

OFFICIAL
FILE COPY
DO NOT SEND OUT

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

RECEIVED
LEGISLATIVE AUDITOR
00 APR -3 AM 11:24

**LINCOLN PARISH
WATERWORKS DISTRICT #3**

FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

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 APR 19 2000

LINCOLN PARISH WATERWORKS DISTRICT #3

FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Revenues, Expenses, and Changes in Retained Earnings	3
Statements of Revenues, Expenses-Budget (GAAP Basis) and Actual	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11
ADDITIONAL REPORTS	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	13 - 14
Schedule of Findings and Questioned Costs	15
Schedule of Prior Year Findings	16
Management's Corrective Action Plan	17

DON M. McGEHEE
(A Professional Accounting Corporation)
P.O. Box 1344
806 North Trenton
Ruston, Louisiana 71273-1344

INDEPENDENT AUDITOR'S REPORT

Commissioners of the
Lincoln Parish Waterworks District #3
P.O.Box 366
Ruston, Louisiana 71273

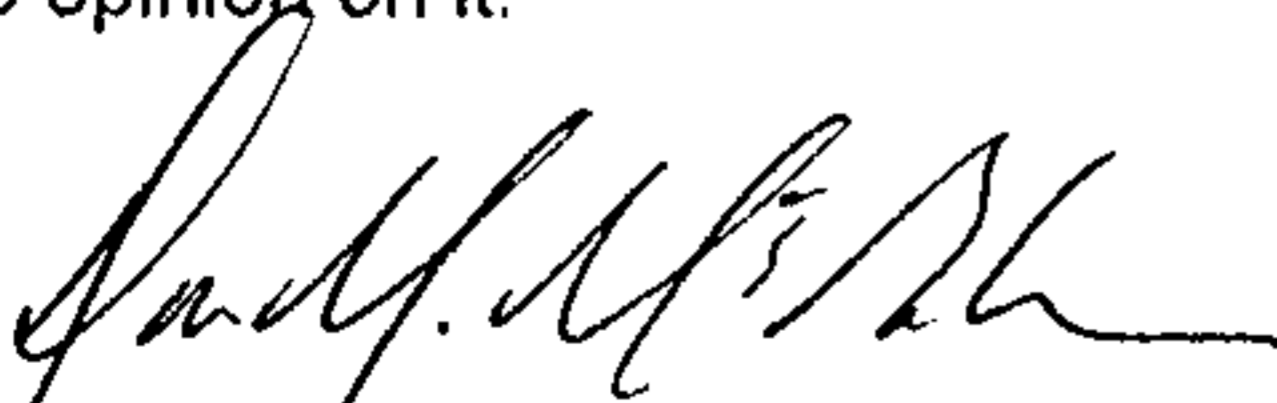
I have audited the accompanying general purpose financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the years ended September 30, 1999 and 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of Lincoln Parish Waterworks District #3's management. My responsibility is to express an opinion on these general purpose financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Parish Waterworks District #3 as of September 30, 1999 and 1998, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated March 29, 2000, on my consideration of Lincoln Parish Waterworks District #3's internal control structure and a report dated March 29, 2000, on its compliance with laws and regulations.

The required supplementary information in Note 11 on the Year 2000 issue is not a required part of the general purpose financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



