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**WATERWORKS DISTRICT NO. 2
OF NATCHITOCHE PARISH
NATCHEZ, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 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 MAY 03 2000

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHES PARISH
NATCHEZ, LOUISIANA
BOARD OF DIRECTORS
DECEMBER 31, 1999

<u>Directors</u>	<u>Office</u>	<u>Year Elected</u>	<u>Term</u>
James L. Johnson P. O. Box 201, Natchez, La 71456 318/352-5592	President	1997	5 yrs.
Donald D. Forest 252 Hwy 119, Natchez, La 71456 318/352-7412	Vice-President	1997	5 yrs.
John T. Batten, Jr. 4645 Hwy 494, Natchez, La 71456 318/352-6328	Sec./Treasurer	1996	5 yrs.
Clyde H. Masson 1527 Hwy 491, Cloutierville, La 71416 318/379-0126		1996	5 yrs.
Emile Mctoyer 2353 Hwy 119, Bermuda, La 71456 318/379-2407		1996	5 yrs.
Kenneth Prudhomme 646 Fish Hatchery Rd, Natchitoches, La 71457 318/352-2762		1996	5 yrs.
John N. Rachal P. O. Box 33, Flora, La 71428 318/352-4731		1996	5 yrs.
Richard L. Williamson 1812 Bermuda Rd, Natchez, La 71456 318/352-8780		1996	5 yrs.

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHE PARISH
NATCHEZ, LOUISIANA
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DECEMBER 31, 1999

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the Waterworks District No. 2 of Natchitoches Parish, Natchez, Louisiana, a component unit of the Natchitoches Parish Police Jury, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose 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 general purpose 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 2 of Natchitoches Parish, Natchez, Louisiana, a component unit of the Natchitoches Parish Police Jury, as of December 31, 1999, 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 our report dated April 6, 2000, 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Waterworks District No. 2 of Natchitoches Parish, Natchez, Louisiana, a component unit of the Natchitoches Parish Police Jury, taken as a whole. The accompanying supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The financial information for the year ended December 31, 1999, which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion dated February 15, 1999, on the general purpose financial statements of the Waterworks District No. 2 of Natchitoches Parish.

Hines, Jackson & Hines
Certified Public Accountants
April 6, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHE PARISH
NATCHEZ, LOUISIANA
COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE
DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash and cash equivalents	\$ 29,716	\$ 38,921
Investments	100,000	100,000
Accounts Receivable		
Trade, net	34,645	35,431
Interest	390	215
Other	110	86
Prepaid expenses	3,341	2,874
Deposits	985	985
Restricted assets		
Cash and cash equivalents	39,150	84,654
Investments	104,000	95,000
Property, plant and equipment, net	<u>1,325,095</u>	<u>1,098,388</u>
 Total Assets	 <u>\$ 1,637,432</u>	 <u>\$ 1,456,554</u>
 LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$ 197,063	\$ 9,905
Obligation under capital lease	14,682	25,447
Revenue bonds payable	388,045	406,853
Customers' refundable meter deposits	<u>69,536</u>	<u>67,185</u>
 Total Liabilities	 669,326	 509,390
 Fund Equity		
Contributed capital	465,000	465,000
Retained earnings		
Reserved for capital additions and FIA depreciation and contingency	38,341	34,803
Unreserved	<u>464,765</u>	<u>447,361</u>
 Total Retained Earnings	 <u>503,106</u>	 <u>482,164</u>
 Total Fund Equity	 <u>968,106</u>	 <u>947,164</u>
 Total Liabilities and Fund Equity	 <u>\$ 1,637,432</u>	 <u>\$ 1,456,554</u>

