

CONSOLIDATED WATER DISTRICT NO. 2
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, 1997
With Supplemental Information Schedule, and
Agreed-Upon Procedures Report
For the Year Ended December 31, 1997

CONTENTS

	<u>Statement Page No.</u>	
Accountant's Compilation Report on the Component Unit Financial Statements		2
Component Unit Financial Statements - Proprietary Fund - Enterprise Fund:		
Balance Sheet - All Fund Types and Account Groups	A	3
Statement of Revenues, Expenses, and Changes in Retained Earnings	B	4
Statement of Cash Flows	C	5
Notes to the Financial Statements		6
	<u>Schedule Page No.</u>	
Supplemental Information Schedule - Schedule of Per Diem Paid Board Members	I	13
Accountant's Report on Applying Agreed-Upon Procedures		14
Louisiana Amortization Questionnaire		20

RICHARD B. GARRETT
Certified Public Accountant
148 Turlerlove Drive
Monroe, Louisiana 71205

Accountant's Compilation Report

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, 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, 1997, 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 12, 1998

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, 1997

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$342,999
Accounts receivable - water sales	12,688
Inventory (note 1-4)	17,185
Total current assets	<u>372,872</u>

Restricted assets - cash and cash equivalents (note 2)

Restricted assets - cash and cash equivalents (note 2)	29,029
Property, plant, and equipment	618,587
Less accumulated depreciation	<u>(288,285)</u>
Net property, plant, and equipment (note 3)	<u>330,302</u>

TOTAL ASSETS

\$628,771

LIABILITIES AND FUND EQUITY

Liabilities - current liabilities (payable from current assets):

Accounts payable	\$2,781
Taxes payable	364
Total current liabilities (payable from current assets)	<u>4,145</u>

Long-term liabilities (payable from restricted assets) - customer deposits

Total Liabilities	<u>26,029</u>
Fund Equity - retained earnings - unreserved	<u>598,597</u>

TOTAL LIABILITIES AND FUND EQUITY

\$628,771

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, 1997

OPERATING REVENUES	
Water sales	\$482,086
Installation and connection fees	38,485
Other	4,383
Total operating revenues	<u>524,954</u>
OPERATING EXPENSES	
Salaries	95,842
Pay plans (Schedule 1)	3,658
Employee benefits	13,907
Operating services	23,587
Office expenses	8,976
Maintenance, repairs, and materials	63,795
Depreciation	28,194
Professional services	1,803
Other	3,969
Total operating expenses	<u>195,238</u>
OPERATING INCOME (LOSS)	<u>(3,284)</u>
NONOPERATING REVENUES	
Gain of fixed assets	790
Loss on the disposal of fixed assets	(3,882)
Use of money and property - interest income	18,862
Total nonoperating revenues	<u>15,760</u>
NET INCOME	<u>12,476</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>897,620</u>
RETAINED EARNINGS AT END OF YEAR	<u>910,106</u>

The accompanying notes are an integral part of this statement.

Statement C

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

Statement of Cash Flows
 For the Year Ended December 31, 1997

Cash flows from operating activities:	
Cash received from customers	\$187,987
Cash payments to suppliers and employees	(175,071)
Meter deposits from members (net)	1,387
State sales tax (net)	<u>81</u>
Net cash provided (used) by operating activities	11,284
Cash flows from capital and related financing activities - sale and purchase of fixed assets - net	
	(10,967)
Cash flows from investing activities - interest	
Income from time deposits	<u>18,660</u>
Net increase in cash and cash equivalents	18,977
Cash and cash equivalents at beginning of year	<u>348,821</u>
Cash and cash equivalents at end of year	<u>\$367,798</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u>(88,831)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	20,154
Changes in assets and liabilities:	
Increase/Decrease in:	
Accounts receivable	(2,892)
Inventory	1,882
Accounts payable - operating	(827)
Customer deposits	<u>1,387</u>
Total adjustments	<u>19,804</u>
Net cash provided (used) by operating activities	<u>\$11,284</u>

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, 1987*

INTRODUCTION

Consolidated Water District No. 2 of Morehouse Parish was created by the Morehouse Parish Police Jury as authorized by Louisiana Revised Statute 25:3811. 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 950 customers and consists of approximately 124 miles of water systems in rural Morehouse Parish.

I. 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 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 component 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 unit (expenses, including depreciation) of providing services, on a continuing basis be financed or recovered primarily through user charges.

**CONSOLIDATED WATER DISTRICT NO. 1
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 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.

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

I. RESTRICTED ASSETS

Money 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 three salaried employees and two hourly employees. There is no vacation or sick leave granted to the hourly employees. The salaried 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.

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

At December 31, 1997, there are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure to conform with GASB Codification Section 680.

2. CASH AND CASH EQUIVALENTS

At December 31, 1997, the water district has cash and cash equivalents (book balances) totaling \$268,588, as follows:

Interest-bearing demand deposits	\$129,436
Time deposits	238,952
Prize Cash	<u>200</u>
Total	<u>\$268,588</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (as 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, 1997, the water district has \$368,407 in deposits (collected bank balances). These deposits are secured from risk by \$200,000 of federal deposit insurance and \$168,407 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 19:1229 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.

