

LINCOLN PARISH WATERWORKS DISTRICT #3
BALANCE SHEETS
AS OF SEPTEMBER 30, 1995 AND 1994

	1995	1994
ASSETS		
CURRENT ASSETS		
Unrestricted		
Cash	\$ 39,074	\$ 35,759
Investments	51,441	34,304
Accounts Receivable	10,249	19,559
Due from Other Governmental Units	400	- 0 -
Interest Receivable	554	819
Prepaid Insurance	4,455	3,453
TOTAL CURRENT ASSETS - Unrestricted	111,208	94,814
CURRENT ASSETS		
Restricted		
Cash	15,588	9,451
Investments	69,590	80,636
TOTAL CURRENT ASSETS - Restricted	85,178	90,087
PLANT AND EQUIPMENT		
Plant and Equipment - Net of Accumulated Depreciation of \$453,946 and \$439,668	1,307,070	1,381,640
TOTAL PLANT AND EQUIPMENT	1,307,070	1,381,640
OTHER ASSETS		
Insurance Deposit	411	1,216
L.P.F.A. Bond Fees, Net of Accumulated Amortization of \$1,320 and \$1,060	9,992	10,272
TOTAL OTHER ASSETS	10,403	11,488
TOTAL ASSETS	\$ 1,543,854	\$ 1,578,227

LINCOLN PARISH WATERWORKS DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1995

NOTE 3 - RESTRICTED ASSETS

Certain assets of the Lincoln Parish Waterworks District #3 have been restricted for debt service, customer deposits, and repair and maintenance of the water system. These assets consist of cash and investments restricted as follows:

	September 30,	
	1995	1994
Debt Service and Repairs	\$ 88,347	\$ 84,081
Customer Deposits	59,901	58,005
Total Restricted Assets	\$ 148,248	\$ 142,086

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Lincoln Parish Waterworks District #3 entered into a cooperative agreement with the Lincoln Parish Police Jury on November 14, 1995. This agreement established a \$200 per month fee to be paid to the District for billing of sewer fees for Eastern Hills/Blueberry Hill Subdivisions beginning January 1, 1996. The Police Jury owed the District the following at September 30, 1995 according to this agreement:

Due from Lincoln Parish Police Jury	\$ 400
-------------------------------------	--------

NOTE 5 - PLANT AND EQUIPMENT

The following is a summary of plant and equipment for the years ending September 30, 1995 and 1994:

	September 30,	
	1995	1994
Land	\$ 19,585	\$ 19,585
Buildings	103,122	103,122
Water Wells, Lines, Furniture and Equipment	1,888,368	1,882,038
Less: Accumulated Depreciation	(433,943)	(403,595)
Net Plant and Equipment	\$ 1,337,032	\$ 1,381,149

NOTE 6 - DUE TO OTHER GOVERNMENTAL UNITS

Lincoln Parish Waterworks District #3 collects sewer fees for the Lincoln Parish Police Jury, per a cooperative agreement with the Police Jury. The District remits collections to the Police Jury monthly. At September 30, the District had billed the following sewer fees but had not collected them from the customers:

	1995	
Due to Lincoln Parish Police Jury	\$ 1,977	\$ 2,427

LINCOLN PARISH WATERWORKS DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the terms of the Waterworks Revenue Bond agreements, dated August 15, 1980, and January 15, 1982, all of the income and revenues earned from the operation of the waterworks system, after making all payments required in connection with the outstanding Revenue Promissory Note, dated September 30, 1980, and payment of all reasonable and necessary expenses of operating and maintaining the system shall be administered in the following order of priority:

- (a) Money sufficient to pay the principal and interest due in an annual installment shall be set aside and accumulated on a monthly basis in an amount equal to 1/12 of the annual installment into the Sinking Fund.
- (b) An amount equal to five percent (5%) of the amount to be paid into the Sinking Fund must be deposited into the Waterworks Reserve Fund, until there is on deposit an amount equal to \$54,873.
- (c) An amount equal to \$269 per month shall be deposited into the Waterworks Depreciation Fund.

