



BOARD WATERWORKS DISTRICT NO. 1

Financial Statements, Additional Information,
Internal Control And Compliance

Year Ended December 31, 1996

With

Independent Auditor's Reports

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

Release Date: Jul 20 1997

**EBARR WATERWORKS DISTRICT NO. 1
FINANCIAL STATEMENTS, ADDITIONAL INFORMATION,
INTERNAL CONTROL AND COMPLIANCE
YEAR ENDED DECEMBER 31, 1996**

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**INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENTS**

To the Board of Commissioners
Ebarb Waterworks District No. 1
Noble, Louisiana

We have audited the accompanying general purpose financial statements of Ebarb Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of Ebarb Waterworks District No. 1. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Accounting Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Ebarb Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, as of December 31, 1996, and the results of its operations and its cash flows 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 component unit financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of Ebarb Waterworks District No. 1. Such information has not been subjected to the auditing procedures applied in the audit of the component unit financial statements and, accordingly, we do not express an opinion or any other form of assurance on it.

To the Board of Commissioners
Iberb Waterworks District No. 1
Natchitoches, Louisiana

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In accordance with Government Auditing Standards, we have also issued a report dated May 27, 1997, on our consideration of the District's internal control structure and a report dated May 27, 1997 on its compliance with laws and regulations.

May + Company

Vicksburg, Mississippi
May 23, 1997

COMPONENT UNIT FINANCIAL STATEMENTS

**EBARD WATERWORKS DISTRICT NO. 1
BALANCE SHEET
DECEMBER 31, 1996**

ASSETS

CURRENT ASSETS:

Cash	\$ 18,214
Accounts receivable, net	<u>36,877</u>
Total current assets	<u>47,891</u>

PROPERTY, PLANT AND EQUIPMENT:

Land	72,500
Plant	1,458,212
Mains	2,184,594
Pumps	182,856
Services	253,280
Meters	<u>588,074</u>
	4,587,886
Less accumulated depreciation	<u>774,180</u>
Net property, plant and equipment	3,763,706

OTHER ASSETS-

Restricted cash and cash equivalents	<u>1,482</u>
Total other assets	<u>1,482</u>
Total assets	<u>\$3,812,994</u>

See accompanying notes to financial statements.

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:

Accounts payable	\$ 27,930
Accounts payable - other	318,389
Accrued interest payable	12,348
Other accrued expenses	3,871
Current maturities of long-term debt	<u>28,355</u>
Total current liabilities	<u>389,693</u>

LONG-TERM DEBT, net of current maturities

2,897,054

Total liabilities

3,286,747

CONTINGENCIES

FUND EQUITY:

Contributed capital, net of \$281,181 of accumulated amortization	<u>864,819</u>
Retained earnings (deficit):	
Reserved for revenue bonds	1,400
Unreserved deficit	<u>(480,814)</u>
Total retained earnings (deficit)	<u>(479,414)</u>
Total fund equity	<u>385,405</u>
Total liabilities and fund equity	<u>\$3,672,152</u>

**BOARD WATERWORKS DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1996**

OPERATING REVENUES:

Water sales	\$ 494,999
Other fees	47,851
Miscellaneous	<u>22,929</u>
Total operating revenues	<u>\$65,379</u>

OPERATING EXPENSES:

Water purchased	108,450
Water treatment	43,135
Salaries	6,809
Repairs and maintenance	23,849
Depreciation	118,175
Management expense	45,448
Utilities and telephone	45,694
Postage	5,798
Insurance	5,009
Professional fees	14,148
Transportation	287
Advertising	2,151
Other costs and expenses	<u>2,260</u>
Total operating expenses	<u>413,735</u>

OPERATING INCOME

183,637

NONOPERATING REVENUES (EXPENSES):

Interest on bonds	(154,754)
Investment income	<u>25</u>

Net nonoperating revenues (expenses) (154,729)

NET LOSS

(71)

Amortization of fixed assets acquired with
restricted federal grant

28,650

Continued.....

