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NATCHITOCHES PARISH WATERWORKS
DISTRICT NO. 1

ANNUAL FINANCIAL REPORT
DECEMBER 31, 1995

under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-7-96 1

Johnson, Thomas & Cunningham

Certified Public Accountants

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Board of Commissioners
Natchitoches Parish Waterworks District No. 1
Natchitoches, LA 71457

We have audited the accompanying general purpose financial statements of the Natchitoches Parish Waterworks District No. 1, a component unit of the City of Natchitoches, for the year ended December 31, 1995, and have issued our report thereon dated June 26, 1996.

During the course of this audit, a certain matter arose, upon which we feel corrective action should be taken. The District has nearly \$1 million in cash and cash equivalents which has historically been adequately secured by a combination of FDIC insurance and federal securities. However, at December 31, 1995, the District was undersecured by approximately \$180,000. This occurred at a time when the District sold some federal securities to pay for capital expenditures. However, at the District's year-end, the capital expenditures had not been made and cash was held in a checking account that did not have adequate coverage.

In our opinion, the District's cash and cash equivalents need to be adequately secured by a combination of FDIC insurance, federal securities or securities pledged by the bank.

This report does not affect our reports on the December 31, 1995 financial statements dated June 26, 1996.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPAs

June 26, 1996
Natchitoches, Louisiana

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Commissioners
Natchitoches Parish Waterworks District No. 1
Natchitoches, LA 71457

We have audited the accompanying general purpose financial statements of the Natchitoches Parish Waterworks District No. 1, a component unit of the City of Natchitoches, Louisiana, as of and for the year ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in Government Auditing Standards, issued by the U.S. General Accounting Office, and the Louisiana Governmental Audit Guide. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Natchitoches Parish Waterworks District No. 1 as of December 31, 1995, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the accompanying general purpose financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Natchitoches Parish Waterworks District No. 1. 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 preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Natchitoches Parish Waterworks District No. 1.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

June 26, 1996
Natchitoches, Louisiana

Natchitoches Parish Waterworks District No. 1
Combined Balance Sheet
Fund Type and Account Group
December 31, 1995

	General Fund	General Fixed Assets	Totals (Memorandum Only)	
			1995	1994
<u>Assets</u>				
Cash	\$322,398	\$0	\$323,404	\$11,529
Cash Equivalents	933,798	0	932,792	1,282,980
Revenue Receivables	0	0	0	0
Equipment	0	14,024	14,024	14,024
Prepaid Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,618</u>
Total Assets	<u>\$1,256,196</u>	<u>\$14,024</u>	<u>\$1,270,220</u>	<u>\$1,311,151</u>
<u>Liabilities & Fund Equity</u>				
Liabilities-				
Accounts Payable	\$279,420	\$0	\$279,420	\$24,550
Fund Equity-				
Investment in General Fixed Assets	0	14,024	14,024	14,024
Fund Balance-				
Unreserved-Designated	0	0	0	500,000
Unreserved-Undesignated	<u>976,776</u>	<u>0</u>	<u>976,776</u>	<u>772,577</u>
Total Liabilities and Fund Equity	<u>\$1,256,196</u>	<u>\$14,024</u>	<u>\$1,270,220</u>	<u>\$1,311,151</u>

See notes to financial statements.

Natchitoches Parish Waterworks District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (GAAP Basis) and Actual-Governmental Fund Type-General Fund
Year Ended December 31, 1995
With Comparative Amounts From Year Ended December 31, 1994

	1995			1994 <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	
REVENUES:				
Charges for Services	\$ 0	\$ 4,785	\$ 4,785	\$ 3,906
Miscellaneous- Interest Income	<u>60,000</u>	<u>62,008</u>	<u>2,008</u>	<u>34,556</u>
Total	\$ <u>60,000</u>	\$ <u>66,793</u>	\$ <u>6,793</u>	\$ <u>38,462</u>
EXPENDITURES:				
Current-				
Commissioner's Per Diem	\$ 5,400	\$ 4,280	\$ 1,120	\$ 4,220
Secretary's Fee	1,300	1,300	0	1,200
Salaries	3,300	1,750	1,550	3,300
Repairs & Maintenance	1,500	1,843	(343)	1,444
Audit	2,500	2,618	(118)	2,618
Dues & Other	5,000	5,579	(579)	4,134
Capital Expenditures	<u>350,000</u>	<u>345,224</u>	<u>4,776</u>	<u>74,805</u>
Total Expenditures	\$ <u>369,000</u>	\$ <u>362,594</u>	\$ <u>6,406</u>	\$ <u>91,721</u>
Excess (Deficiency) of Revenues Over Expenditures	\$(309,000)	\$(295,801)	\$13,199	\$ (53,259)
Fund Balance-Beginning of Year	<u>1,272,577</u>	<u>1,272,577</u>	<u>0</u>	<u>1,325,836</u>
Fund Balance-End of Year	\$ <u>963,577</u>	\$ <u>976,776</u>	\$ <u>13,199</u>	\$ <u>1,272,577</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Natchitoches Parish Waterworks District No. 1
Notes to Financial Statements
December 31, 1995