G. FIXED ASSETS

All fixed assets are stated at historical cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using either the straight-line method or the declining balance method. The estimated useful lives are as follows:

Buildings	10–20 years
Water Lines and Well	20–50 years
Equipment	5–10 years

H. COMPARATIVE DATA

Comparative amounts 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. Certain amounts for 1995 have been reclassified to conform to the 1996 presentation.

NOTE 2 – CASH AND INVESTMENTS

Cash consists of interest bearing demand deposits and cash on hand. Investments consist of time deposits. At September 30, 1996, the carrying amount of the District's deposits was \$174,743 and there was a petty cash fund of \$50. The bank balance for the deposits was \$178,193. Of the bank balance, \$100,000 was covered by federal depository insurance and \$78,193 was covered by pledged securities held as collateral.

LINCOLN PARISH WATERWORKS DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. VACATION AND SICK LEAVE

Vacation and sick leave are noncumulative. There are no accumulated and vested benefits relating to vacation and sick leave that require accrual or disclosure at year end.

E. CASH AND INVESTMENTS

Cash and investments consist of interest bearing demand deposits and 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. Deposits are carried at cost which approximates market value.

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

F. RESTRICTED ASSETS

Certain resources that are set aside for the repayment of the Revenue Bonds and the Revenue Promissory Note are classified as restricted assets on the balance sheet because their use is limited by applicable bond and note covenants. The following is a summary of the flow of funds and restrictions on use under the terms of the Revenue Promissory Note agreement dated September 28, 1988.

All income and revenues from the operation of the system shall be set aside into a separate and special fund designated "Waterworks Revenue Fund" and said fund shall be established, maintained, and administered in the following order of priority and for the following express purposes:

- (a) Money shall be set aside at the first of the month sufficient to pay all the operating expenses and to make reasonable provision for the repair and maintenance of the system.
- (b) An amount sufficient to pay the principal and interest of said note as it becomes due and create a margin of safety shall be paid into the Sinking Fund Account. If it is determined that an amount not less than 1/12 of the amount of principal and interest becoming due on the next succeeding payment date plus the sum of \$40.00 until a reserve of \$2,400 has been accumulated shall be paid into the Sinking Fund.
- (c) An amount equal to \$40 per month shall be paid from the Waterworks Revenue Account into a fund designated "Waterworks Depreciation Fund" on the first day of each month while the note issued is outstanding.

LINCOLN PARISH WATERWORKS DISTRICT #3
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 1996 AND 1995

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 187,748	\$ 178,416
Cash Payments for Goods and Services	(81,023)	(88,657)
Cash Payments to Employees	(28,245)	(25,004)
Net Cash Provided by Operating Activities	<u>78,478</u>	<u>64,755</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(2,614)	(48,053)
Purchase of Investments	(125,121)	(714,928)
Proceeds from Sale of Investments	114,520	25,000
Interest Received	7,686	4,266
Net Cash Used in Investing Activities	<u>(10,529)</u>	<u>(733,715)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Long Term Debt	(19,713)	(17,693)
Interest Paid	(45,100)	(45,607)
Net Cash Used by Financing Activities	<u>(64,813)</u>	<u>(63,300)</u>
NET INCREASE (DECREASE) IN CASH	7,442	(108,259)
CASH AT BEGINNING OF YEAR	<u>48,220</u>	<u>151,769</u>
CASH AT END OF YEAR	<u>\$ 55,662</u>	<u>\$ 43,510</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 15,540	\$ 25,149
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	47,608	49,257
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	3,420	(4,881)
(Increase) Decrease in Due from Police Jury	(400)	- 0 -
(Increase) Decrease in Prepaid Expenses	(1,005)	10
(Increase) Decrease in Insurance Deposits	835	61
Increase (Decrease) in Customers' Deposits	3,926	3,665
Increase (Decrease) in Accounts Payable	1,221	(1,758)
Increase (Decrease) in Due to Police Jury	(450)	2,427
Increase (Decrease) in Taxes Payable	(2,188)	2,226
Total Adjustments	<u>52,925</u>	<u>48,062</u>
Net Cash Provided by Operating Activities	<u>\$ 68,478</u>	<u>\$ 84,007</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN PARISH WATERWORKS DISTRICT #3
STATEMENTS OF REVENUES AND EXPENSES
BUDGET (GAAP BASIS) AND ACTUAL,
FOR THE YEARS ENDED SEPTEMBER 30, 1998 AND 1999