Don M. McGehee
Certified Public Accountant
March 29, 2000

LINCOLN PARISH WATERWORKS DISTRICT #3

BALANCE SHEETS

AS OF SEPTEMBER 30, 1999 AND 1998

	1999	1998
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 77,264	\$ 87,637
Investments	86,306	46,857
Accounts Receivable	22,362	18,454
Due from Other Government Units	600	400
Interest Receivable	2,649	258
Prepaid Insurance	1,609	2,782
TOTAL CURRENT ASSETS	190,790	156,388
RESTRICTED ASSETS		
Cash and Cash Equivalents	69,133	19,238
Investments	49,102	87,935
TOTAL RESTRICTED ASSETS	118,235	107,173
PLANT AND EQUIPMENT - NET OF ACCUMULATED DEPRECIATION OF \$599,667 AND \$550,393	1,295,856	1,340,167
OTHER ASSETS		
Insurance Deposit	316	438
L.P.F.A. Bond Fees, Net of Accumulated Amortization of \$2,182 and \$1,899	9,139	9,422
TOTAL OTHER ASSETS	9,455	9,860
TOTAL ASSETS	\$ 1,614,336	\$ 1,613,588
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 7,014	\$ 7,501
Accrued Payroll	456	621
Due to Other Government Units	2,545	4,698
Accrued Liabilities	527	745
TOTAL CURRENT LIABILITIES	10,542	13,565
CURRENT LIABILITIES (Payable from Restricted Assets)		
Water Customers' Deposits	40,541	36,881
Sewer Customers' Deposits	3,125	2,175
Current Maturities of Long-Term Debt	19,981	18,579
Accrued Interest Payable	3,459	3,451
TOTAL CURRENT LIABILITIES - From Restricted Assets	67,106	61,086
LONG-TERM DEBT (Less Current Maturities)	626,900	650,172
TOTAL LIABILITIES	704,548	724,823
EQUITY		
CONTRIBUTED CAPITAL	789,049	789,049
RETAINED EARNINGS		
Reserved for Repairs and Maintenance	49,198	45,610
Unreserved Retained Earnings	71,541	54,106
TOTAL RETAINED EARNINGS	120,739	99,716
TOTAL EQUITY	909,788	888,765
TOTAL LIABILITIES AND EQUITY	\$ 1,614,336	\$ 1,613,588

See accompanying notes to financial statements.

LINCOLN PARISH WATERWORKS DISTRICT #3
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
REVENUES		
Water Sales	\$ 183,800	\$ 180,483
New Installations	8,715	12,295
Penalties	8,109	8,445
Collection Fees	3,820	3,955
Sewage Collection Fee	2,400	2,400
Turn-on Water	2,040	2,235
Miscellaneous Income	808	660
TOTAL REVENUES	<u>209,692</u>	<u>210,473</u>
EXPENSES		
Accounting	13,740	19,961
Bad Debts	984	910
Commissioners' Fees	1,620	1,740
Depreciation and Amortization	49,928	49,322
Installations	6,090	8,645
Insurance	4,474	4,321
Miscellaneous Expenses	0	106
Office Supplies	4,231	4,767
Outside Labor	8,967	9,639
Repairs and Maintenance	19,774	18,144
Salaries and Wages	21,096	21,055
System Supplies	1,777	1,206
Taxes-Payroll	2,357	1,599
Theft and Loss	0	1,988
Utilities	27,461	27,176
TOTAL EXPENSES	<u>162,499</u>	<u>170,579</u>
OPERATING INCOME	47,193	39,894
NON-OPERATING REVENUE (EXPENSES)		
Interest Income	11,207	9,375
Loss on Disposal of Asset	(1,016)	0
Interest Expense	(36,361)	(37,621)
TOTAL NON-OPERATING EXPENSES	<u>(26,170)</u>	<u>(28,246)</u>
NET INCOME (LOSS)	21,023	11,648
RETAINED EARNINGS-BEGINNING	<u>99,716</u>	<u>88,068</u>
RETAINED EARNINGS-ENDING	<u>\$ 120,739</u>	<u>\$ 99,716</u>

See accompanying notes to financial statements.

