

4219

RECEIVED
LEGISLATIVE AUDITOR
04 DEC 28 PM 12:40

**CONCORDIA WATERWORKS DISTRICT #1
CONCORDIA PARISH POLICE JURY**
Ferriday, Louisiana

Annual Financial Statements
and Auditor's Reports

June 30, 2004
and for the Year then Ended

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 1-12-05

CONCORDIA WATERWORKS DISTRICT #1
TABLE OF CONTENTS

| | |
|---|---------|
| Required Supplemental Information Management's Discussion and Analysis | 1 - 5 |
| Independent Auditor's Report | 6 - 7 |
| SECTION I - BASIC FINANCIAL STATEMENTS | |
| Proprietary Fund: | |
| Statement of Net Assets | 8 |
| Statement of Revenues, Expenses, and Changes in Fund Net Assets | 9 |
| Statement of Cash Flows | 10 |
| Notes to Financial Statements | 11 - 18 |
| SECTION II - COMPLIANCE AND INTERNAL CONTROL | |
| Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 19 - 20 |
| SECTION III - OTHER SUPPLEMENTAL INFORMATION | |
| Schedule of Commissioners' Compensation | 21 |

Concordia Waterworks District No. 1

P. O. BOX 768

PHONE 757-4353

FERRIDAY, LA 71334

CONCORDIA WATERWORKS DISTRICT NO. 1 (A Component Unit of the Concordia Parish Police Jury) MANAGEMENT DISCUSSION & ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2004

INTRODUCTION

The discussion and analysis (MD&A) of the Concordia Waterworks District No. 1's financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The District has elected not to present comparative data.

The Concordia Waterworks District No. 1 is located on Highway 15 near Ferriday, Louisiana in Concordia Parish.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of the year ended June 30, 2004, the Concordia Waterworks District No. 1's net assets increased and resulted in ending net assets of \$5,919,667.

1. The beginning cash balance for the Concordia Waterworks District was \$1,913,480. The ending cash balance was \$1,979,079.
2. The District had \$1,025,610 in revenues, which primarily consisted of water sales, interest income, meter fees and State of Louisiana grant of \$134,585. There was \$919,770 in expenditures including depreciation of \$176,760.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Concordia Waterworks District No. 1's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements.

Fund financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

CONCORDIA WATERWORKS DISTRICT NO. 1
(A Component Unit of the Concordia Parish Police Jury)
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages of this report.

FUND FINANCIAL ANALYSIS

Net assets may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,919,667 as of June 30, 2004.

Net Assets for the period ending June 30, 2004

The current year's financial statements are dramatically different from past years as a result of implementing GASB 34. Attempting to compare this year's data with last year would be misleading to the reader; however the District looks forward to offering comparative data in the future.

The following is a condensed statement of the Concordia Waterworks District No. 1's net assets as of June 30, 2004:

| | |
|--|---------------------|
| Current Assets | \$ 1,675,281 |
| Restricted Assets | 432,644 |
| Noncurrent Assets - Capital Assets | 7,096,057 |
| Noncurrent Assets - Other Assets | <u>335</u> |
| Total Assets | <u>9,204,317</u> |
| | |
| Current Liabilities | 165,242 |
| Current Liabilities - Payable from Restricted Assets | 190,704 |
| Long-term Liabilities | <u>2,928,704</u> |
| Total Liabilities | <u>3,284,650</u> |
| | |
| Net Assets | |
| Investment in capital assets, net of related debt | 4,098,006 |
| Restricted for debt service | 319,017 |
| Unrestricted | <u>1,502,644</u> |
| Total Net Assets | <u>\$ 5,919,667</u> |

CONCORDIA WATERWORKS DISTRICT NO. 1
(A Component Unit of the Concordia Parish Police Jury)
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

The largest portion of the District's net assets (\$7,096,057 or 77%) is its investment in capital assets such as equipment less related debt expended in the acquisition of those assets.