	1998		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	
REVENUES			
Water Sales	\$ 148,000	\$ 157,273	\$ 12,273
Collection Fees	3,600	3,848	248
Turn On Water	2,000	2,218	218
New Installations	3,700	8,240	4,540
Penalties	3,500	4,888	1,388
Miscellaneous	400	2,915	2,515
Sewage Collection Fee	1,800	1,800	—0—
TOTAL REVENUES	<u>188,200</u>	<u>191,282</u>	<u>21,082</u>
EXPENSES			
Accounting	8,000	11,088	(2,088)
Bad Debts	—0—	118	(118)
Commissioner's Fees	1,600	1,755	45
Depreciation	47,200	47,808	(408)
Installations	3,200	8,243	(5,043)
Insurance	8,800	8,281	519
Labor	28,700	28,245	1,455
Office Supplies	2,700	3,078	(378)
Repairs and Maintenance	12,500	36,258	(23,758)
Sales Tax Adjustment	—0—	—0—	—0—
Taxes - Payroll	2,400	2,085	315
Utilities	17,600	20,922	(3,322)
TOTAL EXPENSES	<u>132,500</u>	<u>182,707</u>	<u>(50,207)</u>
OPERATING INCOME	27,600	18,575	(19,067)
NONOPERATING REVENUE (EXPENSES)			
Interest Income	4,700	7,523	2,823
Interest Expense	(40,000)	(30,800)	1,200
Loss on Disposal of Asset	—0—	(75)	(75)
TOTAL NONOPERATING EXPENSES	<u>(35,300)</u>	<u>(23,352)</u>	<u>4,148</u>
NET LOSS	<u>\$ (7,700)</u>	<u>\$ (15,817)</u>	<u>\$ (7,917)</u>

LINCOLN PARISH WATERWORKS DISTRICT #3
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN RETAINED EARNINGS
FOR THE YEARS ENDED SEPTEMBER 30, 1998 and 1999

	<u>1998</u>	<u>1999</u>
REVENUES		
Water Sales	\$ 157,273	\$ 160,321
Collection Fees	3,949	4,105
Turn On Water	2,214	2,298
New Installations	8,240	5,160
Penalties	4,899	4,294
Miscellaneous	2,915	257
Seepage Collection Fee	1,800	1,950
TOTAL REVENUES	<u>181,280</u>	<u>178,375</u>
EXPENSES		
Accounting	11,599	10,017
Bad Debts	115	274
Commissioner's Fees	1,755	1,390
Depreciation and Amortization	47,808	49,297
Installations	8,240	4,782
Insurance	6,251	7,000
Labor	28,245	25,834
Office Supplies	2,079	2,673
Repairs and Maintenance	38,288	17,294
Sales Tax Adjustment	-	2,419
Taxes - Payroll	2,065	1,829
Utilities	30,823	30,581
TOTAL EXPENSES	<u>188,757</u>	<u>143,188</u>
OPERATING INCOME	15,543	35,187
NONOPERATING REVENUES (EXPENSES)		
Interest Income	7,529	4,825
Interest Expense	(28,608)	(41,707)
Loss on Disposal of Asset	(75)	(152)
TOTAL NONOPERATING EXPENSES	<u>(21,154)</u>	<u>(37,034)</u>
NET LOSS	(15,611)	(1,847)
RETAINED EARNINGS - BEGINNING	<u>111,012</u>	<u>112,869</u>
RETAINED EARNINGS - ENDING	<u>\$ 95,399</u>	<u>\$ 111,012</u>

The accompanying notes are an integral part of these financial statements.