**EDDIE WATERWORKS DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - CONTINUED
YEAR ENDED DECEMBER 31, 1996**

INCREASE IN RETAINED EARNINGS	\$ 20,871
RETAINED EARNINGS (DEFICIT) - beginning	<u>(432,803)</u>
RETAINED EARNINGS (DEFICIT) - ending	<u>\$ (411,932)</u>

See accompanying notes to financial statements.

EBRAH WATERWORKS DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$ 153,637
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	110,175
Changes in:	
Accounts receivable	(10,671)
Accounts payable	26,334
Accounts payable - other	(29,115)
Accrued interest payable	825
Other accrued expenses	_____ 394
Net cash provided by operating activities	_____ 251,399

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal payments on obligations	(27,451)
Capital expenditures	(71,032)
Interest paid	_____ (154,324)
Net cash used in capital and related financing activities	_____ (252,827)
Net decrease in cash	(1,428)

CASH, at beginning of year	_____ 22,487
CASH, at end of year	\$ _____ 11,214

NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended December 31, 1996, the District charged \$28,650 in amortization against contributed capital.

See accompanying notes to financial statements.

EBARD WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1996

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

EBARD Waterworks District No. 1, (the "District") is a component unit of Sabine Parish. It was created by Louisiana Revised Statute 33:2831 adopted by the Police Jury of Sabine Parish on March 18, 1977. The governing body of the District consists of a four member Board of Commissioners which is appointed by the Sabine Parish Police Jury.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audit of State and Local Governmental Units and by the Financial Accounting Standards Board (where applicable). As allowed in Section 190 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant of the District's accounting policies are described below:

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 expenses during the reporting period. Actual results could differ from these estimates.

Continued.....

**EDARB WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1996**

NOTE A. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Reporting Entity:

This report includes the fund which is controlled by the Board of Commissioners. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- + the organization is legally separate (can sue and be sued in their own name)
- + the District holds the composite powers of the organization
- + the District appoints a voting majority of the organization's board
- + the District is able to impose its will on the organization
- + the organization has the potential to impose a financial benefit or burden on the District
- + there is fiscal dependency by the organization on the District

No potential component units of the District are known to exist which would be accountable to, or fiscally dependent on, the District.

Fund Accounting:

The accounts of the District are organized on the basis of a fund, which is considered to be a separate accounting entity. The operations of the fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses. The following fund is used by the District:

Continued.....

ERARH WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1996

NOTE A. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary fund type:

Enterprise Fund:

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises whose costs (expenses, including depreciation) of providing services to the general public are financed through user charges.

The deficit in the enterprise fund's retained earnings is expected to be liquidated by future revenue growth generated by the recent expansions of the system.

Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measure and focus, all assets and liabilities associated with the operation of this fund type are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded as the time liabilities are incurred.

Cash and Cash Equivalents:

The District considers all highly liquid investments, with an original maturity of three months or less, to be cash equivalents.

Continued.....

EBARB WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1996

NOTE A. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Uncollectible Allowance:

Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available indicating the uncollectibility of a particular receivable. There was no such account at December 31, 1996.

Property, Plant and Equipment:

Additions to proprietary fund type fixed assets are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Interest incurred during the construction phase of proprietary fixed assets is reflected in the capitalized value of the asset constructed.

Property, plant and equipment are depreciated in the proprietary fund using the straight line method over the estimated useful lives of the related assets.

The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Accumulated Compensated Absences:

No liability is recorded for nonvesting accumulating rights to accrue vacation or sick pay benefits.

Membership Fees:

Membership fees are assessed for the privilege of obtaining water service from the District. These fees are nonrefundable. The fees are included in income for the period received.

Continued.....

EBARR WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1996

NOTE B. DEPOSITS WITH FINANCIAL INSTITUTIONS

At December 31, 1996, the carrying amount of the District's deposits (checking and savings) was \$12,636 and the bank balance was \$24,425. The bank balance was adequately covered by federal depository insurance (Category 1). There were no repurchase or reverse repurchase agreements at December 31, 1996.