Another portion of the District's net assets (\$432,644 or 4%) is restricted to paying long-term debt. The remaining balance of the net assets (\$1,675,616 or 19 %) may be used to pay current operating expenses and utility deposits.

The District has long-term debt of \$2,998,051 which was used to finance additions to the utility system in prior years. More information concerning this debt may be found on pages of the notes to the financial statements. Total liabilities of \$3,284,650 are equal to 35 % of the total assets of the District.

The business type activities increased the net assets by \$105,840. This decrease included grants totaling \$134,585. This grant was used to purchase capital assets of \$135,245 which also were capitalized in the current year and depreciated over the estimated lives of the assets.

The following is a summary of the statement of activities:

Revenues:

| | |
|-------------------------------------|------------------|
| Water sales | \$ 767,548 |
| General revenues | 123,477 |
| Grants | <u>134,585</u> |
| Total revenues and transfers | <u>1,025,610</u> |

Expenses:

| | |
|-----------------------|----------------|
| Operating expenses | 769,660 |
| Interest expenses | <u>150,110</u> |
| Total expenses | <u>919,770</u> |

| | |
|--------------------------|---------|
| (Decrease) in net assets | 105,840 |
|--------------------------|---------|

| | |
|--------------------------|------------------|
| Net assets June 30, 2003 | <u>5,813,827</u> |
|--------------------------|------------------|

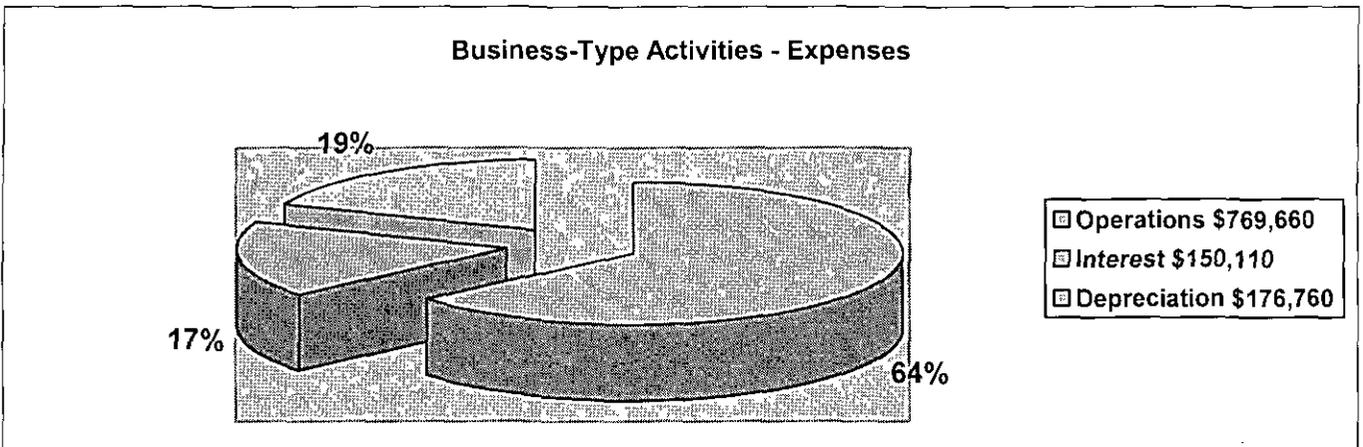
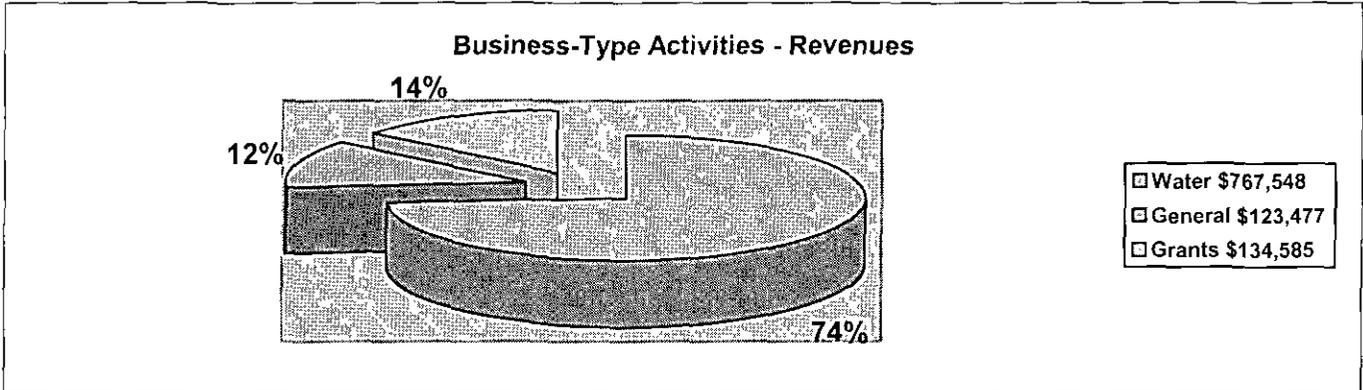
| | |
|--------------------------|---------------------|
| Net assets June 30, 2004 | <u>\$ 5,919,667</u> |
|--------------------------|---------------------|