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHEES PARISH
NATCHEZ, LOUISIANA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Operating revenues		
Charges for services		
Water sales	\$ 370,334	\$ 361,193
Delinquent charges	9,503	9,903
Meter connection and re-connection fees	17,904	19,004
Miscellaneous income	<u>589</u>	<u>1,205</u>
Total Operating Revenues	398,330	391,305
Operating expenses		
Advertising	493	0
Automotive equipment-fuel and lubrication	5,554	5,106
Automotive equipment-maintenance and repairs	3,864	2,740
Bad debt expense	79	0
Billing expense	800	1,477
Board members - per diem	5,640	6,000
Chemicals	16,403	19,281
Depreciation	65,424	57,206
Employer's contribution to group insurance	18,575	17,795
Employer's payroll taxes	8,946	8,997
Insurance	18,639	19,006
Legal and professional	15,204	7,249
Loss on sale of asset	0	1,264
Maintenance - equipment repairs	24,717	11,285
Maintenance - materials and supplies	15,784	19,660
Maintenance - salaries	61,129	57,126
Miscellaneous	834	3,811
Office supplies	1,197	682
Pest control	180	174
Postage	5,206	4,573
Salaries - supervisor and clerical	53,215	52,793
Telephone	6,101	4,788
Utilities	<u>35,936</u>	<u>36,018</u>
Total Operating Expenses	363,920	337,031
Operating Income	34,410	54,274
Nonoperating revenues/(expenses)		
Interest income	11,022	12,379
Interest expense	(24,490)	(27,566)
Paying agent's fees	<u>\$ 0</u>	<u>\$ (887)</u>

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHE PARISH
NATCHEZ, LOUISIANA
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Total Nonoperating Revenues/(Expenses)	\$ (13,468)	\$ (16,074)
Net Income	20,942	38,200
(Increase)/decrease in retained earnings - reserved for capital additions and contingency	(1,316)	(1,193)
(Increase)/decrease in retained earnings - reserved for FHA depreciation and contingency fund	<u>(2,222)</u>	<u>(2,264)</u>
Net change in unreserved retained earnings	17,404	34,743
Retained Earnings-Unreserved, Beginning of year	<u>447,361</u>	<u>412,618</u>
Retained Earnings-Unreserved, End of year	<u>\$ 464,765</u>	<u>\$ 447,361</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
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Net Income	\$ 20,942	\$ 38,200
Adjustments to reconcile net income/(loss) to net cash provided by operating activities		
Depreciation	65,424	57,206
Bad debt expense	79	0
Loss on disposition of assets	0	1,264
(Increase)/decrease in operating assets		
Accounts receivable		
Trade	707	(203)
Interest	(175)	0
Other	(24)	(86)
Prepaid expenses	(467)	550
Increase/(decrease) in operating liabilities		
Accounts payable	187,158	(278)
Customer meter deposits	<u>2,351</u>	<u>3,476</u>
Net Cash Provided By/(Used In) Operating Activities	275,995	100,129
CASH FLOWS PROVIDED BY/(USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal repayment - revenue bonds	(18,808)	(42,595)
Principal repayment - lease obligations	(10,765)	(9,350)
Purchase of capital assets	<u>(292,131)</u>	<u>(41,238)</u>
Net Cash Provided By/(Used In) Capital and Related Financing Activities	(321,704)	(93,183)
CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		
Purchase of investments	<u>(9,000)</u>	<u>0</u>
Net Cash Provided By/(Used In) Investing Activities	<u>(9,000)</u>	<u>0</u>
Net Increase in Cash	(54,709)	6,946
CASH AND CASH EQUIVALENTS, Beginning of year	<u>123,575</u>	<u>116,629</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 68,866</u>	<u>\$ 123,575</u>

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHES PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999

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 10, 1963. 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 24:517, and to the industry audit guide, Audits of State and Local Governmental Units.

A. 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 Boards Statement No. 14 established criteria for determining which component units 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 that organization and/or
 - b) The potential for the organization to provide specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The District Commissioners are appointed by the Natchitoches Parish Police Jury. Also, because of the nature and significance of the service 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.

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHES PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

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 now consist 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 revenue 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 focus 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 accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The 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 Nonexpendable 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. 2 OF NATCHITOCHE PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

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, 1999.

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 unbilled 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 at the time information becomes available which would indicate the uncollectibility of the particular receivable. At December 31, 1999, \$79 were considered to be uncollectible.

H. Prepaid items

Payments to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items.