NOTE C. PROPERTY, PLANT AND EQUIPMENT

A summary of the fixed assets and depreciation at December 31, 1996 is as follows:

Depreciation	Cost	Accumulated Depreciation	Net	Current Depreciation
Land	\$ 72,530	\$ -	\$ 72,530	\$ -
Plant	1,459,212	253,899	1,205,313	56,480
Mains	2,601,534	568,598	1,732,936	51,560
Pumps	102,898	13,273	89,625	2,534
Services	253,280	43,812	210,468	6,077
Misc.	346,674	54,898	291,776	13,564
	<u>\$4,537,886</u>	<u>\$774,380</u>	<u>\$3,763,506</u>	<u>\$110,175</u>

NOTE D. LONG-TERM DEBT

At December 31, 1996, long-term debt consists of the following:

5% revenue bonds payable to RDCD, dated February 4, 1982; payable in annual installments of \$25,673, including interest, through 2022 and collateralized by a pledge and assignment of water revenues.	\$ 360,240
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Continued.....

EBARR WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1996

NOTE 1A: LONG-TERM DEBT - CONTINUED

5% revenue bonds payable to RUCD, dated December 28, 1990; payable in annual installments of \$116,001, including interest, through 2009 and collateralized by a pledge and assignment of water revenues.	\$1,879,148
7% reamortized loan payable to RUCD, dated February 4, 1991; payable in annual installments of \$8,888, including interest, through 2022 and collateralized by a pledge and assignment of water revenues.	123,349
5.25% revenue bond payable to RUCD, dated June 23, 1993; payable in annual installments of \$41,013, including interest, through 2003 and collateralized by a pledge and assignment of water revenues.	<u>684,899</u> 1,007,949
Less current installments	<u> 79,156</u>
	\$2,807,690

Anticipated future debt retirement over the next five years and thereafter is as follows at December 31, 1996:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 39,133	\$ 152,608	\$ 191,741
1998	41,136	150,580	191,716
1999	43,281	148,472	191,753
2000	45,535	146,238	191,773
2001	47,885	143,888	191,773
Thereafter	2,818,897	2,423,466	5,242,363
	<u>\$3,037,067</u>	<u>\$3,165,218</u>	<u>\$6,202,285</u>

Continued.....

EBARR WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1996

NOTE D. LONG-TERM DEBT - CONTINUED

The following is a summary of revenue bond transactions of the District for the year ended December 31, 1996:

Bonds payable at January 1, 1996	\$3,074,500
Bonds retired	<u> 37,451</u>
Bonds payable at December 31, 1996	<u>\$3,037,049</u>

The bonds are secured and payable in principal and interest solely from a pledge of the income and revenues to be derived from the operation of the system.

The revenue bonds require that the District establish a sinking, reserve, and depreciation and contingency account. Monthly amounts are to be deposited into the sinking accounts equal to one-twelfth of the total amount of principal and interest falling due in the ensuing year. A sum at least equal to 3% of the annual debt payment should be deposited monthly into the reserve account until such time as there has been accumulated a total equal to the highest combined principal and interest payable in any future year. An amount specifically designated in the resolution is to be deposited into the depreciation and contingency account on a monthly basis.

Due to insufficient revenues, the District was unable to make monthly deposits as specified above during the year ended December 31, 1996. Therefore, for the year ended December 31, 1996, the reserve and depreciation and contingency accounts were underfunded. Funds are not required to be accumulated in a revenue bond sinking fund to make annual principal and interest payments. Instead, monthly payments of principal and interest are made to RICTA. RICTA has agreed not to exercise their right to call these bonds during the next year.

Continued.....

EBARR WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1996

NOTE D. LONG-TERM DEBT - CONTINUED

The following is a summary of the transactions in the reserve and depreciation and contingency accounts, which are reported as restricted cash due to outside third-party restrictions:

	<u>Reserve Account</u>	<u>Depreciation and Contingency Account</u>	<u>Total</u>
Balance at January 1, 1996	\$654	\$710	\$1,364
Withdrawals during 1996	-	-	-
Interest earned in 1996	<u>18</u>	<u>28</u>	<u>46</u>
Balance at December 31, 1996	<u>\$672</u>	<u>\$738</u>	<u>\$1,410</u>

NOTE E. CONTINGENCIES

The District is the defendant in two lawsuits filed by Belmont Water System over ownership of a 6.2 mile section of water line constructed by UDS Corporation. The District believes the suits are completely without merit and intends to vigorously defend its position.