Business Type Activities

The Business-Type Activities of the District include revenues resulting from fees charges customers.

The following presents in graphs the information from the Statement of Activities for the Business-Type Activities:

CONCORDIA WATERWORKS DISTRICT NO. 1
 (A Component Unit of the Concordia Parish Police Jury)
 MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
 YEAR ENDED JUNE 30, 2004



The notes to the financial statements should be read to have a full understanding of the data in the government-wide financial statements.

CAPITAL ASSETS AND DEBT

As of June 30, 2004, the District had \$7,096,057 invested in capital assets net of accumulated depreciation of \$1,731,587. During the year expenditures of \$135,245 were made in connection with construction of the water plant.

As of June 30, 2004, the District had outstanding bonded indebtedness of \$2,998,051. Principal payments of \$69,347 are due to be paid during the next fiscal year. This debt consists of four different issues which are secured by a pledge of the water plant and revenues from the sale of water. The debt is as follows:

CONCORDIA WATERWORKS DISTRICT NO. 1
 (A Component Unit of the Concordia Parish Police Jury)
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004

| | |
|--|---------------------|
| Issued 1967 at 3.75% interest, due annually at \$24,769 including interest | \$ 22,918 |
| Original balance of \$745,000 issued 1980 at 5% interest, due annually at \$15,000 or more | 500,000 |
| Original balance of \$2,075,000 issued 2000 at 5% interest, due monthly at \$10,105 including interest | 2,008,777 |
| Original balance of \$482,000 issued 2000 at 4 7/8 % interest, due monthly at \$2,303 including interest | <u>466,356</u> |
| Total indebtedness | <u>\$ 2,998,051</u> |

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or request for additional information may be directed to Charles Renfrow, Manager at (318) 757-4353.

JERI SUE TOSSPON
Certified Public Accountant
P O Box 445
Ferriday, Louisiana 71334-0445
(318)757-9393 Fax (318)757-9300
jtosspn@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Concordia Waterworks District #1
Ferriday, Louisiana

I have audited the accompanying financial statements of the business-type activities of the Concordia Waterworks District #1, as of and for the year ended June 30, 2004, which comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Concordia 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 auditing standards generally accepted in the United States of America 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 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 the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Concordia Waterworks District, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*As described in Note 1, the Concordia Waterworks District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.*

*In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2004, on my consideration of the Concordia Waterworks District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of*

that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management discussion and analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Concordia Waterworks District basic financial statements. The introductory section and supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section and supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.



