

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**General Purpose Financial Statements
and Accountant's Compilation Report
As of and for the Year Ended
December 31, 2003
With Supplemental Information Schedule, and
Accountant's Report on Applying Agreed-Upon Procedures
For the Year Ended December 31, 2003**

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 3.17.04

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
General Purpose Financial Statements
and Accountant's Compilation Report
As of and for the Year Ended
December 31, 2003
With Supplemental Information Schedule, and
Agreed-Upon Procedures Report
For the Year Ended December 31, 2003**

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RICHARD B. GARRETT
Certified Public Accountant
1537 Frenchman's Bend Road
Monroe, Louisiana 71203

Accountant's Compilation Report

CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana

I have compiled the accompanying general purpose financial statements and the supplemental information schedule of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, as of and for the year ended December 31, 2003, as listed in the foregoing table of contents, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting, in the form of financial statements and schedules, information that is the representation of management. I have not audited or reviewed the accompanying general purpose financial statements nor the supplemental information schedule and, accordingly, do not express an opinion or any other form of assurance on them.



Richard B. Garrett

Monroe, Louisiana
February 24, 2004

Statement A

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
PROPRIETARY FUND - ENTERPRISE FUND
(All Fund Types and Account Groups)**

Balance Sheet, December 31, 2003

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$442,212
Accounts receivable - water sales	16,268
Inventory (note 1-H)	16,463
Total current assets	<u>474,943</u>
Restricted assets - cash and cash equivalents (note 2)	<u>37,769</u>
Property, plant, and equipment	773,917
Less accumulated depreciation	<u>(470,981)</u>
Net property, plant, and equipment (note 3)	<u>302,936</u>

TOTAL ASSETS

\$815,648

LIABILITIES AND FUND EQUITY

Liabilities - current liabilities (payable from current assets):

Accounts payable	\$7,323
Taxes payable	78
Total current liabilities (payable from current assets)	<u>7,401</u>
Long-term liabilities (payable from restricted assets) - customer deposits	<u>37,769</u>
Total Liabilities	<u>45,170</u>
Fund Equity - retained earnings - unreserved	<u>770,478</u>

TOTAL LIABILITIES AND FUND EQUITY

\$815,648

The accompanying notes are an integral part of this statement.

Statement B

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Revenues, Expenses, and
Changes in Retained Earnings
For the Year Ended December 31, 2003**

OPERATING REVENUES

Water sales	\$235,088
Safe drinking water fee	3,554
Installation and connection fees	26,934
Other	6,626
Total operating revenues	<u>272,202</u>

OPERATING EXPENSES

Salaries	86,450
Per diem (Schedule 1)	3,840
Employee benefits	25,391
Operating services	31,156
Office expenses	12,778
Maintenance, repairs, and materials	37,811
Depreciation	31,614
Professional services	1,400
Other	2,460
Total operating expenses	<u>232,900</u>

OPERATING INCOME

39,302

NONOPERATING REVENUES

Use of money and property - interest income	<u>5,272</u>
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NET INCOME

44,574

RETAINED EARNINGS AT BEGINNING OF YEAR

725,904

RETAINED EARNINGS AT END OF YEAR

\$770,478

The accompanying notes are an integral part of this statement.

Statement C

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
PROPRIETARY FUND - ENTERPRISE FUND**

**Statement of Cash Flows
For the Year Ended December 31, 2003**

Cash flows from operating activities:		
Cash received from customers	\$271,641	
Cash payments to suppliers and employees	(200,157)	
Meter deposits from members (net)	2,555	
State sales tax (net)	30	
Net cash provided (used) by operating activities		\$74,069
Cash flows from capital and related financing activities:		
Purchase of fixed assets	(1,234)	
Net cash provided (used) by capital and related financing activities		(1,234)
Cash flows from investing activities - interest		
income from time deposits	5,272	
Net increase in cash and cash equivalents		78,107
Cash and cash equivalents at beginning of year		401,874
Cash and cash equivalents at end of year		\$479,981
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)		\$39,302
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation		31,614
Changes in assets and liabilities:		
Increase/decrease in:		
Accounts receivable		(561)
Inventory		546
Accounts payable - operating		650
Customer deposits		2,518
Total adjustments		34,767
Net cash provided (used) by operating activities		\$74,069

The accompanying notes are an integral part of this statement.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

Notes to the Financial Statements
As of and for the Year Ended
December 31, 2003

INTRODUCTION

Consolidated Water District No. 2 of Morehouse Parish was created by the Morehouse Parish Police Jury as authorized by Louisiana Revised Statute 33:3811. The water district is governed by a five member board of commissioners who are residents of, and own real estate in, the district. The board is appointed by the police jury and is responsible for providing water service to users within the boundaries of the district. The water district serves approximately 1,065 customers and consists of approximately 124 miles of water system in rural Morehouse Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Morehouse Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Continued)**

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 benefits to or impose 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.*

Because the police jury appoints the members of the governing board, because of the scope of public service, and because the district is located within the geographical jurisdiction of the police jury, the district was determined to be a component unit of the Morehouse Parish Police Jury, the financial reporting entity. The accompanying general purpose 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 governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

Consolidated Water District No. 2 of Morehouse Parish is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Continued)**

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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 liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the cash basis of accounting. However, the Enterprise Fund reported in the accompanying general purpose financial statements has been converted to an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues

Water sales and safe drinking water fees are recorded when earned by the water district. Water bills are due and payable to the water district by the fifteenth day of the month following receipt of the service.