The District is also in a separate dispute with Belmont Water System regarding the District's contract with Belmont to purchase water. No lawsuits have been filed and the District believes it has complied with every aspect of the contract and no liability will result from this dispute.

Losses, if any, arising from the above lawsuits and disputes cannot be estimated as of December 31, 1996.

NOTE F. WATER SUPPLY

Although other sources can be made available, the District currently obtains its water supply from the Sabine River Authority (57%) and Belmont Water System (41%).

Continued.....

EBARD WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1996

NOTE G. CONTRIBUTED CAPITAL

The District received a grant of \$601,000 from Farmers Home Administration in 1992 for construction of treatment and pumping facilities and the distribution system. The grant was used to fund 58% of the construction costs with the remaining 42% funded with long-term debt. In 1990 and 1991, the District received a grant of \$245,000 from the Farmers Home Administration to finance 23% of the expansion of the water system which was completed during 1993. The amount of fixed assets constructed or acquired with grant funds is shown as contributed capital on the balance sheet. The contributed capital amount is reduced each year by the amount of amortization expense recognized on fixed assets constructed or acquired with grant funds.

NOTE H. LEASES

Ebards Waterworks District No. 1, as lessee, has executed a lease with the Louisiana Department of Transportation and Development, Sabine River Authority. The lease is for thirty-seven and one-half acres of land and expires on September 18, 2006, with an option for an additional thirty years. The agreement requires no lease payments, but rather the development of recreational facilities for residents.

NOTE I. MANAGEMENT AGREEMENT

On October 21, 1987, the District entered into an agreement with Utility Data Service Corporation (UDS) for operation and management of the District. On March 30, 1990, the agreement was renewed for a period of five years and on July 15, 1994, the agreement was renewed for an additional five years. The agreement provides a fee structure for various activities performed by UDS in the operation of the District's water treatment and distribution systems. The agreement may be canceled by the Board of Commissioners at the end of three years from the date of the renewal with or without cause. For the year ended December 31, 1996, UDS billed the District \$70,847 for management and operation of the District. At December 31, 1996, the District owes UDS \$323,869 for fees.

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ERARD WATERWORKS DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 1986

NOTE J. FUND EQUITY

Reservations of retained earnings are limited to outside third-party restrictions. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers or customers.

ADDITIONAL INFORMATION

**BOARD WATERWORKS DISTRICT NO. 1
SCHEDULE OF WATER RATES AND FEES (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 1996**

<u>Classification</u>	<u>Tariff</u>	<u>Rate</u>
Residential	Monthly minimum for 10,000 gallons	\$ 14.50
	Per 1,000 gallons thereafter	\$ 3.20
	Testing and reports	\$ 1.50
Industrial	Monthly minimum for 10,000 gallons	\$ 105.00
	Per 1,000 gallons thereafter	\$ 1.37
	Testing and reports	\$ 1.50
Commercial	Monthly minimum for 10,000 gallons	\$ 35.00
	Per 1,000 gallons thereafter	\$ 3.20
	Testing and reports	\$ 1.50
Agricultural	Monthly minimum for 20,000 gallons	\$ 15.00
	Per 1,000 gallons thereafter	\$ 2.25
	Testing and reports	\$ 1.50
Membership Fee	Membership Fee for Water Service (Transferable Only)	\$ 50.00
NSF Check Fee	NSF Account Return Charge	\$ 15.00
Connection Fee	Account Set-up Charge (Non-Transferable)	\$ 15.00
Transfer Service	Transfer Service to New Address/Location	\$ 30.00
Tap/Minor Fee	Install New Meter/Service (Same Road Side Tap)*	\$ 300.00
Road Hole Charge	Install Road Hole for New Meter/Tap Service	\$ 250.00
Late Penalty Fee	Late Penalty for Payment After Due Date	\$ 0.50

Continued.....