Ferriday, Louisiana
November 15, 2004

SECTION I
BASIC FINANCIAL STATEMENTS

CONCORDIA WATERWORKS DISTRICT #1
(A Component Unit of the Concordia Parish Police Jury)
STATEMENT OF NET ASSETS-PROPRIETARY FUND
JUNE 30, 2004

ASSETS

| | |
|---|---------------------|
| Current Assets | |
| Cash (Note 3) | \$ 1,506,435 |
| Certificates of deposit (Note 3) | 40,000 |
| Accounts receivable, water sales (Note 5) | 122,911 |
| Accrued interest receivable | 894 |
| Prepaid expenses | 5,041 |
| Total current assets | <u>\$ 1,675,281</u> |
| | |
| Non-Current Assets - Restricted Assets (Note 4) | |
| Bond Debt Service Fund | \$ 79,500 |
| Bond Sinking Fund | 65,311 |
| Depreciation Fund | 174,206 |
| Consumer Deposits | 113,627 |
| Total non-current assets - restricted assets | <u>\$ 432,644</u> |
| | |
| Non-Current Assets - Capital Assets (Note 6) | |
| Property, plant and equipment | \$ 8,827,644 |
| Less accumulated depreciation | 1,731,587 |
| Total non-current assets - capital assets | <u>\$ 7,096,057</u> |
| | |
| Non-Current Assets - Other Assets | |
| Utility deposits | \$ 335 |
| TOTAL ASSETS | <u>\$ 9,204,317</u> |

LIABILITIES

| | |
|--|---------------------|
| Current Liabilities (Payable from current assets) | |
| Accounts payable | \$ 163,303 |
| Sales tax payable | 243 |
| Payroll taxes payable | 1,696 |
| Total current liabilities (payable from current assets) | <u>\$ 165,242</u> |
| | |
| Current Liabilities (Payable from restricted assets) | |
| Tenant deposits | \$ 114,677 |
| Notes payable, current portion (Note 7) | 69,347 |
| Accrued interest payable | 6,680 |
| Total current liabilities (payable from restricted assets) | <u>\$ 190,704</u> |
| | |
| Long Term Liabilities | |
| Notes payable (Note 7) | \$ 2,928,704 |
| TOTAL LIABILITIES | <u>\$ 3,284,650</u> |

NET ASSETS

| | |
|---|---------------------|
| Invested in capital assets, net of related debt | \$ 4,098,006 |
| Restricted for debt service | 319,017 |
| Unrestricted | 1,502,644 |
| TOTAL NET ASSETS | <u>\$ 5,919,667</u> |

See accompanying notes to financial statements.

CONCORDIA WATERWORKS DISTRICT #1
(A Component Unit of the Concordia Parish Police Jury)
STATEMENT OF REVENUE AND EXPENSES
AND CHANGES IN NET ASSETS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

| | |
|--|---------------------|
| Operating Revenues | |
| Water sales | \$ 767,548 |
| Penalties for late payment | 26,941 |
| Reconnect fees | 14,525 |
| Memberships | 10,450 |
| Other income | <u>59,053</u> |
| Total operating revenues | <u>\$ 878,517</u> |
| Operating Expenses | |
| Salaries | \$ 218,071 |
| Commissioners' fees | 4,275 |
| Payroll taxes | 16,778 |
| Repairs and maintenance | 16,634 |
| Truck expense | 19,994 |
| Operating supplies | 117,506 |
| Utility expense | 51,317 |
| Office expense | 17,239 |
| Insurance | 98,457 |
| Bad debts | 8,434 |
| Well site rent | 1,150 |
| Depreciation | 176,760 |
| Other operating expense | <u>23,045</u> |
| Total operating expenses | <u>\$ 769,660</u> |
| Net income from operations | <u>\$ 108,857</u> |
| Nonoperating Revenues and (Expenses) | |
| Interest income | \$ 12,008 |
| Net gain on sale of capital assets | 500 |
| State grant funds | 134,585 |
| Interest expense | <u>(150,110)</u> |
| Total nonoperating revenues and (expenses) | <u>\$ (3,017)</u> |
| Change in Net Assets | \$ 105,840 |
| Total Net Assets - Beginning | <u>5,813,827</u> |
| Total Net Assets - Ending | <u>\$ 5,919,667</u> |

See accompanying notes to financial statements.