Connection and installation fees are recorded when the services are performed and due to the water district.

Interest earnings on time deposits and demand deposits are recorded at the end of each month when credited by the bank.

Expenses

All expenses are recognized when incurred.

E. BUDGETS

Generally accepted accounting principles as applied to governmental units do not require the preparation of a budget for Proprietary - Enterprise Funds. Additionally, Louisiana law has not required that districts of this nature prepare and adopt annual budgets for operations. Therefore, a budget comparison is not presented in the accompanying general purpose financial statements.

**CONSOLIDATED WATER DISTRICT NO. 2
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Notes to the Financial Statements (Continued)**

F. ENCUMBRANCES

The district does not use encumbrance accounting in its accounting system.

G. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash and interest bearing demand deposits. Cash equivalents include amounts in 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.

H. INVENTORY

Inventory consists of parts and expendable supplies and is recorded as an expense when consumed. Inventory is valued at market, which approximates cost.

L. RESTRICTED ASSETS

Meter deposits in the Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited by liability to customers.

J. FIXED ASSETS

Fixed assets, and accumulated depreciation thereon, of the water district are included on the balance sheet of the Enterprise Fund. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the property as follows:

Water systems, tanks, and wells	40 years
Equipment and buildings	5-20 years

K. COMPENSATED ABSENCES

The district has two salaried employees and two hourly employees. All employees are granted up to 2 weeks annual leave depending on length of service. The leave is non-cumulative. Upon termination, employees are not paid for unused vacation leave. Salaried employees are granted sick leave on an as needed basis.

**CONSOLIDATED WATER DISTRICT NO. 2
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Bastrop, Louisiana
Notes to the Financial Statements (Continued)**

At December 31, 2003, there are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure to conform with GASB Codification Section C60.

L. RISK MANAGEMENT

The Water District carries insurance policies with \$500 deductibles for liability and workman's compensation. The Water District also carries insurance policies for auto and property with \$500 deductibles.

M. 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 expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At December 31, 2003, the water district has cash and cash equivalents (book balances) totaling \$479,981, as follows:

Interest-bearing demand deposits	\$257,908
Time deposits	221,873
Petty Cash	<u>200</u>
Total	<u>\$479,981</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times 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 December 31, 2003, the water district has \$480,198 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$280,198 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

**CONSOLIDATED WATER DISTRICT NO. 2
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MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana
Notes to the Financial Statements (Concluded)**

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 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 water district that the fiscal agent has failed to pay deposited funds upon demand.

3. FIXED ASSETS

A summary of fixed assets at December 31, 2003, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$1,000		\$1,000
Buildings and equipment	127,475	(\$83,658)	43,817
Water systems, tanks and wells	<u>645,442</u>	<u>(387,323)</u>	<u>258,119</u>
Total	<u>\$773,917</u>	<u>(\$470,981)</u>	<u>\$302,936</u>

4. PENSION PLAN

The employees of Consolidated Water District No. 2 of Morehouse Parish are members of the Social Security System. In addition to the employee contribution withheld at 6.2 per cent of gross salary, the water district contributes an equal amount to the Social Security System. Aggregate pension cost for the year was \$10,750. The water district does not guarantee the benefits granted by the Social Security System.

5. OTHER POSTEMPLOYMENT BENEFITS

The water district provides no postretirement health care and life insurance benefits to former employees.

6. LITIGATION AND CLAIMS

At December 31, 2003, the water district is not involved in any litigation nor is management aware of any claims.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended December 31, 2003**

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:3819, board members receive \$60 per meeting attended up to a maximum of 36 meetings per year.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Schedule of Per Diem Paid Board Members
For the Year Ended December 31, 2003**

	<u>NUMBER</u>	<u>AMOUNT</u>
Derrell Bray	12	\$720
Douglas Goyne	13	780
Bud Morrison	13	780
Eddie Potter	6	360
Wyatt Smith, President	13	780
John Williams	<u>7</u>	<u>420</u>
Total	<u>64</u>	<u>\$3,840</u>

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Independent Accountant's Report on Applying
Agreed-Upon Procedures
For the Year Ended December 31, 2003**

RICHARD B. GARRETT
Certified Public Accountant
1537 Frenchman's Bend Road
Monroe, Louisiana 71203

Independent Accountant's Report
on Applying Agreed-Upon Procedures

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the Board of Commissioners of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Consolidated Water District No. 2 of Morehouse Parish's compliance with certain laws and regulations for the year ended December 31, 2003, included in the *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Review the board minutes and all expenditures made during the year ended December 31, 2003, for material and supplies exceeding \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

During the year, the Water District did not start any public works projects or purchase any material and supplies that fell under the guidelines of the public bid law.