LINCOLN PARISH WATERWORKS DISTRICT #3**STATEMENTS OF REVENUES AND EXPENSES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEARS ENDED SEPTEMBER 30, 1999 AND 1998**

	1999		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Water Sales	\$ 165,000	\$ 183,800	\$ 18,800
New Installations	8,000	8,715	715
Penalties	5,000	8,109	3,109
Collection Fees	3,500	3,820	320
Sewage Collection Fee	2,400	2,400	0
Turn-on Water	2,200	2,040	(160)
Miscellaneous Income	200	808	608
TOTAL REVENUES	<u>186,300</u>	<u>209,692</u>	<u>23,392</u>
EXPENSES			
Accounting	10,000	13,740	(3,740)
Bad Debts	0	984	(984)
Commissioners' Fees	2,250	1,620	630
Depreciation and Amortization	49,000	49,928	(928)
Installations	8,000	6,090	1,910
Insurance	5,000	4,474	526
Miscellaneous Expenses	0	0	0
Office Supplies	4,500	4,231	269
Outside Labor	9,240	8,967	273
Repairs and Maintenance	20,200	19,774	426
Salaries and Wages	21,500	21,096	404
System Supplies	0	1,777	(1,777)
Taxes-Payroll	1,700	2,357	(657)
Theft and Loss	0	0	0
Utilities	27,000	27,461	(461)
TOTAL EXPENSES	<u>158,390</u>	<u>162,499</u>	<u>(4,109)</u>
OPERATING INCOME	27,910	47,193	19,283
NON-OPERATING REVENUE (EXPENSES)			
Interest Income	9,500	11,207	1,707
Loss on Disposal of Asset	0	(1,016)	(1,016)
Interest Expense	(37,000)	(36,361)	639
TOTAL NON-OPERATING EXPENSES	<u>(27,500)</u>	<u>(26,170)</u>	<u>1,330</u>
NET INCOME (LOSS)	<u>\$ 410</u>	<u>\$ 21,023</u>	<u>\$ 20,613</u>

See accompanying notes to financial statements.

1998

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 165,000	\$ 180,483	\$ 15,483
8,000	12,295	4,295
5,000	8,445	3,445
3,500	3,955	455
2,400	2,400	0
2,200	2,235	35
200	660	460
<u>186,300</u>	<u>210,473</u>	<u>24,173</u>
11,000	19,961	(8,961)
0	910	(910)
2,250	1,740	510
46,000	49,322	(3,322)
8,000	8,645	(645)
7,500	4,321	3,179
0	106	(106)
3,500	4,767	(1,267)
9,240	9,639	(399)
20,050	18,144	1,906
22,100	21,055	1,045
0	1,206	(1,206)
1,700	1,599	101
0	1,988	(1,988)
<u>27,000</u>	<u>27,176</u>	<u>(176)</u>
<u>158,340</u>	<u>170,579</u>	<u>(12,239)</u>
27,960	39,894	11,934
7,600	9,375	1,775
0	0	0
<u>(38,000)</u>	<u>(37,621)</u>	<u>379</u>
<u>(30,400)</u>	<u>(28,246)</u>	<u>2,154</u>
\$ <u>(2,440)</u>	\$ <u>11,648</u>	\$ <u>14,088</u>

LINCOLN PARISH WATERWORKS DISTRICT #3
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 208,040	\$ 215,916
Cash Payments for Goods and Services	(90,884)	(99,321)
Cash Payments to Employees	<u>(21,261)</u>	<u>(20,433)</u>
Net Cash Provided by Operating Activities	95,895	96,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,350)	(1,693)
Purchase of Investments	(135,408)	(134,792)
Proceeds from Sale of Investments	134,792	127,187
Interest Received	<u>8,816</u>	<u>9,815</u>
Net Cash Used by Investing Activities	1,850	517
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(21,870)	(21,336)
Interest Paid	<u>(36,353)</u>	<u>(37,888)</u>
Net Cash Used by Financing Activities	<u>(58,223)</u>	<u>(59,224)</u>
NET INCREASE (DECREASE) IN CASH	39,522	37,455
CASH AT BEGINNING OF YEAR	<u>106,875</u>	<u>69,420</u>
CASH AT END OF YEAR	<u>\$ 146,397</u>	<u>\$ 106,875</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 47,193	\$ 39,894
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	49,928	49,322
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	(3,908)	(647)
(Increase) Decrease in Due from Police Jury	(200)	200
(Increase) Decrease in Prepaid Insurance	1,173	(535)
(Increase) Decrease in Insurance Deposit	122	159
Increase (Decrease) in Accounts Payable	(487)	791
Increase (Decrease) in Accrued Payroll	(165)	622
Increase (Decrease) in Customers' Deposits	4,610	3,295
Increase (Decrease) in Due to Police Jury	(2,153)	2,594
Increase (Decrease) in Accrued Liabilities	<u>(218)</u>	<u>467</u>
Total Adjustments	<u>48,702</u>	<u>56,268</u>
Net Cash Provided by Operating Activities	<u>\$ 95,895</u>	<u>\$ 96,162</u>