CONCORDIA WATERWORKS DISTRICT #1
(A Component Unit of the Concordia Parish Police Jury)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

| | |
|---|---------------------|
| Cash flows from operating activities | |
| Cash received from water sales | \$ 852,890 |
| Cash paid to suppliers and employees | (579,855) |
| Net cash provided by operating activities | <u>\$ 273,035</u> |
| Cash flows from capital and related financing activities | |
| Principal paid on notes payable | \$ (68,887) |
| Interest paid on notes payable | (150,791) |
| State grant | 134,585 |
| Interest income | 12,402 |
| Total cash used for financing activities | <u>\$ (72,691)</u> |
| Cash flows from investing activities | |
| Purchase and construction of fixed assets | \$ (135,245) |
| Sale of fixed assets | 500 |
| Total cash used for investing activities | <u>\$ (134,745)</u> |
| Net increase (decrease) in cash | \$ 65,599 |
| Cash at beginning of year | <u>1,913,480</u> |
| Cash at end of year | <u>\$ 1,979,079</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 108,857 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 176,760 |
| Changes in assets and liabilities: | |
| Increase in accounts receivable | (29,403) |
| Increase in prepaid expenses | (516) |
| Increase in accounts payable | 15,221 |
| Decrease in taxes payable | (1,660) |
| Increase in tenant deposits | <u>3,776</u> |
| Net cash provided by operating activities | <u>\$ 273,035</u> |

See accompanying notes to financial statements.

CONCORDIA WATERWORKS DISTRICT #1
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - INTRODUCTION

The Concordia Waterworks District #1 is a part of a financial reporting entity which is the Concordia Parish Police Jury. It was created by the Police Jury by Ordinance 393, dated May 16, 1966 to serve the rural areas of eastern Concordia Parish, under R.S. 33:3811. As such, it is accounted for as a component unit of the Concordia Parish Police Jury.

The Concordia Waterworks District #1 is governed by a Board of Commissioners who are appointed by the members of the Police Jury. The Board consists of five members each serving five year terms. They are compensated at the rate of \$75 per meeting.

The District serves over 2,200 consumers with a staff of nine employees. They maintain 160 miles of water lines, supplying over 181,000,000 gallons of water annually from two wells.

GASB Statement No 14, The Reporting Entity, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Concordia Waterworks District is considered a component unit of the Concordia Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements - Concordia Waterworks District is a special-purpose government engaged in only business-type activities and, as such, is only required to present fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Concordia Waterworks District reports the following proprietary funds:

Waterworks - to account for the revenues from customers and expenses of the operation of the water plant

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include:

1. Charges to customers for goods, services, or privileges provided.
2. Operating grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Waterworks District include charges for water use, penalties for late payment of water bills and charges for connection. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Certificates of Deposit - Cash includes amounts in demand deposits. The District conducts all its banking transactions with two state-chartered institutions in Concordia Parish.

At June 30, 2004, the Concordia Waterworks District #1 had \$1,997,029 (banks' balance) on deposit at these financial institutions.

All cash and certificates of deposit are deposited in financial institutions insured by an agency of the United States Government. Additionally, there is \$2,526,274 in additional collateral held by the bank in the District's name as required.

F. Inventories - Inventories of materials and supplies are considered to be expenditures at the time of purchase. Amounts on hand at the financial statement date are immaterial and, therefore, are not included in the balance sheet.

