks system. A minimum balance of \$1,500 must be maintained.

Under the terms of the bond indentures on outstanding Waterworks Revenue Bonds dated 1979 and 1987, all of the previously stated requirements remain in effect and the following requirements are added:

- a) The establishment and maintenance of a "Waterworks Reserve Bond and Interest Sinking Fund" sufficient to assure to pay promptly and fully the principal of and the interest on the Bonds herein authorized and on the

**WATERWORKS DISTRICT NO. 1 OF NATCHITOCHEES PARISH
NATCHITOCHEE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1997**

NOTE 7 FLOW OF FUNDS: RESTRICTION ON USE (CONTINUED)

Outstanding Parity Bonds as said Bonds severally become due and payable by transferring them said Waterworks System Fund to the regularly designated fiscal agent of the Borrower, monthly in advance on or before the 20th day of each month of each year a sum equal to one-twelfth (1/12) of the total amount of principal and interest falling due in the ensuing year, together with such additional proportionate sum, as may be required to pay said principal and interest at the same respectively become due.

- b) The establishment and maintenance of a "Waterworks Reserve Fund" by transferring from said Waterworks System Fund to the regularly designated fiscal agent bank of the Borrower, monthly in advance on or before the 20th day of each month of each year, beginning with the first month after completion of the improvements to the System, a sum at least equal to five per cent (5%) of the amount to be paid into the aforesaid Sinking Fund provided for in paragraph (a) above, the payments into said Reserve Fund a sum equal to the higher of said principal and interest falling due in any year on the Bonds and the Outstanding Parity Bonds, or a Debt Service Reserve, the money in said Reserve Fund is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the said Sinking Fund as to which there would otherwise be default.
- c) The establishment and maintenance of a "Waterworks Depreciation & Contingency Fund" by transferring from said Waterworks System Fund to the regularly designated fiscal agent bank of the Borrower, monthly in advance on or before the 20th day of each month of each year commencing with the month following completion of the improvements to the System, the sum of One Hundred Eighty-Five dollars (\$185.00) per month. Money in the Waterworks Depreciation and Contingency Fund shall also be used to pay the principal of and the interest on any bonds herein authorized for the payments of which there is not sufficient money in the Sinking or Reserve Funds, but if so used, such money shall be replaced by the Borrower as soon as possible thereafter, out of the earnings of the System after making the required payments into the respective Bonds hereinafter set out.

Subject to the foregoing, which are cumulative, the balance of the excess funds on deposit in the Waterworks System Fund may be used by the Borrower for the purpose of calling and/or paying bonds or for such other lawful corporate purposes as the Governing Authority of the Borrower may determine.

All or any part of the moneys on reserve in any of the aforesaid funds shall, at the written request of the Borrower, be invested in direct obligations of the United States of America or other obligations permitted by Louisiana law, maturing in five (5) years or less, in which event all income derived from such investments shall be added to the Sinking Fund, and such investments shall, in the event at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which said respective funds are herein created.

NOTE 8 PENDING LITIGATION

According to the District's legal counsel, there was no outstanding, defensive litigation pending against the District as December 31, 1997.

**WATERWORKS DISTRICT NO. 2 OF NATCHITOCHEE PARISH
NATCHITOCHEE, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1992**

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to acts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of these risks of loss. Management believes such coverage is sufficient to preclude significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 RETIREMENT COMMITMENTS

All employees of the District are covered by the Social Security System. Employees contribute 6.20% of their total salary to the System, while the District contributes a like amount. For the years ended December 31, 1990 and 1991, total contributions to the system were \$11,208 and \$11,414, respectively, of which the District contributed \$1,608 and \$1,791, respectively, and employees contributed \$9,600 and \$9,623, respectively. Total payroll for the years ended December 31, 1991 and 1990 was \$91,236 and \$91,004, respectively, and total payroll covered by the system was \$94,226 and \$92,054, respectively. Any future deficit in this system will be financed by the United States Government. The District has no further liability to the system for the years ended December 31, 1991 and 1990.

Data concerning the actuarial status of the retirement system discussed above are not available.

