

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

**Notes to the Financial Statements
As of and for the Year Ended
December 31, 1995**

INTRODUCTION

Consolidated Water District No. 2 of Morehouse Parish was created by the Morehouse Parish Police Jury as authorized by Louisiana Revised Statute 33:3511. 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 500 customers and consists of approximately 84 miles of water system in rural Morehouse Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying component unit financial statements of Consolidated Water District No. 2 of Morehouse Parish 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 inclusion 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 entity is

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

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's activities
 - 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 comparison unit 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.

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

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

III. INVENTORY

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

I. 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.

A. 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 depreciable 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

B. COMPENSATED ABSENCES

The district has two full-time and three part-time employees. There is no vacation or sick leave granted to the part-time employees. The full-time employees are granted 2 weeks annual leave. The leave is non-cumulative. Upon termination, employees are not paid for unused vacation leave. Sick leave is granted on an as-needed basis.

At December 31, 1996, there are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure to conform with GASB Codification Section 660.

2. CASH AND CASH EQUIVALENTS

At December 31, 1996, the water district has cash and cash equivalents (book balances) totaling \$149,601, as follows:

Interest-bearing demand deposits	\$28,437
Time deposits	320,064
Petty Cash	____,100
Total	\$149,601

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be insured 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

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

rates 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, 1996, the water district has \$249,399 in deposits (collectal bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$149,399 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 7).

Even though the pledged securities are considered uncollateralized (Category 7) under the provisions of GASB Statement 3, Louisiana Revised Statute 38:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 30 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, 1996, follows:

	Cost	Accumulated Depreciation	Net
Land	\$1,000		\$1,000
Buildings and equipment	84,400	(82,888)	1,512
Water systems, tanks and wells	426,316	(233,093)	193,223
Total	\$511,722	(\$315,981)	\$195,741

4. PENSION PLAN

The part-time and full-time employees of Consolidated Water District No. 2 of Morehouse Parish are members of the Social Security System. In addition to the employee contribution withheld as 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 \$3,710. 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, 1996, the water district is not involved in any litigation nor is management aware of any claims.

CONSOLIDATED WATER DISTRICT NO. 2
OF MINORVILLE PARISH
MOOREHOUSE PARISH POLICE JURY
Boutep, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended December 31, 1996

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid board members is presented in compliance with House Concurrent Resolution No. 34 of the 1979 Session of the Louisiana Legislature. As provided by Louisiana Revised Statute 33:2815, board members receive \$50 for regular meetings and \$25 for special meetings attended.

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

Schedule of Per Diem Paid Board Members
For the Year Ended December 31, 1996

	NUMBER	AMOUNT
Hersey Goodwin	7	\$245
Douglas Gayne	11	375
Raul Mironian	11	375
Wynn Smith, President	13	442
Floyd Tomblin	5	165
John Williams	13	442
Total		\$2,050

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, 1996*

**CONSOLIDATED WATER DISTRICT NO. 2
OF MORIHOUSE PARISH
MORHOUSE PARISH POLICE, JULY
Bossier, Louisiana
Notes to the Financial Statements (Continued)**

component unit financial statements has been converted to an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues

Water sales 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 are recorded when the time deposits have matured and the interest is available. Interest income on interest-bearing demand deposits is 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 component unit financial statements.

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.

Statement C

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

Statement of Cash Flows
 For the Year Ended December 31, 1996

Cash flows from operating activities:	
Cash received from customers	\$154,351
- payments to suppliers and employees	(124,197)
+ deposits from members (net)	917
- net sales tax (net)	92
Net cash provided (used) by operating activities	<u>22,153</u>
Cash flows from investing activities - interest	
income from time deposits	17,855
Net increase in cash and cash equivalents	<u>40,008</u>
Cash and cash equivalents at beginning of year	<u>269,583</u>
Cash and cash equivalents at end of year	<u>\$309,591</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	<u>\$5,245</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	18,883
Changes in assets and liabilities:	
Increase/decrease in:	
Accounts receivable	1,558
Inventory	(9,847)
Accounts payable - operating	787
Customer deposits	917
Total adjustments	<u>15,215</u>
Net cash provided (used) by operating activities	<u>\$22,153</u>

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, 1996

OPERATING REVENUES

Water sales	\$120,091
Installation and connection fees	20,075
Other	659
Total operating revenues	<u>140,825</u>

OPERATING EXPENSES

Salaries	60,693
Forfeits (Schedule 1)	2,000
Employee benefits	7,769
Operating services	20,350
Office expenses	6,039
Maintenance, repairs, and materials	22,706
Depreciation	19,983
Professional services	350
Other	1,840
Total operating expenses	<u>149,780</u>

OPERATING INCOME 5,245

NONOPERATING REVENUES

Use of money and property - interest income 17,855

NET INCOME 23,100

RETAINED EARNINGS AT BEGINNING OF YEAR 569,550

RETAINED EARNINGS AT END OF YEAR \$592,650

The accompanying notes are an integral part of this statement.