G. Property, Plant and Equipment - Additions to the utility plant in service are recognized at cost, or if contributed property, at their estimated fair market value at the time of contribution. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of fixed assets used by the Waterworks District is charged as an expense against their operations. Depreciation is calculated over the estimated *useful life of the assets using the straight line method as follows:*

| | |
|---------------------|------------|
| Buildings | 25 years |
| Distribution system | 50 years |
| Equipment | 3-25 years |

H. Reserves of Fund Equity - The Waterworks District records reserves to represent those portions of fund equity legally segregated for a specific future use. The following lists such reserves used by the Waterworks District:

| | |
|-------------------------------------|------------|
| Debt service & Depreciation reserve | \$ 319,017 |
|-------------------------------------|------------|

I. Income Taxes - Concordia Waterworks District #1 is a component unit of the Concordia Parish Police Jury, and, as such, is not subject to federal or state income taxes.

J. Pension Plans - The District does not have a retirement program for its employees and the employees are not members of the State of Louisiana Retirement System. The employees are included in the federal Social Security System.

K. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH AND CERTIFICATES OF DEPOSIT

At June 30, 2004, the Waterworks District has cash and certificates of deposit totaling \$1,913,480, as follows:

| | |
|-------------------------|--------------------|
| Demand deposits | \$1,506,135 |
| Certificates of deposit | 472,644 |
| Cash on hand | 300 |
| | <u>\$1,979,079</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent banks. 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 June 30, 2004, the Waterworks District had \$1,997,029 in collected bank balances. These deposits are secured from risk by \$200,000 of federal deposit insurance and \$2,526,274 of pledged securities held by the custodial bank in the name of the fiscal agent bank. Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 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 entity that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 - RESTRICTED ASSETS

Certain assets were restricted for debt service and consumer deposits. These assets consisted of and are restricted to the following:

| | |
|------------------------|------------------|
| Bond debt service | \$ 79,500 |
| Bond sinking fund | 32,876 |
| 2000 reserve fund | 32,435 |
| Bond depreciation fund | 141,767 |
| 2000 contingency fund | 32,439 |
| Consumer deposits | <u>113,627</u> |
| | <u>\$432,644</u> |

NOTE 5 - ACCOUNTS RECEIVABLE

The following is an aged analysis of accounts receivable due on June 30, 2004:

| | |
|--------------|------------------|
| Current | \$ 98,337 |
| 31-60 days | 21,907 |
| 61-90 days | 2,093 |
| Over 90 days | <u>574</u> |
| | <u>\$122,911</u> |

NOTE 6 - CHANGES IN FIXED ASSETS

A summary of the Waterworks District's property, plant and equipment and changes thereto follows:

| | Balance June 30, 2003 | <u>Additions</u> | <u>Deletions</u> | Balance June 30, 2004 |
|---|-----------------------------|--------------------|------------------|-----------------------------|
| Land and Right of Way Easements | \$ 287,142 | | | \$ 287,142 |
| Distribution system, wells, tanks and equip | 2,862,928 | \$5,358,192 | | 8,221,120 |
| Office building, furniture and equipment | <u>363,076</u> | | <u>\$ 43,694</u> | <u>319,382</u> |
| | \$3,513,146 | \$5,358,192 | \$ 43,694 | \$8,827,644 |
| Less accumulated depreciation | <u>1,598,521</u> | <u>176,760</u> | <u>43,694</u> | <u>1,731,587</u> |
| | <u>\$1,914,625</u> | <u>\$5,181,432</u> | <u>\$ -0-</u> | <u>\$7,096,057</u> |

During the fiscal year ended June 30, 2000, the waterworks district began construction of a new water system, on land purchased by the district in 1998. The construction was put on line in July, 2003. Construction in progress consists of the following expenditures:

| | |
|------------------------------------|--------------------|
| <i>For the year ended 06-30-00</i> | |
| Engineering services | \$ 475,642 |
| Legal services | 53,169 |
| Construction costs | 2,939,319 |
| Capitalized interest costs | 71,599 |
| Other | <u>300</u> |
| | \$3,540,029 |
| <i>For the year ended 06-30-01</i> | |
| Construction costs | 162,114 |
| Capitalized interest costs | <u>71,477</u> |
| | \$3,773,620 |
| <i>For the year ended 06-30-02</i> | |
| Construction costs | 1,053,769 |
| Engineering services | <u>115,845</u> |
| | \$4,943,234 |
| <i>For the year ended 06-30-03</i> | |
| Construction costs | 181,507 |
| Engineering services | <u>10,263</u> |
| | \$5,135,004 |
| <i>For the year ended 06-30-04</i> | |
| Construction costs | <u>223,188</u> |
| Amount capitalized | <u>\$5,358,192</u> |