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury
Bastrop, Louisiana
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Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each commissioner as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interest of the commissioners and the employees, as well as their immediate families.

Management provided me with the requested list which included all of the noted information.

3. Obtain from management payroll data for all employees paid for the year ended December 31, 2003.

Management provided me the requested payroll data.

4. Determine whether any of the employees paid during the year, per the payroll data in agreed-upon procedure no. 3, were included on the list from management of immediate family members, per agreed-upon procedure no. 2.

None of the employees included in the payroll data (agreed-upon procedure no. 3) were included on the list from management of immediate family members (agreed-upon procedure no. 2).

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury
Bastrop, Louisiana
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Accounting and Reporting

5. Randomly select 6 disbursements made during the year ended December 31, 2003, in the Operations and Maintenance Fund and one purchase made during the year ended December 31, 2003, in the Revenue Fund and:

- (a) trace payments to supporting documentation as to proper amount and payee;

I examined the supporting documentation for each of the six disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) determine if payments were properly coded to the correct general ledger account; and

I examined the documentation of each expenditure to determined that the expenditure had been charged to the proper account code. All expenditures were charged to the proper general ledger account code.

- (c) determine whether payments received approval from proper authorities.

Six of the seven expenditures examined were for supplies and maintenance. Expenditures of this type, which are supported by an invoice, are approved by a commissioner initialing the invoice indicating approval for payment. All six of the expenditures examined had been approved by a commissioner. One of the seven expenditures examined was for the transfer of a forfeited customer deposit to the Revenue Fund. Expenditures of this type do not require approval by a commissioner.

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury
Bastrop, Louisiana
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6. Select one month's payroll and examine the gross wages paid all employees each week of the month to see that:

- (a) the salary/hourly rate agrees to the amount authorized by the Commissioners.

I examined all four employees' weekly gross wages for one month to see that the salary or hourly rate paid, as applicable, was the amount authorized by the Commissioners. The salary and hourly rate paid each employee was the amount authorized by the Commissioners.

- (b) the number of hours paid agrees to the time cards.

I compared the number of hours worked, per the weekly time cards, for both hourly employees for one month to the number of hours the employees were paid each week. The number of hours worked, per the time cards, agreed to the number of hours for which the employees were paid.

Meetings

7. Examine evidence indicating that agendas for meetings in which minutes were recorded were posted as required by LSA-RS 42:1 - 12 (the open meetings law).

Consolidated Water District No. 2 is required to post a notice of each meeting and the accompanying agenda on the front gate of the district's office. Although management has asserted that such documents were properly posted and management provided me copies of the documents, I cannot determine if the documents were actually posted because there is no evidence to support this. The Water District did post a notice in the newspaper in January 2003, stating that the district's board meets the second Tuesday of each month at 6:00 PM in the district office.

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury
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The Water District provided me with notices with agendas of the monthly and special meetings held during the year. I compared the notices to the Board of Commissioners' minutes of their meetings to see that there was a notice for each meeting held during the year. There was a notice to the public of all monthly and special meetings held during the year.

Debt

8. Read the minutes of all board meeting for the year ended December 31, 2003, and examine bank deposits for the period under examination to determine if any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

A reading of the minutes of the Water District for the year ended December 31, 2003, and an examination of the bank deposits for the period under examination, *did not identify any deposits or authorizations for bank loans, bonds, or like indebtedness.*

Advances and Bonuses

9. Examine all disbursements in the cash disbursement journal for the year ended December 31, 2003, and read the minutes for the year to determine whether any payments have been made to employees that may constitute a bonus, advance, or gift.

A reading of the minutes of the Water District for the year ended December 31, 2003, did not indicate any approval for such payments. Examination of the expenditures in the cash disbursements' journal did not disclose any instances of payments to employees which would constitute a bonus, advance or gift.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

RICHARD B. GARRETT

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury
Bastrop, Louisiana
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This report is intended solely for the use of management of Consolidated Water District No. 2 of Morehouse Parish, a component unit of the Morehouse Parish Police Jury, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Richard B. Garrett

Monroe, Louisiana
February 24, 2004

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Corrective Action Taken on Prior Year Findings
For the Year Ended December 31, 2003**

CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS

In accordance with the *Louisiana Governmental Audit Guide* a schedule of corrective action taken on prior year findings has been included.

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

**Corrective Action Taken on Prior Year Findings
For the Year Ended December 31, 2003**

In the attestation report for the year ended December 31, 2002, there were no findings reported.