NOTE 11 IN-SUBSTANCE-DEFRAUDANCE-GENERAL OBLIGATION BONDS DATED DEC. 1, 1968

On May 26, 1992, the governing authority of the Waterworks District No. 2 of Natchitoches Parish, Natchitoches, Louisiana, elected to deface all outstanding 1968 general obligation bonds. On August 11, 1992, \$73,688 was transferred to the First National Bank of Commerce, New Orleans, Louisiana in accordance with the Defacement and Forfeiture agreement between the District and the bank. The transferred funds were used to purchase non-callable direct general obligations of the United States of America, the principal of and interest on which will be sufficient to pay, when due, the principal of and interest on the District's general obligation bonds to their maturity. These direct obligations of the United States have been deposited in an irrevocable trust with the escrow agent.

Under the provisions of Chapter 14 of Title 39 of the Louisiana Revised Statutes of 1998, as amended, the District's general obligation bonds have been defaced and are deemed to be paid and are no longer considered to be outstanding under the resolution adopted by the governing authority of the District pursuant to which the bonds were issued. The covenants, pledges, and obligations contained in the resolution have been discharged and the bonds are no longer entitled to any benefits under that resolution.

Although the District is not legally released from being the primary obligor under the 1968 Public Improvement General Obligation Bonds, the possibility that the District will be required to make future payments with respect to this debt is remote.

OTHER SUPPLEMENTARY INFORMATION

**WABER PARK DISTRICT NO. 2 OF WABER PARK PARISH
 WABER, LOUISIANA
 COMPARATIVE SCHEDULE OF COMPENSATION OF COMMISSIONERS
 YEARS ENDED DECEMBER 31, 1982 AND 1981**

SCHEDULE I

<u>BOARD MEMBER</u>	<u>PER DIEM COMPENSATION</u>			
	<u>1982</u>		<u>1981</u>	
	<u>MEETINGS</u>	<u>AMOUNT</u>	<u>MEETINGS</u>	<u>AMOUNT</u>
James Scarborough	0	\$ 0	4	\$ 240
Willie Charles	4	240	14	840
John T. Batten, Jr.	18	600	13	780
Clyde Mason	12	720	14	840
John Ruffal	8	0	4	240
Law Handlon	4	240	14	840
Richard Williamson	11	660	9	540
Kenneth Prudhomme	11	660	12	720
Leslie Metzger	18	600	7	420
Norman Ruffal	11	660	9	540
James L. Johnson	8	480	8	480
Donald G. Forey	8	480	8	480
Total		<u>\$ 2,100</u>		<u>\$ 6,000</u>

Supplementary information schedule. Presented as additional analytical data.

MINNIE JACKSON & HINES
CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 2108

NEW ORLEANS, LOUISIANA 70112

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FACSIMILE (504) 581-1111

STATE OF LOUISIANA
OFFICE OF THE COMPTROLLER
GENERAL
1000 PINEAPPLE AVENUE
MONROE, LOUISIANA 70132

STATE OF LOUISIANA
MONROE

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

President and Board of Commissioners
Waterworks District No. 2 of Natchitoches Parish
Natchitoches, Louisiana 71456

We have audited the component unit financial statements of Waterworks District No. 2 of Natchitoches Parish, Natchitoches, Louisiana, a component unit of the Natchitoches Parish Police Jury, as of and for the year ended December 31, 1987, and have issued our report thereon dated February 27, 1988. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Waterworks District No. 2'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 tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Waterworks District No. 2'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 relatively low level the risk that misstatements in amounts that would be material 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 listed no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the management of the Waterworks District No. 2 of Natchitoches Parish and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

MINNIE JACKSON & HINES

Natchitoches, Louisiana

February 27, 1988

**WATERWORKS DISTRICT NO. 2 OF WATCHDOCKES PARISH
 CALIFORNIA, LOS ANGELES
 SUMMARY SCHEDULE OF FINANCIAL FINDINGS
 FOR THE YEAR ENDED
 DECEMBER 31, 1997**

Ref. No.	Fiscal Year Finding Initially Discovered	Description of Finding	Corrective Action Taken (Via. No., Priority)	Planned Corrective Action/Partial Corrective Action Taken
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Nothing calls to our attention that would require disclosure under Government Accounting Standards

WATERWORKS DISTRICT NO. 1 DE WATERHOLES PARISH
HAZARD, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED
DECEMBER 31, 1997

SCHEDULE 2

Ref. No.	Description of Finding	Correct Action Planned	Name(s) of Contract Person(s)	Anticipated Completion Date
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Nothing came to our attention that would require disclosure under Government Auditing Standards.