Construction is being financed by two water revenue bonds in the total amount of \$2,557,000 and grants in the total amount of \$3,492,231 and such funds as will be needed from the waterworks district.

NOTE 7 - CHANGES IN LONG-TERM DEBT

The following is a summary of the notes payable for the year ended June 30, 2004:

| | Note <u>91-01</u> | Note <u>91-03</u> | Note <u>R-1</u> | Note <u>R-2</u> |
|--------------------------------|----------------------|----------------------|--------------------|--------------------|
| Notes payable at June 30, 2003 | \$ 46,000 | \$520,000 | \$2,029,661 | \$471,277 |
| Less principal paid | <u>23,082</u> | <u>20,000</u> | <u>20,884</u> | <u>4,921</u> |
| Notes payable at June 30, 2004 | <u>\$ 22,918</u> | <u>\$500,000</u> | <u>\$2,008,777</u> | <u>\$466,356</u> |

Long-term debt at June 30, 2004 consists of:

Notes Payable #90-01 - Water Revenue Bonds due to General Electric Capital Corporation issued October 12, 1967 due in annual installments of \$24,769 through January 1, 2005 including interest at a rate of 3.75%. The water plant and distribution system are pledged as collateral for this loan. \$ 22,918

Notes Payable #91-03 - Water Revenue Bond due to General Electric Capital Corporation issued March 31, 1980 in the original amount of \$745,000 at an interest rate of 5% due in annual installments of \$15,000 or more plus interest through March 30, 2020. This loan is secured by a pledge of revenues from the sale of water by the district. 500,000

Notes Payable #R-1 - Water Revenue Bond due to the United States of America, Rural Development, issued February 1, 2000 in the original amount of \$2,075,000 at an interest rate of 5% due in monthly installments of \$10,105.25 including amortized principal and interest through February 1, 2040. Interest only is due on February 1, 2001. This loan is secured by a pledge of revenues from the sale of water by the district. 2,008,777

Notes Payable #R-2 - Water Revenue Bond due to the United States of America, Rural Development, issued February 1, 2000 in the original amount of \$482,000 at an interest rate of 4 7/8% due in monthly installments of \$2,303.96 including amortized principal and interest through February 1, 2040. Interest only is due on February 1, 2001. This loan is secured by a pledge of revenues from the sale of water by the district. 466,356

Total notes payable \$2,998,051

The District's proprietary fund bonds are governed by bond indentures, the terms of which are summarized as follows:

Notes 91-01 and 91-03

- (1) **Waterworks Operations and Maintenance Fund**
Funds are to be transferred to this fund from the Waterworks Revenue Fund on the first day of each month in sufficient amounts to pay all operating expenses and to make a reasonable provision for the repair and maintenance of the system.
- (2) **Waterworks Note Reserve Funds (Debt Service and Sinking: Note #91-01)**
The minimum amount to be transferred to this fund each month from the Waterworks Revenue fund shall be not less than one-twelfth of the amount of principal and interest coming due on the next succeeding note payment date. An additional amount of \$165 per month is required to be transferred from the Waterworks Revenue Fund to the Note Reserve Fund until \$30,000 has been accumulated.
- (3) **Waterworks Note Reserve Funds (Debt Service and Sinking: Note #91-03)**
The minimum amount to be transferred to this fund each month from the Waterworks Revenue Fund shall be not less than one-twelfth the amount of principal and interest coming due on the next succeeding bond payment date. An additional amount of 5% of the required minimum monthly amount is to be transferred from the Waterworks Revenue Fund to the Note Reserve Fund until \$49,500 has been accumulated.
- (4) **Waterworks Depreciation Fund**
An amount equal to \$165 per month for Note #90-01 plus \$184 per month for Note #91-03 is to be transferred to this fund on the first day of each month from the Waterworks Revenue Fund. Monies in this fund shall be used solely for the purpose of paying the cost for major repairs of damages caused by unforeseen catastrophe and for the replacements made necessary by the depreciation of the system.