I. Fixed Assets

The proprietary fund is accounted for on a cost of service or "capital maintenance" measurement focus, and all assets and all liabilities (whether 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	20 - 50 years

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHE PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Restricted Assets

The Enterprise Fund, based upon certain bond covenants, is required to establish and maintain prescribed amounts of resources (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 Enterprise Fund for capital grants restricted for the acquisition or construction of capital assets. *Contributed capital is not amortized based on the depreciation recognized on that 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 presentation 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.

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 INVESTMENTS

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 maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

At December 31, 1999, the District had cash and cash equivalents and investments totaling, \$272,866 as follows:

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHES PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Petty cash	\$	400
Demand deposit accounts		14,981
Interest bearing accounts		<u>53,485</u>
Total	\$	<u><u>68,866</u></u>

Waterworks District #2 of Natchitoches Parish had investments totaling \$204,000 as of December 31, 1999. These investments consisted of \$204,000 in certificates of deposit.

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, 1999, the District had \$278,740 in bank deposits. These deposits were secured from risk by \$278,740 of federal deposit insurance and \$196,602 (market value) of pledged securities held by the custodial banks in the name of the fiscal agent (GASB Category 3).

Even though the pledged securities are considered collateralized (category 3) under the provisions of GASB Statement 3, Louisiana Revised Statutes 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 RESTRICTED ASSETS

At December 31, 1999, the District had the following restricted assets:

Capital additions and contingencies fund	\$	15,801
Customer's refundable meter deposits		69,998
Revenue bond reserve fund		6,866
Revenue bond sinking fund		0
FHA Revenue bond and interest sinking fund		2,945
FHA Revenue bond reserve fund		25,000
FHA Depreciation and contingency fund		<u>22,540</u>
Total	\$	<u><u>143,150</u></u>

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment at December 31, 1999:

	<u>Useful Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Current Year Depreciation</u>
Land		\$ 1,806	\$ 0	\$ 1,806	\$ 0
Building	10 - 40	56,052	(11,386)	44,666	2,905
Furniture and equipment	3 - 25	155,171	(105,094)	50,077	15,374
Water distribution system	20 - 50	<u>2,045,433</u>	<u>(816,887)</u>	<u>1,228,546</u>	<u>47,145</u>
Totals		<u><u>\$ 2,258,462</u></u>	<u><u>\$ (933,367)</u></u>	<u><u>\$ 1,325,095</u></u>	<u><u>\$ 65,424</u></u>

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHEES PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Changes during the year			
Balance, beginning of year	\$ 1,974,223	\$ (875,835)	\$ 1,098,388
Additions			
Land	800	0	800
Building	0	0	0
Furniture and equipment	5,008	0	5,008
Water distribution system	286,323	0	286,323
Deletions	(7,892)	7,892	0
Depreciation	0	(65,424)	(65,424)
Balance, end of year	<u>\$ 2,258,462</u>	<u>\$ (933,367)</u>	<u>\$ 1,325,095</u>

NOTE 5 OBLIGATIONS UNDER CAPITAL LEASE

The Waterworks District is obligated under a capital lease agreement for the acquisition of a trencher. On March 2, 1995, the District entered a lease agreement for a trencher. The agreement provides for sixty (60) monthly payments of \$723.22. At the maturity of the lease term, the District may purchase the trencher 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 \$330.35. 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 trencher, \$36,754, is included in the equipment account and the cost of the office building, \$25,000 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, 1999:

<u>Year Ending December 31</u>	<u>Trencher</u>	<u>Office Building</u>	<u>Total</u>
2000	\$ 1,446	\$ 3,964	\$ 5,410
2001	0	3,964	3,964
2002	0	3,964	3,964
2003	0	3,964	3,964
Total minimum lease payments	1,446	15,856	17,302
Less amount representing interest:			
Equipment - 6.98% rate	(12)	0	(12)
Office Building - 10% rate	0	(2,608)	(2,608)
Present value of minimum lease payments	<u>\$ 1,434</u>	<u>\$ 13,248</u>	<u>\$ 14,682</u>

The Waterworks District was not obligated under any operating leases at December 31, 1999.