See accompanying notes to financial statements.

LINCOLN PARISH WATERWORKS DISTRICT #3

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

The Lincoln Parish Waterworks District #3 was organized by the Lincoln Parish Police Jury for the purpose of constructing a waterworks system and providing such service to the residents in Waterworks District #3, Lincoln Parish.

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 governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local government. The accounting and reporting policies of the Lincoln Parish Waterworks District #3 conform to these generally accepted accounting principles and the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and Local Governmental Units, published by the American Institute of Certified Public Accountants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

For financial reporting purposes, in conformity with GASB Statement No. 14, the Lincoln Parish Waterworks District #3 is a component unit of the Lincoln Parish Police Jury. For the purpose of this financial report, this component unit serves as the nucleus for its own financial reporting entity and issues separate financial statements.

B. BASIS OF ACCOUNTING

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

The financial records of the Lincoln Parish Waterworks District #3 are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

C. BUDGETARY PRACTICES

The Lincoln Parish Waterworks District #3 adopted operating budgets for the years ended September 30, 1999 and 1998, as required by the U.S. Department of Agriculture - Rural Economic and Community Development. The budget for each year ended September 30, 1999 and 1998 is presented in the Statement of Revenues and Expenses - Budget and Actual. Appropriations lapse at year end and must be reappropriated for the following year to be expended.

D. USE OF 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 those estimates.

E. VACATION AND SICK LEAVE

Vacation and sick leave are noncumulative. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

SEPTEMBER 30, 1999**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****F. CASH AND INVESTMENTS**

Cash and investments consist of interest bearing demand deposits and time deposits. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Deposits are carried at cost which approximates market value.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

G. RESTRICTED ASSETS

Certain resources that are set aside for the repayment of the Revenue Bonds and the Revenue Promissory Note are classified as restricted assets on the balance sheet because their use is limited by applicable bond and note covenants. The following is a summary of the flow of funds and restrictions on use under the terms of the Revenue Promissory Note agreement dated September 29, 1966.

All income and revenues from the operation of the system shall be set aside into a separate and special fund designated "Waterworks Revenue Fund" and said fund shall be established, maintained, and administered in the following order of priority and for the following express purposes:

- (a) Money shall be set aside at the first of the month sufficient to pay all the operating expenses and to make reasonable provision for the repair and maintenance of the system.
- (b) An amount sufficient to pay the principal and interest of said note as it becomes due and create a margin of safety shall be paid into the Sinking Fund Account. It is determined that an amount not less than 1/12 of the amount of principal and interest becoming due on the next succeeding payment date plus the sum of \$40.00 until a reserve of \$2,400 has been accumulated shall be paid into the Sinking Fund.
- (c) An amount equal to \$40 per month shall be paid from the Waterworks Revenue Account into a fund designated "Waterworks Depreciation Fund" on the first day of each month while the note issued is outstanding.

