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**LAKE ST. JOHN WATERWORKS DISTRICT
CONCORDIA PARISH POLICE JURY**

**Component Unit Financial Statements
and Independent Auditors' Reports
As of and for the Year Ended
December 31, 1998**

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

Release Date 7-21-99

LAKE ST. JOHN WATERWORKS DISTRICT
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SECTION I – COMPONENT UNIT FINANCIAL STATEMENTS

SWITZER, HOPKINS & MANGE
Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
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INDEPENDENT AUDITORS' REPORT

**Members of Board of Directors
Lake St. John Waterworks District
Concordia Parish Police Jury
Ferriday, Louisiana**

We have audited the accompanying component unit financial statements of the Lake St. John Waterworks District, a component unit of the Concordia Parish Police Jury, as of December 31, 1998, and for the year then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Lake St. John Waterworks District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Lake St. John Waterworks District as of December 31, 1998 and the results of that fund's operations and the statement of cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 18, 1999 on our consideration of Lake St. John Waterworks District internal control structure and a report dated June 18, 1999 on its compliance with laws and regulations.

Ferriday, Louisiana
June 18, 1999

Switzer, Hopkins & Mange

**LAKE ST. JOHN WATERWORKS DISTRICT
CONCORDIA PARISH POLICE JURY
BALANCE SHEET
DECEMBER 31, 1998**

<u>ASSETS</u>	<u>1998</u>	(Memorandum Only) <u>1997</u>
Current assets:		
Cash	\$ 264,314	\$ 220,122
Accounts receivable - customer utilities	10,820	11,715
Accrued interest on investments	1,881	1,872
Inventory - supplies, at cost	5,547	5,833
Prepaid expenses	1,877	1,670
Total current assets	<u>284,439</u>	<u>271,627</u>
 Restricted assets:		
Cash - Meter deposits (Note C)	<u>11,615</u>	<u>11,560</u>
 Plant and equipment (Note B)		
Plant and equipment, at cost, net of accumulated depreciation (1998 \$301,349 1997 \$282,524)	172,091	154,580
Work in process	-	5,345
	<u>172,091</u>	<u>159,925</u>
 Total assets	<u>468,145</u>	<u>443,112</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Current liabilities (payable from restricted assets)		
Customer deposits (Note C)	<u>11,615</u>	<u>11,560</u>
 Fund equity:		
Contributed capital	17,750	17,550
Retained earnings	438,780	414,002
Total fund equity	<u>456,530</u>	<u>431,552</u>
 Total liabilities and fund equity	<u>\$ 468,145</u>	<u>\$ 443,112</u>

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

LAKE ST. JOHN WATERWORKS DISTRICT

**CONCORDIA PARISH POLICE JURY
ENTERPRISE FUND – UTILITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>1998</u>	(Memorandum <u>Only</u>) <u>1997</u>
Operating Revenues:		
Water sales	\$ 101,711	\$ 100,890
Installation and service charges	1,856	1,955
Penalties	1,779	1,728
Other revenue	275	369
Total operating revenues	<u>105,621</u>	<u>104,942</u>
 Operating Expenses:		
Salaries	32,063	31,572
Depreciation	10,164	8,661
Auto expense	9,491	9,360
Utilities	4,090	4,458
Repairs	9,084	11,414
Office supplies	4,786	2,848
Insurance	4,514	4,807
Chemicals	1,703	3,326
Cost of merchandise sold	1,351	1,515
Taxes	7,534	7,036
Per diem	120	280
Accounting	2,000	2,000
Miscellaneous	1,574	204
Bad debts	990	797
Total operating expenses	<u>89,464</u>	<u>88,278</u>
 Operating income	16,157	16,664
 Non-operating revenues		
Interest income	<u>8,621</u>	<u>8,248</u>
 Net income	24,778	24,912
 Retained earnings, beginning	<u>414,002</u>	<u>389,090</u>
 Retained earnings, ending	<u>\$ 438,780</u>	<u>\$ 414,002</u>