Notes R-1 & R-2

- (1) **2000 Water Revenue Bond and Interest Sinking Fund (Sinking Fund)**
The district shall transfer monthly in advance on or before the 20th day of each month of each year a sum equal to the total amount of principal and interest falling due on the next principal payment date for the Bonds (except during the first year the Bonds are outstanding, a monthly sum equal to one-twelfth (1/12th) of the interest falling due on the first payment date).
- (2) **2000 Water Revenue Bond Reserve Fund (Reserve Fund)**
The district shall transfer monthly in advance on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund, to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined

principal and interest falling due in any year on the bonds payable.

- (3) 2000 Water Depreciation and Contingency Fund (Contingency Fund)
 The district shall transfer monthly in advance on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund, to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable, then the monthly payments into the Contingency Fund shall increase by an amount equal to 5% of the amount being paid into the Sinking Fund.

The District is in compliance with all of these covenants.

The annual requirements to retire general long-term debt as of June 30, 2004 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------|--------------------|--------------------|--------------------|
| 2005 | \$ 69,487 | \$ 149,193 | \$ 218,680 |
| 2006 | 47,514 | 145,396 | 192,910 |
| 2007 | 53,916 | 139,995 | 193,911 |
| 2008 | 54,636 | 141,025 | 195,661 |
| 2009 | 57,093 | 139,568 | 196,661 |
| Thereafter | <u>2,715,405</u> | <u>2,328,643</u> | <u>5,044,048</u> |
| | <u>\$2,998,051</u> | <u>\$3,043,820</u> | <u>\$6,041,871</u> |

NOTE 8 - BAD DEBTS EXPENSE

The District uses the direct write-off method to account for bad debts.

NOTE 9 - EMPLOYEE BENEFITS

The District does not have a retirement plan other than those benefits provided by Social Security. The accrual of sick leave and vacation benefits are estimated to be of an immaterial amount.

NOTE 10 - LITIGATION

The District is not involved in any litigation at this time.

SECTION II
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING

JERI SUE TOSSPON
Certified Public Accountant
P O Box 445
Ferriday, Louisiana 71334-0445
(318)757-9393 Fax (318)757-9300
jtosspou@bellsouth.net

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

The Board of Commissioners
Concordia Waterworks District #1
Ferriday, Louisiana

I have audited the financial statement of the Concordia Waterworks District as of and for the year ended June 30, 2004, and have issued my report thereon dated November 15, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

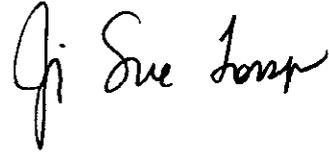
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Concordia 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Concordia Waterworks District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 on my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Commissioners, Legislative Auditor, lenders and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:413, this document may be distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read "Ji Sue Long". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Ferriday, Louisiana

November 15, 2004

SECTION III
OTHER SUPPLEMENTAL INFORMATION

CONCORDIA WATERWORKS DISTRICT #1
SCHEDULE OF COMMISSIONERS COMPENSATION
YEAR ENDED JUNE 30, 2004

| | |
|--------------------------------|----------------|
| Mrs. Jean Fairbanks, President | \$ 675 |
| Mr. Edgar Jones | 825 |
| Mrs. Helen Lyles | 975 |
| Mr. John Morgan | 825 |
| Mr. Wilson Palmer | <u>975</u> |
| | <u>\$4,275</u> |