**EBARB WATERWORKS DISTRICT NO. 1
 SCHEDULE OF WATER RATES AND FEES (UNAUDITED) - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 1996**

Classification	Tariff	Rate
Late Payment Fee	Late Fee after Last Day to Pay Net Amount Water Bill	10%
Disconnect Fee	Service Charge to Disconnect Water Service for Nonpayment	\$ 25.00
Damaged Tap Fee	Customer Damaged/Breaks Cutoff or Disconnect Lock	\$ 61.00

The District had an average of 1,504 metered customers during 1996 (1,509 metered customers at December 31, 1996) with total water sales of \$523,524 (including \$33,825 of DRINK testing and reports fees) for an average monthly bill of \$28.20 per customer.

The District's Board of Commissioners are not paid directly for their service to the Board. However, each commissioner receives a \$35.23 credit each month of board service which is available to be applied toward their water bill.

**EBARE WATER WORKS DISTRICT NO. 1
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 1996**

Type	Policy Number	Company	Coverage	Expiration
Property Damage	CL 619885-1	American Indemnity Group	Barb Ward #1 - Tanks & Controls - \$50,000 Barb Ward #2 - Tanks & Controls - \$50,000 Airwell Location - Tanks & Controls - \$150,000 Noyest Location - Tanks & Controls - \$150,000 Sabine River Authority Park Site 11 - Tanks & Controls - \$150,000	May 1, 1997
General Liability	BL 099 718832	Ohio Casualty Group	\$1,000,000	May 1, 1997
Workers Compensation and Employers' Liability	7328	La. Home Builders	\$ 500,000	April 1, 1997
Employee Disability	52-8006- 01828-1943	Western Surety Insurance	\$ 500,000	March 1, 1997



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Ebarb Watersworks District No. 1
Noble, Louisiana

We have audited the general purpose financial statements of Ebarb Watersworks District No. 1, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated May 27, 1997.

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

The management of Ebarb Watersworks District No. 1 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose 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.

To the Board of Commissioners
Ebar's Waterworks District No. 1
Noble, Louisiana

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In planning and performing our audit of the general purpose financial statements of Ebar's Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, for the year ended December 31, 1996, 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in accounts 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. However, we did note an opportunity for improving the District's cash flows. We noted that the District is making monthly bond payments to RICEB but is apparently only getting credit for annual payments as provided in the bond agreement. The District should consider establishing a bond sinking fund to earn interest on monthly bond payments that should be received annually.

No management letter was issued as a result of this engagement.

This report is intended for the information of management, Legislative Auditor and the Board of Commissioners. However, this report is a matter of public record and its distribution is not limited.

May + Company

Wicksburg, Mississippi
May 27, 1997



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Ebarb Waterworks District No. 1
Mobile, Louisiana

We have audited the general purpose financial statements of Ebarb Waterworks District No. 1, a component unit of the Sabine Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated May 23, 1997.

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

Compliance with laws, regulations, contracts, and grants applicable to Ebarb Waterworks District No. 1, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the 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, the objective of our audit of the general purpose financial statements 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 the following instances of noncompliance that are required to be reported herein under Government Auditing Standards.

Criteria:	The resolution authorizing the revenue bond requires that the District establish a reserve and depreciation and contingency account.
Condition:	At December 31, 1996, the deposit requirements of the reserve and depreciation and contingency accounts have not been met.

To the Board of Commissioners,
Itharb Waterworks District No. 1
Noble, Louisiana

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Cause:	The deposit requirements have not been met due to the financial condition of the District as well as the cash flow requirements to keep up with the growth of the District.
Effect:	The District is in violation of the revenue bond resolution.
Recommendation:	We recommend that the required deposits be made as soon as possible and that the District begin making the required monthly deposits to each account.
Management's response:	Virtually all available financial resources have been used to fund system additions and improvements to keep up with the growth of the District and to enhance the water quality to existing customers. The deficits will be funded as monies become available.

We considered these instances of non-compliance in forming our opinion on whether Itharb Waterworks District No. 1's general purpose financial statements are prepared fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated May 27, 1987, on those general purpose financial statements.

This report is intended for the information of management, Legislative Authority and the Board of Commissioners. However, this report is a matter of public record and its distribution is not limited.

Mag Company

Vicksburg, Mississippi
May 27, 1987