INTRODUCTION

The Natchitoches Parish Waterworks District No. 1 was incorporated on December 1, 1959, under the provisions of the Lawrason Act. The District operates under a Board of Commissioners form of government, and was created to manage the resources, including water level control and control structure within the jurisdiction of the District. The primary water source of the District is Sibley Lake in Natchitoches Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. BASIS OF PRESENTATION

The financial statements of the Natchitoches Parish Waterworks District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable 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 Waterworks District No. 1 territory, for reporting purposes, the City of Natchitoches, Louisiana is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the 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 City of Natchitoches, Louisiana 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 city 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 city.

Natchitoches Parish Waterworks District No. 1
Notes to Financial Statements
December 31, 1995

2. Organizations for which the city does not appoint a voting majority, but are fiscally dependent on the city.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of the significance of the relationship.

Since the District is fiscally dependent on the City of Natchitoches, the District has been determined to be a component unit of the City of Natchitoches. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City of Natchitoches, the general government services provided by that governmental unit, or the other governmental units that comprise the reporting entity.

C. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources. The District has only one type of fund described as follows:

GOVERNMENTAL FUNDS

Governmental funds are those which most of the governmental functions of the District are financed through. The acquisition, use and balances of the District's expendable resources and related liabilities are accounted for through the use of governmental funds. The following are the District's governmental funds:

General Fund-The General Fund is the general operating fund of the District. It is used to account for all financial resources except for those required to be accounted for in another fund.

ACCOUNT GROUP

The account group is used to establish accounting control and accountability for the District's general fixed assets. The following is a description of the District's account group.

Natchitoches Parish Waterworks District No. 1
Notes to Financial Statements
December 31, 1995

General Fixed Assets Account Group-This account group is established to account for all general fixed assets of the District.

D. FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus, and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. These assets are recorded as expenditures in the governmental fund types when purchased. The District has elected not to capitalize certain improvements other than buildings, including the pipes, pumps, and other water system components. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost.

The account group is not a "fund". It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

E. BASIS OF ACCOUNTING

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchase of various operating supplies are regarded as expenditures at the time purchased.

F. BUDGETS AND BUDGETARY ACCOUNTING

The budget for the District is formulated by the Secretary and presented to the Board of Commissioners for their approval prior to the beginning of each year. Upon approval by the Commissioners, the budget is adopted by passage of an ordinance. All budgetary appropriations lapse at the end of each year. The budgetary information presented in this report was adopted on a basis consistent with generally accepted accounting principles.

Natchitoches Parish Waterworks District No. 1
Notes to Financial Statements
December 31, 1995

G. ENCUMBRANCES

The District does not employ the use of encumbrance accounting.

H. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents are held separately by each of the District's funds. At December 31, 1995, the District's cash and investments totaled \$1,256,196. Of the amounts held in commercial banks and savings and loan associations, \$200,000 was covered by federal depository insurance.

The District's cash and investments are categorized below to give an indication of the level of risk assumed by the District at December 31, 1995. Category 1 includes cash that is held by the District, cash and investments that are insured or registered, or investments held by the District or its brokers in the District's name. Category 2 would include uninsured and unregistered investments for which the securities are held by the broker's dealer's trust department or agent in the District's name. Category 3 would include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Value</u>
Cash-				
Demand Deposits	\$322,398	\$0	\$0	\$322,348
Certificates of Deposit	209,196	0	0	209,196
Investments	<u>724,602</u>	<u>0</u>	<u>0</u>	<u>724,602</u>
Totals	<u>\$1,256,196</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,256,196</u>
Insured by-				
FDIC Insurance				\$200,000
Bank Securities				150,000
U.S. Government Securities				<u>724,602</u>
Totals				<u>\$1,074,602</u>
Cash & Investments Under Secured				\$181,594

Natchitoches Parish Waterworks District No. 1
Notes to Financial Statements
December 31, 1995

I. VACATION AND SICK LEAVE

The employee of the District does not accrue any vacation or sick leave benefits.

J. COMPARATIVE DATA

Comparative total data 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. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements, since their inclusion would make the statements unduly complex and difficult to read.

K. TOTAL COLUMNS ON COMBINED STATEMENTS-OVERVIEW

Total columns on the combined statements-overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

L. PENSION PLANS

The District is not a member of any pension plan other than the Social Security System.