Under the terms of the Waterworks Revenue Bond agreements, dated August 16, 1980, and January 15, 1992, all of the income and revenues earned from the operation of the waterworks system, after making all payments required in connection with the outstanding Revenue Promissory Note, dated September 29, 1966, and payment of all reasonable and necessary expenses of operating and maintaining the system shall be administered in the following order of priority:

- (a) Money sufficient to pay the principal and interest due in an annual installment shall be set aside and accumulated on a monthly basis in an amount equal to 1/12 of the annual installment into the Sinking Fund.
- (b) An amount equal to five percent (5%) of the amount to be paid into the Sinking Fund must be deposited into the Waterworks Reserve Fund, until there is on deposit an amount equal to \$54,673.
- (c) An amount equal to \$259 per month shall be deposited into the Waterworks Depreciation Fund.

SEPTEMBER 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. FIXED ASSETS

All fixed assets are stated at historical cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using either the straight-line method or the declining balance method. The estimated useful lives are as follows:

Buildings	10-39 years
Water Lines and Well	20-50 years
Equipment	5-10 years

I. COMPARATIVE DATA

Comparative amounts for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - CASH AND INVESTMENTS

Cash consists of interest bearing demand deposits and cash on hand. Investments consist of time deposits. State law requires that the bank deposit and maintain security for the District equal to one hundred percent of the balance on deposit. At September 30, 1999, the carrying amount of the District's deposits was \$281,705 and there was a petty cash fund of \$100. The bank balance for the deposits was \$287,218. Of the bank balance, \$241,862 was covered by federal depository insurance, \$45,356 was covered by pledged securities held as collateral under state law.

Because the pledged securities are held by the custodial bank in the name of the fiscal agent bank rather than in the name of the District, they are considered uncollateralized (Category 3) under the provisions of GASB codification C20.106.

NOTE 3 - RESTRICTED ASSETS

Certain assets of the Lincoln Parish Waterworks District #3 have been restricted for debt service, customer deposits, and repair and maintenance of the water system. These assets consist of cash and investments restricted at September 30, as follows:

	1999	1998
Debt Service	\$ 25,371	\$ 22,507
Repairs and Maintenance	49,198	45,610
Customer Deposits	43,666	39,056
Total Restricted Assets	\$ 118,235	\$ 107,173

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Lincoln Parish Waterworks District #3 entered into a cooperative agreement with the Lincoln Parish Police Jury on November 14, 1995. This agreement established a \$200 per month fee to be paid to the District for billing of sewer fees for Eastern Hills/Blueberry Hills Subdivisions beginning January 1, 1996. The Police Jury owed the District the following at September 30, according to this agreement:

	1999	1998
Due from Lincoln Parish Police Jury	\$ 600	\$ 400

LINCOLN PARISH WATERWORKS DISTRICT #3

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

NOTE 5 - PLANT AND EQUIPMENT

The following is a summary of plant and equipment for the years ending September 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
Land	\$ 19,585	\$ 19,585
Buildings	103,122	103,122
Water Wells, Lines, Furniture and Equipment	1,772,816	1,767,852
Less: Accumulated Depreciation	<u>(599,667)</u>	<u>(550,393)</u>
Net Plant and Equipment	<u>\$ 1,295,856</u>	<u>\$ 1,340,166</u>

NOTE 6 - DUE TO OTHER GOVERNMENTAL UNITS

Lincoln Parish Waterworks District #3 collects sewer fees for the Lincoln Parish Police Jury, per a cooperative agreement with the Police Jury. The District remits collections to the Police Jury monthly. At September 30, the District recognized certain sewer fees from customers in accounts receivable and recognized the related payable to the Police Jury, as follows:

	<u>1999</u>	<u>1998</u>
Due to Lincoln Parish Police Jury	<u>\$ 2,545</u>	<u>\$ 4,698</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of long-term debt activity of the Lincoln Parish Waterworks District #3 for the periods ended as indicated:

	<u>Bonds Payable</u>	<u>Note Payable</u>	<u>Total</u>
Balance at September 30, 1998	\$ 638,860	\$ 29,891	\$ 668,751
Debt Retired	<u>(18,518)</u>	<u>(3,352)</u>	<u>(21,870)</u>
Balance at September 30, 1999	620,342	26,539	646,881
Less Current Maturities	<u>(19,214)</u>	<u>(767)</u>	<u>(19,981)</u>
Long-Term Debt at September 30, 1999	<u>\$ 601,128</u>	<u>\$ 25,772</u>	<u>\$ 626,900</u>

Long-Term debt payable is comprised of the following individual debt instruments:

Revenue Bonds

\$238,000 Waterworks Revenue Bonds, dated August 26, 1980, due in annual installments of \$17,000 - \$18,000 through August 26, 2005; interest at 5%; secured by revenues earned by the District from the operation of the waterworks system. \$ 88,000

\$568,000 Waterworks Revenue Bonds, dated January 15, 1992, due in annual installments of \$36,823 on August 26th of each year through 2031; interest at 5 3/4%; secured by revenues earned by the District from the operation of the waterworks system. 532,342

Revenue Promissory Note

\$94,000 Revenue Promissory Note, dated September 28, 1966, due in annual installments of \$4,626 through January 1, 2007; interest at 3.75%; secured by revenues earned by the District from the operation of the waterworks system. 26,539

Total Long-Term Debt 646,881

Less Current Maturities (19,981)

Long-Term Debt, Net of Current Maturities \$ 626,900

LINCOLN PARISH WATERWORKS DISTRICT #3
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1999

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity for all debt outstanding as of September 30, 1999, including \$659,886 of interest, is as follows:

	<u>Bonds</u>	<u>Note</u>	<u>Total</u>
2000	\$ 54,223	\$ 1,026	\$ 55,249
2001	53,573	4,626	58,199
2002	53,923	4,626	58,549
2003	54,223	4,626	58,849
2004	54,473	4,626	59,099
2005-2031	<u>1,005,859</u>	<u>10,963</u>	<u>1,016,822</u>
Totals	<u>\$ 1,276,274</u>	<u>\$ 30,493</u>	<u>\$ 1,306,767</u>

NOTE 8 - LPFA BOND FEES

The Louisiana Public Facilities Authority (LPFA) advanced \$277,863 to the Lincoln Parish Waterworks District #3 to be used for the capital improvement and expansion of the present waterworks system. This advance was made to fund the interim financing for the \$568,000 water revenue bond issue purchased by the Farmers Home Administration on January 15, 1992. Additionally, the LPFA advanced \$31,360 for the payment of bond fees related to the water revenue bond issue. Construction interest was originally capitalized as part of the bond fees. When the bonds were issued on January 15, 1992, construction interest of \$20,038 had been earned and was deducted from the capitalized bond fees for a balance of \$11,322. This balance is being amortized over 40 years. The following is a summary of the LPFA bond fees for the years ending September 30, 1999 and 1998:

	<u>1999</u>	<u>1998</u>
LPFA Bond Fees	\$ 11,321	\$ 11,321
Less: Accumulated Amortization	<u>(2,182)</u>	<u>(1,899)</u>
Net LPFA Bond Fees	<u>\$ 9,139</u>	<u>\$ 9,422</u>

NOTE 9 - RESERVED RETAINED EARNINGS

The District's bond and note covenants require certain reservations of the Lincoln Parish Waterworks District #3's retained earnings for repairs and maintenance.

NOTE 10 - FEES TO COMMISSIONERS

Fees paid to the commissioners of the Lincoln Parish Waterworks District #3 for the year ended September 30, 1999 and 1998 were as follows:

	<u>1999</u>	<u>1998</u>
James Albritton	\$ 360	\$ 360
Jack Allen	300	300
Willard Anderson	360	360
G.W. Kimble	360	360
Don Smith	<u>240</u>	<u>360</u>
Total	<u>\$ 1,620</u>	<u>\$ 1,740</u>

REQUIRED SUPPLEMENTARY INFORMATION:

NOTE 11 - YEAR 2000 ISSUE

The Lincoln Parish Waterworks District #3 is aware of the Year 2000 issue and that it could affect the operations of the computers used in the office. There has been no formalized plan or budget adopted to deal with the year 2000 issue at this time.