LINCOLN PARISH WATERWORKS DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1996

NOTE 7 – LONG-TERM DEBT

The following is a summary of long-term debt activity of the Lincoln Parish Waterworks District #3 for the periods ended as indicated:

	Bonds Payable	Note Payable	Total
Balance at September 30, 1995	\$ 692,345	\$ 40,577	\$ 732,922
Debt Retired	<u>(16,135)</u>	<u>(3,578)</u>	<u>(19,713)</u>
Balance at September 30, 1996	476,210	36,999	513,209
Less Current Maturities	<u>(16,344)</u>	<u>(245)</u>	<u>(16,589)</u>
Long-Term Debt at September 30, 1996	\$ 459,866	\$ 36,754	\$ 496,620

Long-Term debt payable is comprised of the following individual debt instruments:

Revenue Bonds

\$200,000 Waterworks Revenue Bonds, dated August 28, 1990, due in annual installments of \$17,000 – \$18,000 through August 28, 2005; interest at 5%; secured by revenues earned by the District from the operation of the waterworks system. \$ 120,000

\$500,000 Waterworks Revenue Bonds, dated January 15, 1993, due in annual installments of \$36,623.44 on August 26th of each year through 2001; interest at 5.247%; secured by revenues earned by the District from the operation of the waterworks system. 549,200

Revenue Promissory Note

\$24,000 Revenue Promissory Note, dated September 28, 1986, due in annual installments of \$4,628 through January 1, 2007; interest at 3.75%; secured by revenues earned by the District from the operation of the waterworks system. 24,000

Total Long-Term Debt 708,204

Less Current Maturities (16,890)

Long-Term Debt, Net of Current Maturities \$ 691,314

The annual requirement to amortize all debt outstanding as of September 30, 1996, including \$760,432 of interest, is as follows:

	Bonds	Note	Total
1997	63,975	1,026	65,001
1998	64,420	4,626	69,046
1999	65,823	4,626	70,449
2000	64,229	4,626	68,855
2001	53,570	4,626	58,196
2002 – 2001	1,174,703	25,399	1,200,102
Totals	\$ <u>1,484,718</u>	\$ <u>44,918</u>	\$ <u>1,499,636</u>

INDEPENDENT AUDITOR'S REPORT

Commissioners of the Lincoln Parish
Waterworks District #3

I have audited the accompanying general purpose financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the years ended September 30, 1999 and 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of Lincoln Parish Waterworks District #3 management. My responsibility is to express an opinion on these general purpose financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards require that I plan and perform the audits 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 financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Parish Waterworks District #3 as of September 30, 1999 and 1998, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated February 4, 1997 on my consideration of Lincoln Parish Waterworks District #3's internal control structure and a report dated February 4, 1997 on its compliance with laws and regulations.



Don M. McGenie
Certified Public Accountant
February 4, 1997

LINCOLN PARISH WATERWORKS DISTRICT #3
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lincoln Parish Waterworks District #3 was organized by the Lincoln Parish Police Jury for the purpose of constructing a waterworks system and providing such service to the residents in Waterworks District #3, Lincoln Parish.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local government. The accounting and reporting policies of the Lincoln Parish Waterworks District #3 conform to these generally accepted accounting principles and the requirements of Louisiana Revised Statute 24:517 and to the guides set forth in the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and Local Governmental Units, published by the American Institute of Certified Public Accountants.

A. REPORTING ENTITY

For financial reporting purposes, in conformity with GASB Statement No. 14, the Lincoln Parish Waterworks District #3 is a component unit of the Lincoln Parish Police Jury. For the purpose of this financial report, this component unit serves as the nucleus for its own financial reporting entity and issues separate financial statements.

B. BASIS OF ACCOUNTING

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

The financial records of the Lincoln Parish Waterworks District #3 are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

C. BUDGETARY PRACTICES

The Lincoln Parish Waterworks District #3 adopted operating budgets for the years ended September 30, 1996 and 1995, as required by the U.S. Department of Agriculture – Farmers Home Administration. Prior to the year end September 30, 1999 an amended budget was adopted by the commissioners approving revisions to revenues and expenditures. The amended budget for the year ended September 30, 1995 and the budget for year ended September 30, 1996 are presented in the Statement of Revenues and Expenses – Budget and Actual. Appropriations lapse at year end and must be reappropriated for the following year to be expended.