M. CHANGES IN GENERAL FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized in the general fixed assets account group. Public domain or infrastructure are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

A summary of changes in general fixed assets follows.

	Balance <u>1-1-95</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-95</u>
Equipment	\$14,024	\$_____0	\$_____0	\$14,024

2. RELATED PARTY TRANSACTIONS

The District did not have any related party transactions during 1995.

Natchitoches Parish Waterworks District No. 1
Notes to Financial Statements
December 31, 1995

3. LITIGATION AND CLAIMS

The District was not involved in any litigation, claims or assessments at December 31, 1995.

4. SUBSEQUENT EVENTS

There were no material events subsequent to December 31, 1995, that should be included in this report.

INTERNAL CONTROL AND COMPLIANCE

Johnson, Thomas & Cunningham

Certified Public Accountants

Exhibit B-1

Page 14

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AUDITOR'S REPORT ON THE INTERNAL CONTROL
STRUCTURE IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Natchitoches Parish Waterworks District No. 1
Natchitoches, LA 71457

We have audited the accompanying general purpose financial statements of the Natchitoches Parish Waterworks District No. 1, a component unit of the City of Natchitoches, Louisiana, for the year ended December 31, 1995, and have issued our report thereon dated June 26, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements covered by our report are free of material misstatement.

The management of the Natchitoches Parish Waterworks District No. 1, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use of disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Natchitoches Parish Waterworks District No. 1 for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

For all of the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable condition that we believe to be a material weakness.

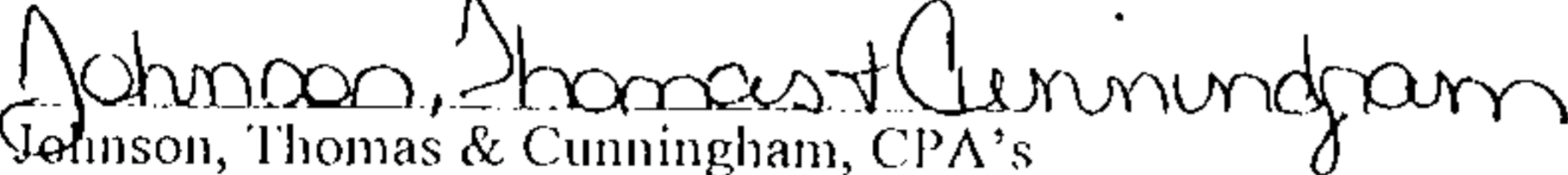
Separation of Duties:

Due to a lack of personnel, there is no separation of accounting duties within the District's office. We believe that this condition results in more than a relatively low risk that errors or irregularities in amounts that could be material to the financial statements could occur and not be detected within a timely period. However, it is not practicable for additional accounting personnel to be added.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Natchitoches Parish Waterworks District No. 1 in a separate letter dated June 26, 1996.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the 1995 financial statements and in our examination and review of the District's compliance with those laws and regulations for which we believe noncompliance could have a material effect on the financial statements. This report does not affect our reports on the December 31, 1995, financial statements and on the District's compliance with laws and regulations dated June 26, 1996.

This report is intended solely for the use of management, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Natchitoches Parish Waterworks District No. 1, is a matter of public record.


Johnson, Thomas & Cunningham, CPA's

June 26, 1996
Natchitoches, Louisiana

Johnson, Thomas & Cunningham

Certified Public Accountants

Exhibit B-2

Page 17

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COMPLIANCE REPORT BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Natchitoches Parish Waterworks District No. 1
Natchitoches, LA 71457

We have audited the general purpose financial statements of the Natchitoches Parish Waterworks District No. 1, a component unit of the City of Natchitoches as of and for the year ended December 31, 1995, and have issued our report thereon dated June 26, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements being audited are free of material misstatement.

Compliance with laws, regulations, contracts, and grant applicable to the Natchitoches Parish Waterworks District No. 1, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the aforementioned financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. 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,

This report is intended for the information of management. This restriction is not intended to limit the distribution of this report, which, upon delivery to the Natchitoches Parish Waterworks District No. 1, is a matter of public record.

Johnson, Thomas & Cunningham
Johnson, Thomas & Cunningham, CPA's

June 26, 1996.
Natchitoches, Louisiana

SUPPLEMENTARY INFORMATION

Natchitoches Parish Waterworks District No. 1
Per Diem Paid to Board Members
For the Year Ended December 31, 1995

<u>Member</u>	<u>Amount Paid</u>
Gary McElwee	\$650
Barry Smiley	500
Pat Minturn	650
Joe Cunningham	650
Harrell Roberson	500
Ben Mayeaux - Chairman	780
Charles Powell - Secretary	1,300
A. J. Brouillette	<u>550</u>
Total	\$5,580