ADDITIONAL REPORT

DON M. McGEHEE
(A Professional Accounting Corporation)
P.O. Box 1344
806 North Trenton
Ruston, Louisiana 71273-1344

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

Commissioners of the
Lincoln Parish Waterworks District #3
P.O.Box 366
Ruston, Louisiana 71273

I have audited the general purpose financial statements of the Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 1999, and have issued my report thereon dated March 29, 2000. 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 Lincoln Parish Waterworks District #3's 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 statement 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

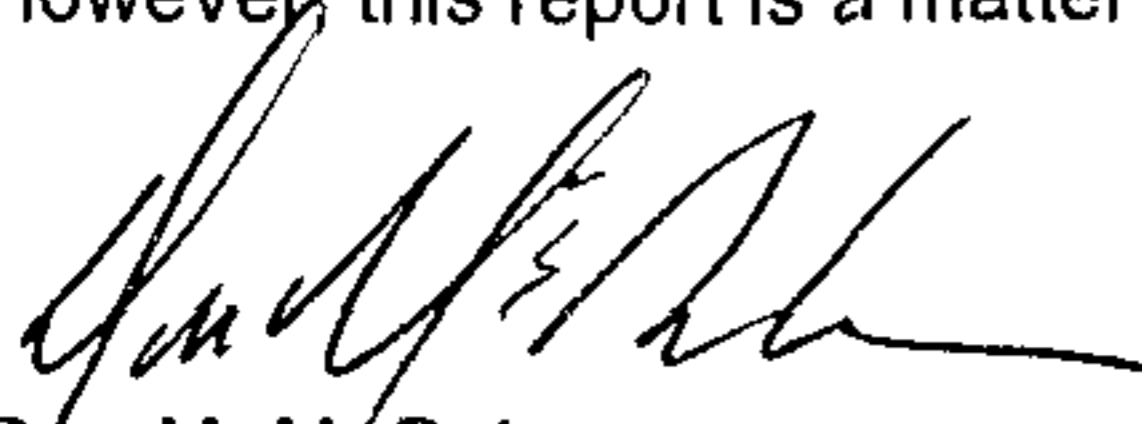
In planning and performing my audit, I considered the Lincoln Parish Waterworks District #3's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Lincoln Parish Waterworks District #3's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. This reportable condition is described below:

It came to my attention that the Lincoln Parish Waterworks District #3 Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

PAGE TWO

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 general purpose 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. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider the reportable condition described above to be a material weakness.

This report is intended for the information of the commissioners, management, the Legislative Auditor of Louisiana, and U.S. Department of Agriculture - Rural Economic and Community Development. However, this report is a matter of public record and its distribution is not limited.



Don M. McGehee
Certified Public Accountant
March 29, 2000

LINCOLN PARISH WATERWORKS DISTRICT #3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

I have audited the financial statements of the Lincoln Parish Waterworks District #3 as of and for the year ended September 30, 1999, and have issued my report thereon dated March 29, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of September 30, 1999 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II Financial Statement Findings

1999-1. The Lincoln Parish Waterworks District #3 Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

LINCOLN PARISH WATERWORKS DISTRICT #3

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

SECTION 1 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

1998-1 Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Unresolved. See 1999-1.

SECTION II MANAGEMENT LETTER

1998-2 Insufficient Security for Deposits.
Recommend client monitor security for deposits on a quarterly basis to determine if they are sufficient.

Resolved.

LINCOLN PARISH WATERWORKS DISTRICT #3

**MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 1999**

SECTION 1 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT

1998-1 Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

It would not be cost-effective to hire additional personnel to provide adequate separation of duties for internal control with such a small workload.

SECTION II MANAGEMENT LETTER

No findings.