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

**LAKE ST. JOHN WATERWORKS DISTRICT
CONCORDIA PARISH POLICY JURY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

	<u>1998</u>	(Memorandum Only) <u>1997</u>
Cash flows from operating activities:		
Cash received from customers	\$ 106,519	\$ 107,129
Cash payments to suppliers for goods and services	(47,649)	(48,127)
Cash payments to employees for services	<u>(31,572)</u>	<u>(31,572)</u>
Net cash provided by operating activities	<u>27,298</u>	<u>27,430</u>
Cash flows from non-capital financing activities:		
Increase in memberships	200	225
Increase in consumer deposits	<u>55</u>	<u>335</u>
Net cash provided by non-capital financing activities	<u>255</u>	<u>560</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(22,330)</u>	<u>(5,345)</u>
Cash flows from investing activities:		
Investment income	<u>8,612</u>	<u>8,102</u>
 Net increase in cash and cash equivalents	 13,835	 30,747
 Cash and cash equivalents at beginning of year	 <u>262,094</u>	 <u>231,347</u>
 Cash and cash equivalents at end of year	 <u>\$ 275,929</u>	 <u>\$ 262,094</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 16,157	\$ 16,664
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	10,164	8,661
Changes in assets and liabilities:		
Decrease in accounts receivable	898	2,187
(Increase) in other assets	(207)	(122)
Decrease in inventory	<u>286</u>	<u>40</u>
	<u>\$ 27,298</u>	<u>\$ 27,430</u>

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

**LAKE ST. JOHN WATERWORKS DISTRICT
CONCORDIA PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The Lake St. John Waterworks District was created by ordinance of the Concordia Parish Police Jury, as provided by Louisiana Revised Statutes 33:4562-4566. The water district is governed by a board of five commissioners who are qualified voters and residents of the district. The five commissioners are jointly referred to as the board of commissioners and are appointed by the Concordia Parish Police Jury. The commissioners serve terms of five years, which expire on a rotating basis. The water district was created for the purpose of owning and operating water processing and distribution facilities in the district which is located in an area including Lake St. John and parts of Lake Concordia and the general area located between the two lakes.

1. FINANCIAL REPORTING ENTITY

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Oversight responsibility by the police jury is determined on the basis of the following criteria:

1. Appointment of governing board
2. Designation of management
3. Ability to significantly influence operations
4. Accountability for fiscal matters
5. Scope of public service

Because the police jury appoints the governing board and has the ability to significantly influence operations, the district was determined to be a component unit of the Concordia Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying 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 reporting entity.

2. FUND ACCOUNTING

PROPRIETARY FUND -

Enterprise fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**LAKE ST. JOHN WATERWORKS DISTRICT
CONCORDIA PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet.

3. PROPERTY PLANT AND EQUIPMENT

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against their operations. All fixed assets are stated at historical cost. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Plant and water lines	50 years
Office equipment	7-10 years
Water well	10 years

4. BASIS OF ACCOUNTING

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

The proprietary fund is accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

5. INVENTORIES

Inventory consists of \$ 5,547 and is recorded as an expense when consumed. Inventory of supplies is valued at cost.

6. BAD DEBTS

Bad debts are uncollectable amounts of customer utility receivables.

7. COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the financial position of the District. This data is labeled (Memorandum Only).

**LAKE ST. JOHN WATERWORKS DISTRICT
CONCORDIA PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

8. CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents are defined as those amounts included in the balance sheet caption "cash".

NOTE B - CHANGES IN FIXED ASSETS

A summary of plant and equipment at December 31, 1998 is as follows:

Land	\$ 2,820
Plant equipment	392,100
Office furniture and fixtures	19,338
Water well	<u>59,182</u>
Total	<u>473,440</u>
Less accumulated depreciation	<u>(301,349)</u>
Net	<u>\$ 172,091</u>

NOTE C – RESTRICTED ASSETS

Certain cash accounts are restricted for customer deposits. The amount restricted was \$11,615 at December 31, 1998.

NOTE D – RETIREMENT COMMITMENTS

The Lake St. John Waterworks District employees are all members of the social security system and are members of no other retirement plan. The expense of the social security is reflected in taxes account in the statement of revenues and expenses.