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

3. FIXED ASSETS

A summary of fixed assets at December 31, 1997, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$1,000		\$1,000
Buildings and equipment	91,371	(42,070)	49,301
Water systems, tanks and wells	478,516	(265,185)	213,331
Total	<u>\$518,887</u>	<u>(265,255)</u>	<u>253,632</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 \$8,163. 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, 1997, the water district is not involved in any litigation nor is management aware of any claims.

CONSOLIDATED WATER DISTRICT NO. 3
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Bastrop, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended December 31, 1997

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 \$35 for regular meetings and \$25 for special meetings attended.

Schedule 1

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, 1997

	<u>NUMBER</u>	<u>AMOUNT</u>
Douglas Goyns	12	\$ 360
Bud Morrison	13	405
Wyatt Smith, President	14	460
Floyd Tomblin	14	460
John Williams	10	320
	<u>63</u>	<u>\$ 2,005</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, 1997*

RICHARD B. GARRETT
Certified Public Accountant
148 Turtlecove Drive
Monroe, Louisiana 71203

*Independent Accountant's Report
on Applying Agreed-Upon Procedures*

**CONSOLIDATED WATER DISTRICT NO. 2
OF MOREHOUSE PARISH
MOREHOUSE PARISH POLICE JURY
Burrig, 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, 1997, included in the accompanying *Étatements Arriantion* (Guarantees). 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, 1997, for material and supplies exceeding \$5,000/\$7,500, 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).

During the year the water district made renovations to the water tank for \$29,900. The renovations included materials and labor. I examined the documentation which indicated that the water district advertised for bids and that the ad was placed in the newspaper 15 days prior to the bid opening. The board accepted the low bid. The board complied with the provisions of LSA-RS 38:2211-2251, the "public bid law."

RICHARD B. GARRETT

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

Morehouse Parish Police Jury
Bastrop, Louisiana
Agreed-Upon Procedures Report
March 12, 1998
Page 2

In November 1997, the board authorized the advertisement for bids for a truck. I reviewed the bid data which indicated the board placed the ad in the newspaper at least 15 days prior to the bid opening. The board accepted the low bid of 4 for \$15,520 for the truck. The board complied with the provisions of LSA-RS 38:2231-2231, the "public bid law."

During my test, I did not become aware of any other expenditures that applied to the public bid law.

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 stated information.

3. Obtain from management payroll data for all employees paid for the year ended December 31, 1997.

Management provided me the requested payroll data.

4. Determine whether any of the employees paid during the year, per the payroll data is 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. 1
OF MOREHOUSE PARISH**

Morehouse Parish Police Jury

Bastrop, Louisiana

Agreed-Upon Procedures Report

March 12, 1998

Page 3

Accounting and Reporting

3. Randomly select 6 disbursements made during the year ended December 31, 1997, 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 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.

One of the six expenditures examined was for maintenance. Expenditures of this type, which are supported by an invoice, are approved by a commissioner initiating the invoice indicating approval for payment. Another of the expenditures was for the monthly remittance of sales tax on water sales to the Louisiana Department of Revenue and Taxation. Expenditures of this type are based on the monthly sales tax collections on water sales recorded in the cash receipts journal and are approved for payment by the secretary of the district. One of the expenditures examined was a per diem payment to a commissioner. Per diem amounts are established by LSA-RS 12:3819. Two expenditures were for the weekly salary of an employee. Salaries are set by the board of commissioners. The final expenditure was a void check. The district maintains void checks in a file. All five expenditures examined were properly approved in accordance with the above described criteria.

RICHARD B. GARRETT

CONSOLIDATED WATER DISTRICT NO. 2 OF MOREHOUSE PARISH

Morehouse Parish Police Jury
Bastrop, Louisiana
Agreed-Upon Procedures Report
March 12, 1998
Page 4

Meetings

6. Examine evidence indicating that agendas for meeting 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 two 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 news paper in January 1997, stating that the district's board meets the second Tuesday of each month at 6:00 PM in the district office.

Bank

7. Read the minutes of all board meeting for the year ended December 31, 1997, and examine bank deposits for the period under examination to determine whether 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, 1997 and an examination of the bank deposits for the period under examination, did not indicate any deposits or authorization for bank loans, bonds, or like indebtedness.

Advances and Bonuses

8. Examine all disbursements in the cash disbursements journal for the year ended December 31, 1997, 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.

RICHARD B. GARRETT

CONSOLIDATED WATER DISTRICT NO. 2

OF MOREHOUSE PARISH

Morehouse Parish Police Jury

Bastrop, Louisiana

Agreed-Upon Procedures Report

March 12, 1998

Page 5

A reading of the minutes of the water district for the year-ended December 31, 1997, 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

Moreno, Louisiana

March 12, 1998