LINCOLN PARISH WATERWORKS DISTRICT #3

FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
BALANCE SHEETS	2 - 3
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS	4
STATEMENTS OF REVENUES AND EXPENSES - BUDGET (GAAP BASIS) AND ACTUAL	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-13
ADDITIONAL REPORTS AND INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15-16
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	17
INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE	18-20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS	21
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS	22-24

3236

RECEIVED
LEGISLATIVE AUDITOR
STATE - 1 PM 9-06

OFFICIAL
USE COPY

DO NOT SEND OUT

Check constantly
dates from this
page and PLEASE
PAGE 11 1181

LINCOLN PARISH
WATERWORKS DISTRICT #3

FINANCIAL STATEMENTS
SEPTEMBER 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been distributed to the market, or interested 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 APR 16 1997

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE

24

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

25

LINCOLN PARISH WATERWORKS DISTRICT #3
BALANCE SHEETS
AS OF SEPTEMBER 30, 1996 AND 1995

	1996	1995
LIABILITIES AND EQUITY		
CURRENT LIABILITIES (Payable from Current Assets)		
Accounts Payable	\$ 7,029	\$ 6,401
Due to Other Governmental Units	1,977	2,427
Taxes Payable	992	2,180
TOTAL CURRENT LIABILITIES—From Unrestricted Assets	10,000	12,012
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accounts Payable – Customer Deposits	26,601	26,005
Current Maturities of Long Term Debt	16,820	19,701
Accrued Interest Payable	2,526	5,089
TOTAL CURRENT LIABILITIES—From Restricted Assets	50,417	50,377
LONG-TERM LIABILITIES		
Long-Term Debt less Current Maturities	692,314	709,523
TOTAL LIABILITIES	752,398	772,522
FUND EQUITY		
Donated Capital		
Donated Capital FWHH	364,300	364,300
Donated Capital FAA	316,709	316,709
Donated Capital – Developers	14,180	14,180
Total Donated Capital	695,189	695,189
Retained Earnings	99,296	111,013
TOTAL FUND EQUITY	794,485	806,202
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,543,954	\$ 1,578,724

The accompanying notes are an integral part of these financial statements.

Independent Auditor's Report on the Internal Control
Structure Used in Administering Federal
Financial Assistance Programs - Continued
PAGE THREE

Internal control structure that might constitute 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 elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control structure and its operations that I consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Commissioners of the Lincoln Parish Waterworks District #3, its management, the United States Department of Agriculture - Rural Economic and Community Development, and the Legislative Auditor of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Don M. McDehee
Certified Public Accountant
February 4, 1997

DON M. McGENEE

(A Professional Accounting Corporation)

P.O. Box 1348

800 Main Tower

Reston, Louisiana 71273-1344

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Commissioners of the Lincoln Parish
Waterworks District #3:

I have audited the general purpose financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 1996, and have issued my report thereon dated February 4, 1997.

I have also audited Lincoln Parish Waterworks District #3's compliance with the requirements governing types of services allowed or unallowed; matching; level of effort; or earmarking; reporting; and the special compliance requirement of expenditure approval that are applicable to its major federal financial assistance program, which is identified in the accompany Schedule of Federal Financial Assistance, for the year ended September 30, 1996. The management of Lincoln Parish Waterworks District #3 is responsible for the Lincoln Parish Waterworks District #3's compliance with those requirements. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Lincoln Parish Waterworks District #3's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In my opinion, Lincoln Parish Waterworks District #3 complied, in all material respects, with the requirements governing types of services allowed or unallowed; matching; level of effort; or earmarking; reporting; and the special compliance requirement of expenditure approval that are applicable to its major federal financial assistance program, for the year ended September 30, 1996.

Independent Auditor's Report on Compliance
with Specific Requirements Applicable to Major
Federal Financial Assistance Programs - Continued

PAGE TWO

This report is intended for the information of the Board of Commissioners of Lincoln Parish Waterworks District #8, its management, the United States Department of Agriculture - Rural Economic and Community Development, and the Legislative Auditor of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Don M. McJannet
Certified Public Accountant
February 4, 1997

1998

VARIANCE
FAVORABLE
[UNFAVORABLE]