RICHARD B. GARRETT
Certified Public Accountant
149 Turtlecove Drive
Monroe, Louisiana 71201

Independent Accountant's Report
on Applying Agreed-Upon Procedures

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

I have performed the procedures included in the *Louisiana Government's Audit Unit* 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, 1998, included in the accompanying *Louisiana Allocation 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, 1998, for material and supplies exceeding \$5,000, or public works exceeding \$50,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were not any expenditures made during the year for materials and supplies exceeding \$5,000 or public works exceeding \$50,000. However, the board of commissioners did authorize negotiations to a water tank exceeding \$5,000. The negotiations were not started until 1997. The negotiations included materials and labor. I examined the documentation which indicated that the water district had advertised for bids and that the bid had been accepted in accordance with the provisions of LSA-RS 38:2211-2251.

RICHAED B. GARRETT
Certified Public Accountant
149 Turtledove Drive
Monroe, Louisiana 71201

Accountant's Compilation Report

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

I have compiled the accompanying component unit 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, 1987, 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 component unit financial statements and schedule and, accordingly, do not express an opinion or any other form of assurance on them.



Richard B. Garrett

Monroe, Louisiana
March 7, 1987

**CONSOLIDATED WATER DISTRICT NO. 1
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana**

Component Unit Financial Statements
and Accountant's Compilation Report
As of and for the Year Ended
December 31, 1995

With Supplemental Information Schedule, and
Agreed-Upon Procedures Report
For the Year Ended December 31, 1995

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**CONSOLIDATED WATER DISTRICT NO. 2
OF HIGHHOUSE PARISH
MOBILEHOUSE PARISH JURY
Bastrop, Louisiana**

**Component Unit Financial Statements
and Accountant's Completion Report
As of and for the Year Ended
December 31, 1986**
**With Supplemental Information Schedule, and
Accountant's Report on Applying Agreed-Upon Procedures
For the Year Ended December 31, 1986**

Under provisions of state law, this report is a public document. A copy of this report is being furnished to the Legislature as provided, with a copy being furnished to public libraries. This report is available for public inspection at the Station for the Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: APR 03 1987

RICHARD B. GARRETT

CONSOLIDATED WATER DISTRICT NO. 2

OF MOREHOUSE PARISH

Morehouse Parish Police Jury

Monroe, Louisiana

Agreed-Upon Procedures Report

March 7, 1997

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Advances and Bonuses

2. Examine all disbursements in the cash disbursement journal for the year ended December 31, 1996, and read the minutes for the year to determine whether any payments have been made to employees which may constitute a bonus, advance, or gift.

A reading of the minutes of the water district for the year ended December 31, 1996, 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.

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. However, this report is a matter of public record and its distribution is not limited.



Richard B. Garrett

Monroe, Louisiana

March 7, 1997

RICHARD B. GARRETT

CONSOLIDATED WATER DISTRICT NO. 2

OF MOREHOUSE PARISH
Morehouse Parish Police Jury
Bastrop, Louisiana
Agreed-Upon Procedures Report
March 7, 1997
Page 3

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

I examined the documentation of each expenditure to determine 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.

Three of the six expenditures examined were for utilities and maintenance supplies. Expenditures of this type, which are supported by an invoice, are approved by a commissioner initialing the invoice indicating approval for payment. One of the expenditures examined was a per diem payment to a commissioner. Per diem amounts are established by LA-RS 33:3819. Two expenditures were for the weekly salary of an employee. Salaries are set by the board of commissioners. All six expenditures examined were properly approved in accordance with the above described criteria.

Meetings

4. Examine evidence indicating that agendas for meetings in which minutes were recorded were posted as required by LA-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.

RICHARD B. GARRETT

CONSOLIDATED WATER DISTRICT NO. 2

OF MOREHOUSE PARISH

Morehouse Parish Police Jury

Bluering, Louisiana

Agreed-Upon Procedures Report

March 7, 1997

Page 2

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-BS 42:1901-1124 (the code of ethics), and a list of outside business interests 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, 1996.

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).

Accounting and Reporting

5. Randomly select 6 disbursements made during the year ended December 31, 1996, 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.

Statement A

CONSOLIDATED WATER DISTRICT NO. 2
 OF MOREHOUSE PARISH
 MOREHOUSE PARISH POLICE JURY
 Bayou, Louisiana
 PROPRIETARY FUND - 55 - ENTERPRISE FUND
 (All Fund Types and Account Groups)

Balance Sheet, December 31, 1996

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$304,609
Accounts receivable - water sales	9,894
Inventory (note 1-F)	19,048
Total current assets	<u>333,551</u>

Restricted assets - cash and cash equivalents (note 2)

24,872

Property, plant, and equipment:

511,722

Less accumulated depreciation

(269,081)

Net property, plant, and equipment (note 3)

242,641

TOTAL ASSETS

\$601,064

LIABILITIES AND FUND EQUITY

Liabilities - current liabilities (payable from

current assets):

Accounts payable	\$4,421
Taxes payable	351
Total current liabilities (payable from	

current assets)

4,772

Long-term liabilities (payable from restricted

assets) - customer deposits

24,872

Total Liabilities

29,644

Fund Equity - retained earnings - unreserved

571,420

TOTAL LIABILITIES AND FUND EQUITY

\$601,064

The accompanying notes are an integral part of this statement.