NOTE E – CASH AND INVESTMENTS

At year-end, the carrying amount of the District's deposits (checking and savings accounts) was \$274,929 and the bank's balance was \$279,348. Of the bank balance \$254,224 was covered by federal depository insurance and \$25,124 was covered by collateral held by its agent in the District's name.

**LAKE ST. JOHN WATERWORKS DISTRICT
CONCORDIA PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998**

NOTE F – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The company does not accrue unpaid vacation pay on its financial statements and does not allow the carryover of unused vacation pay from one year to the next. The company has no policy for accrued vacation pay for terminated employees.

NOTE G – YEAR 2000 ISSUES

The office manager uses a computer program for billing purposes. The vendor has indicated that the program will be modified to be year 2000 compliant. The waterworks also has plans to test the computer for year 2000 compliance.

NOTE H – RISK MANAGEMENT

The District is exposed to certain risks of losses such as property damage, liability issues and other potential losses that may occur. The District minimizes its losses by purchase of commercial insurance. The District's exposure over the amount of insurance is considered to be immaterial.

SECTION II – SUPPLEMENTAL INFORMATION SCHEDULE

LAKE ST. JOHN WATERWORKS DISTRICT
SCHEDULE OF PER DIEM PAID
FOR THE YEAR ENDED DECEMBER 31, 1998

<u>NAME</u>	<u>AMOUNT</u>
Betty King	\$ 40
Norman Magee	40
Gertude Barber	<u>40</u>
Total	<u>\$ 120</u>

**SECTION III -- SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**LAKE ST. JOHN WATERWORKS DISTRICT
CONCORDIA PARISH POLICE JURY**

**Schedule of Findings and Questioned costs
Year Ended December 31, 1998**

Summary of Audit Results

- 1. The auditor's report expresses an unqualified opinion on the Component Unit Financial Statements.**
- 2. Our reportable condition was disclosed during the audit of the financial statements reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.**
- 3. No instances of noncompliance material to the financial statements of Lake St. John Waterworks District were disclosed during the audit.**

Findings – Financial Statement Audit

Reportable Conditions

1. Segregation of Duties

Condition: We noted that Lake St. John Waterworks District does not have adequate segregation of duties.

Criteria: To increase internal controls, we recommend adequate segregation of duties.

Effect: Because of lack of segregation of duties, internal controls are weakened.

Recommendation: We recommend that an attempt be made to strengthen internal control problems created by having few employees.

Response: Management indicated that it would not be cost efficient or feasible to increase the number of employees.

SECTION IV – COMPLIANCE/INTERNAL CONTROL

SWITZER, HOPKINS & MANGE
Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA
ROXANNE B. JAMES, CPA
JOHN M. JONES, CPA 1921 - 1983

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Members of the Board of Directors
Lake St. John Waterworks District
Ferriday, Louisiana**

We have audited the general-purpose financial statements of Lake St. John Waterworks District as of and for the year ended December 31, 1998, and have issued our report thereon dated June 18, 1999. We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lake St. John Waterworks District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non compliance with which could have a direct and material effect on the determination of financial statement amounts. However providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lake St. John Waterworks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Lake St. John Waterworks District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Segregation of Duties

We noted that the Lake St. John Waterworks District does not have adequate segregation of duties in accounting in the office. We recommend that an attempt be made to strengthen internal control problems created by having few employees.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

Ferriday, Louisiana
June 18, 1999

Switzer, Hopkins & Marge

SECTION V - RESPONSE

Lake St. John Water Works District

OFFICE HOURS
8:30 TILL 12 A. M.
MONDAY THRU FRIDAY

STAR ROUTE, BOX 117-AA
FERRIDAY, LA. 71334
PHONE 757-3853


June 18, 1999

Switzer, Hopkins & Mange
P. O. Box 1518
Ferriday, LA 71334

Dear Mr. Hopkins:

In regard to the segregation of duties internal control problem discussed in our audit for the year ended December 31, 1998, there is nothing that we can do or plan to do about the problem. We have only one employee and do not plan to do hire any additional employees at this time. There is no way to segregate duties when you have only one employee.

Sincerely,



Ruth Chennault
Secretary