BUDGET	ACTUAL	
\$ 145,000	\$ 160,921	\$ 15,921
1,500	4,105	2,605
2,000	2,238	238
3,400	5,180	1,780
3,400	4,284	884
1,000	257	(743)
-0-	1,950	1,950
<u>155,300</u>	<u>176,016</u>	<u>20,716</u>
3,000	10,017	(7,017)
-0-	504	(504)
1,800	1,360	420
47,000	48,257	(1,257)
1,000	4,782	(3,782)
5,000	7,590	(2,590)
26,000	25,834	2,166
3,400	3,673	273
13,000	17,254	(4,254)
-0-	2,415	(2,415)
2,300	1,929	371
<u>26,000</u>	<u>20,551</u>	<u>5,449</u>
<u>137,700</u>	<u>143,165</u>	<u>(5,465)</u>
10,500	35,149	24,649
3,500	4,525	1,025
(41,000)	(41,797)	797
-0-	(153)	(153)
<u>(37,400)</u>	<u>(37,125)</u>	<u>275</u>
\$ (10,900)	\$ (1,976)	\$ 8,924

The accompanying notes are an integral part of these financial statements.

LINCOLN PARISH WATERWORKS DISTRICT #3

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1995

NOTE 6 - LPPA BOND FEES

The Louisiana Public Facilities Authority (LPPA) advanced \$277,000 to the Lincoln Parish Waterworks District #3 to be used for the capital improvement and expansion of the present waterworks system. This advance was made to fund the interim financing for the \$568,000 water revenue bond issue purchased by the Farmers Home Administration on January 15, 1992. Additionally, the LPPA advanced \$21,300 for the payment of bond fees related to the water revenue bond issue. Construction interest was originally capitalized as part of the bond fees. When the bonds were issued on January 15, 1992, construction interest of \$25,098 had been earned and was deducted from the capitalized bond fees for a balance of \$11,322. This balance is being amortized over 40 years. The following is a summary of the LPPA bond fees for the year's ending September 30, 1995 and 1996:

	September 30,	
	1996	1995
LPPA Bond Fees	\$ 11,322	\$ 11,322
Less: Accumulated Amortization	(1,333)	(1,093)
Net LPPA Bond Fees	\$ 9,989	\$ 10,229

NOTE 9 - FEES TO COMMISSIONERS

Fees paid to the commissioners of the Lincoln Parish Waterworks District #3 for the year ended September 30, 1996 and 1995 were as follows:

	September 30,	
	1996	1995
James Albritton	\$ 400	\$ 400
William Barr	-0-	165
Andy Gibson	60	-0-
G.W. Kimble	360	-0-
James Mason	400	400
Clyde Williams	400	400
TOTAL	\$ 1,760	\$ 1,365

DON M. MCGHEE

(A Professional Accounting Corporation)

P.O. Box 1344

805 North Tenth

Baton Rouge, Louisiana 70703-1344

**INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL
FINANCIAL ASSISTANCE**

Commissioners of the Lincoln Parish
Waterworks District #3

I have audited the general purpose financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 1993, and have issued my report thereon dated February 4, 1997. These general purpose financial statements are the responsibility of Lincoln Parish Waterworks District #3 management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that I 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 financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements of Lincoln Parish Waterworks District #3 taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Don M. McGhee
Certified Public Accountant
February 4, 1997

LINCOLN PARISH WATERWORKS DISTRICT #3

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 1998

FEDERAL GRANTOR PASS- THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM ORAWARD AMOUNT	EXPENDITURES
United States Department of Agriculture				
Water & Waste Disposal Systems for Rural Communities (Note 1)	50-418	N/A	709,304 \$	709,304
TOTAL DEPARTMENT OF AGRICULTURE			<u>709,304 \$</u>	<u>709,304</u>
TOTAL FEDERAL ASSISTANCE			<u>709,304 \$</u>	<u>709,304</u>

Note 1: Lincoln Parish Waterworks District #3's Federal Financial Assistance is comprised of United States Department of Agriculture - Rural Economic and Community Development loans. The amount shown above represents the outstanding loan balances as of September 30, 1998. No new loans were made in the year ended September 30, 1998.

Independent Auditor's Report on the Internal Control
Structure Used in Administering Federal
Financial Assistance Programs – Continued

PAGE TWO

control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, 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, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance 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.