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHES PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 6 LONG TERM-DEBT

The following is a summary of debt transactions of the District for the year ended December 31, 1999:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Revenue Bonds - 1979	5%	2004	\$ 249,000	\$ 81,000
Revenue Bonds - 1987	5.75%	2026	350,000	307,045
Total			<u>\$ 599,000</u>	<u>\$ 388,045</u>

The annual requirements to amortize all debt outstanding as of December 31, 1999, including interest payments are as follows:

<u>Year Ending December 31</u>	<u>Revenue Bond 1979</u>	<u>Revenue Bond 1987</u>	<u>Total</u>
2000	\$ 19,050	\$ 22,691	\$ 41,741
2001	18,300	22,691	40,991
2002	18,550	22,691	41,241
2003	18,750	22,691	41,441
2004	18,900	22,691	41,591
Thereafter	<u>0</u>	<u>476,500</u>	<u>476,500</u>
Total	<u>\$ 93,550</u>	<u>\$ 589,955</u>	<u>\$ 683,505</u>

NOTE 7 PENDING LITIGATION

There was no outstanding litigation against the Waterworks District No. 2 of Natchitoches Parish at December 31, 1999.

NOTE 8 RISK MANAGEMENT

Waterworks District No. 2 of Natchitoches Parish is exposed to various risks of loss related to torts; 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 those 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 9 RETIREMENT COMMITMENTS

All employees of Waterworks District No. 2 of Natchitoches Parish are covered by the Social Security System. Employees contribute 6.2 percent of their total salary to the System, while the District contributes a like amount. For the year ended December 31, 1999, total contributions to the system were \$14,178, of which the District contributed \$7,089 and employees contributed \$7,089. Total payroll for the year ended December 31, 1999 was \$114,344 and total payroll covered by the system was \$114,344. 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 year ended December 31, 1999.

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHES PARISH
NATCHEZ, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1999

NOTE 10 LONG-TERM DEBT COMMITMENT

On November 30, 1999, Waterworks District No. 2 of Natchitoches Parish signed a commitment with the Bank of Montgomery to borrow \$250,000 in Certificates of Indebtedness. Interest to be paid semiannually on June 30 and December 31 of each year, commencing in 2000 at the rate of 5.38 percent per annum on unpaid principal. Principal will be paid in ten installments of \$25,000 due December 31, commencing in 2000.

OTHER SUPPLEMENTARY INFORMATION

WATERWORKS DISTRICT NO. 2 OF NATCHITOCHE PARISH
NATCHEZ, LOUISIANA
COMPARATIVE SCHEDULE OF COMPENSATION PAID COMMISSIONERS
YEARS ENDED DECEMBER 31, 1999 AND 1998

<u>Board Member</u>	<u>Per Diem Compensation</u>			
	<u>1999</u>		<u>1998</u>	
	<u>Meetings</u>	<u>Amount</u>	<u>Meetings</u>	<u>Amount</u>
John T. Batten, Jr.	13	\$ 780	12	\$ 720
Clyde Masson	13	780	15	900
Richard Williamson	10	600	13	780
Kenneth Prudhomme	11	660	7	420
Emile Metoyer	9	540	14	840
Norman Rachal	13	780	15	900
James L. Johnson	12	720	11	660
Donald D. Forest	13	780	13	780
Total		<u>\$ 5,640</u>		<u>\$ 6,000</u>

HINES, JACKSON & HINES

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A. NEILL JACKSON, JR., CPA
(Retired)

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
Natchez, Louisiana 71456

We have audited the general purpose financial statements of Waterworks District No. 2 of Natchitoches Parish, Natchez, Louisiana, a component unit of the Natchitoches Parish Police Jury, as of and for the year ended December 31, 1999, and have issued our report thereon dated April 6, 2000. 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 statements 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 in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the Waterworks District No.2 of Natchitoches Parish and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than the specified parties.

Hines, Jackson & Hines

Natchitoches, Louisiana
April 6, 2000

WATERWORKS DISTRICT NO.2 OF NATCHITOCHE PARISH
NATCHEZ, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED
DECEMBER 31, 1999

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Nothing came to our attention that would require disclosure under Government Auditing Standards.

WATERWORKS DISTRICT NO.2 OF NATCHITOCHEES PARISH
NATCHEZ, LOUISIANA
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED
DECEMBER 31, 1999

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