For the purpose of this report, I have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Debt	Drug-free Workplace
Civil Rights	Special Reporting Requirements
Federal Financial Reports	

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

During the year ended September 30, 1995, Lincoln Parish Waterworks District #3 expended 100% of its total federal financial assistance under major federal financial assistance programs.

I performed tests of controls as required by OMB Circular A-126, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of Lincoln Parish Waterworks District #3's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

My consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the

DOM M. McGEHEE
A Professional Accounting Corporation
P.O. Box 1344
800 North Tenth
Baton Rouge, Louisiana 70815-1344

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Commissioners of the Lincoln Parish
Waterworks District #3:

I have audited the general purpose financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 1996, and have issued my report thereon dated February 4, 1997. I have also audited the compliance of Lincoln Parish Waterworks District #3 with requirements applicable to major federal financial assistance programs and have issued my report thereon date February 4, 1997.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether Lincoln Parish Waterworks District #3 complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing my audits for the year ended September 30, 1996, I considered the internal control structure of Lincoln Parish Waterworks District #3, in order to determine our auditing procedures for the purpose of expressing our opinions on the general purpose financial statements of Lincoln Parish Waterworks District #3 and on the compliance of Lincoln Parish Waterworks District #3 with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated February 4, 1997.

The management of Lincoln Parish Waterworks District #3 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

DON H. McGENEE
A Professional Accounting Corporation
P.O. Box 1944
808 North France
Baton Rouge, Louisiana 70801-1244

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

Commissioners of the Lincoln Parish Waterworks District #3:

I have audited the general purpose financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, for the year ended September 30, 1986, and have issued my report thereon dated February 4, 1987.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Lincoln Parish Waterworks District #3 is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests indicate that, with respect to the items tested, the Lincoln Parish Government Auditing Standards.

This report is intended for the information of the Board of Commissioners of Lincoln Parish Waterworks District #3, its management, the United States Department of Agriculture - Rural Economic and Community Development, and the Legislative Auditor of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Don H. McGee
Certified Public Accountant
February 4, 1987

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, 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.

Any adequate structure of internal control includes provisions that separate the duties of handling and recording cash transactions. Due to the District having so few employees, the separation of duties is not feasible. I consider this condition to be a reportable condition under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable 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 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.

My 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, I believe the above mentioned reportable condition to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in my audit of the general purpose financial statements of the Lincoln Parish Waterworks District #3 for the year ended September 30, 1995.

This report is intended for the information of the Board of Commissioners of the Lincoln Parish Waterworks District #3, its management, the United States Department of Agriculture - Rural Economic and Community Development, and the Legislative Auditor of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Don M. McGehee
Certified Public Accountant
February 4, 1997

DOM H. McGEHEE

(A Professional Accounting Corporation)

P.O. Box 1244

508 North Franklin

Baton Rouge, Louisiana 70813-1244

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

Commissioners of the Lincoln Parish
Waterworks District #3

I have audited the general purpose financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 1996, and have issued my report thereon dated February 4, 1997.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the Lincoln Parish Waterworks District #3 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.

In planning and performing my audit of the general purpose financial statements of Lincoln Parish Waterworks District #3 for the year ended September 30, 1996, I obtained understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

ADDITIONAL REPORTS AND INFORMATION

DON M. McGEHEE

(A Professional Accounting Corporation)

P.O. Box 1344

608 North Treston

Baton Rouge, Louisiana 70803-1344

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
GENERAL REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Commissioners of the Lincoln Parish
Waterworks District #3

I have audited the general purpose financial statements of Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 1993, and have issued my report thereon dated February 4, 1997.

I have applied procedures to test Lincoln Parish Waterworks District #3's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended September 30, 1993:

- Civil rights
- Federal financial reports
- Drug-free Workplace Act

My procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Lincoln Parish Waterworks District #3's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that Lincoln Parish Waterworks District #3 had not complied, in all material respects, with those requirements. Also, the results of my procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of the Board of Commissioners of Lincoln Parish Waterworks District #3, its management, the United States Department of Agriculture - Rural Economic and Community Development, and the Legislative Auditor of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Don M. McGehee
Certified Public Accountant
February 4, 1997