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**NATCHITOCHE PARISH WATERWORKS  
DISTRICT NO. 1**

**ANNUAL FINANCIAL REPORT  
DECEMBER 31, 1998**

Natchitoches Parish Waterworks District No. 1  
Annual Financial Report  
December 31, 1998

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# *Johnson, Thomas & Cunningham*

*Certified Public Accountants*

*Eddie G. Johnson, C.P.A. - A Professional Corporation (1969-1996)*

*Mark D. Thomas, C.P.A. - A Professional Corporation*

*Roger M. Cunningham, C.P.A. - A Professional Corporation*

*J. Paul Miller, C.P.A. - A Professional Corporation*

*321 Bienville Street  
Natchitoches, Louisiana 71457*

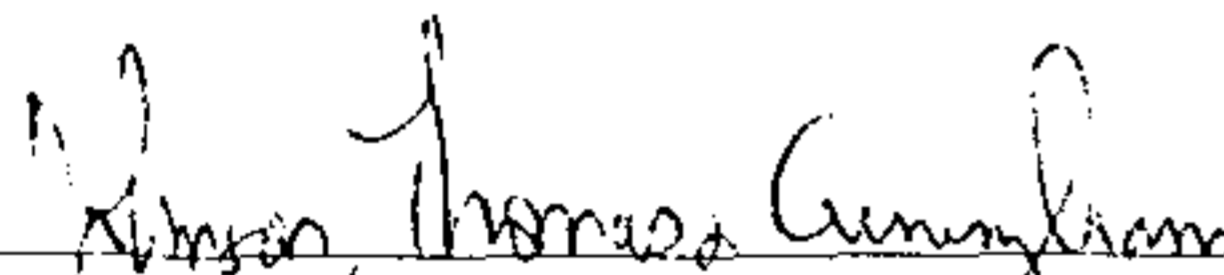
*(318) 352-3652*

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To the Board of Commissioners of the  
Natchitoches Parish Waterworks District No. 1

We have compiled the accompanying general purpose financial statements of the Natchitoches Parish Waterworks District No. 1, a component unit of the City of Natchitoches, Louisiana, as of December 31, 1998 and for the year then ended, in accordance with Statements on Standards for Accounting and Review Services established by the American Institute of Certified Public Accountants. The financial statements have been prepared on the modified accrual basis of accounting, which is the generally accepted accounting method established by the Governmental Accounting Standards Board for governmental units.

A compilation is limited to presenting, in the form of financial statements, information that is the representation of the District's management. We have not audited or reviewed the accompanying financial statements, and accordingly, do not express an opinion or any other form of assurance on them.

  
Johnson, Thomas & Cunningham, CPA's

June 28, 1999  
Natchitoches, Louisiana

GENERAL PURPOSE FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)

Natchitoches Parish Waterworks District No. 1  
Combined Balance Sheet  
Fund Type and Account Group  
December 31, 1998

	General Fund	General Fixed Assets	Totals (Memorandum Only)	
			<u>1998</u>	<u>1997</u>
<u>Assets</u>				
Cash	\$ 265,773	\$ 0	\$ 265,773	\$ 476,242
Cash Equivalents	1,051,243	0	1,051,243	798,414
Equipment	<u>0</u>	<u>14,024</u>	<u>14,024</u>	<u>14,024</u>
Total Assets	<u>\$1,317,016</u>	<u>\$14,024</u>	<u>\$1,331,040</u>	<u>\$1,288,680</u>
<u>Liabilities &amp; Fund Equity</u>				
<u>Liabilities-</u>				
Accounts Payable	\$ 280,020	\$ 0	\$ 280,020	\$ 279,526
<u>Fund Equity-</u>				
Investment in General Fixed Assets	0	14,024	14,024	14,024
Fund Balance- Unreserved-Undesignated	<u>1,036,996</u>	<u>0</u>	<u>1,036,996</u>	<u>995,130</u>
Total Liabilities and Fund Equity	<u>\$1,317,016</u>	<u>\$14,024</u>	<u>\$1,331,040</u>	<u>\$1,288,680</u>

See accountant's compilation report.

Natchitoches Parish Waterworks District No. 1  
Statement of Revenues, Expenditures and Changes in Fund Balance-  
Budget (GAAP Basis) and Actual-Governmental Fund Type-General Fund  
Year Ended December 31, 1998  
With Comparative Amounts From Year Ended December 31, 1997

	<u>1998</u>		Variance Favorable (Unfavorable)	1997 <u>Actual</u>
	<u>Budget</u>	<u>Actual</u>		
REVENUES:				
Charges for Services	\$ 3,200	\$ 3,660	\$ 460	\$ 3,203
Miscellaneous- Interest Income	<u>48,500</u>	<u>48,523</u>	<u>23</u>	<u>48,540</u>
Total	<u>\$ 51,700</u>	<u>\$ 52,183</u>	<u>\$ 483</u>	<u>\$ 51,743</u>
EXPENDITURES:				
Current-				
Commissioner's Per Diem	\$ 4,200	\$ 3,530	\$ 670	\$ 4,170
Secretary's Fee	1,200	1,200	0	1,200
Repairs & Maintenance	1,000	2,270	(1,270)	690
Audit	2,000	2,200	(200)	2,000
Dues & Other	1,800	618	1,182	1,802
Capital Expenditures	<u>2,400</u>	<u>499</u>	<u>1,901</u>	<u>2,383</u>
Total Expenditures	<u>\$ 12,600</u>	<u>\$ 10,317</u>	<u>\$ 2,283</u>	<u>\$ 12,245</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 39,100	\$ 41,866	\$ 2,766	\$ 39,498
Fund Balance-Beginning of Year	<u>995,130</u>	<u>995,130</u>	<u>0</u>	<u>955,632</u>
Fund Balance-End of Year	<u>\$1,034,230</u>	<u>\$1,036,996</u>	<u>\$2,766</u>	<u>\$995,130</u>

See accountant's compilation report.

NOTES TO FINANCIAL STATEMENTS

Natchitoches Parish Waterworks District No. 1  
Notes to Financial Statements  
December 31, 1998

## INTRODUCTION

The Natchitoches Parish Waterworks District No. 1 was incorporated on December 1, 1959, under the provisions of the Lawrason Act. The District operates under a Board of Commissioners form of government, and was created to manage the resources, including water level control and control structure within the jurisdiction of the District. The primary water source of the District is Sibley Lake in Natchitoches Parish.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

The financial statements of the Natchitoches Parish Waterworks District No. 1 have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### B. REPORTING ENTITY

As the governing authority of the Waterworks District No. 1, for reporting purposes, the City of Natchitoches, Louisiana is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City of Natchitoches, Louisiana for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the city to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the city.
2. Organizations for which the city does not appoint a voting majority, but are fiscally dependent on the city.



Natchitoches Parish Waterworks District No. 1  
Notes to Financial Statements  
December 31, 1998

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature of the significance of the relationship.

Since the District is fiscally dependent on the City of Natchitoches, the District has been determined to be a component unit of the City of Natchitoches. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City of Natchitoches, the general government services provided by that governmental unit, or the other governmental units that comprise the reporting entity.

### C. FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources. The District has only one type of fund described as follows:

#### **GOVERNMENTAL FUNDS**

Governmental funds are those which most of the governmental functions of the District are financed through. The acquisition, use and balances of the District's expendable resources and related liabilities are accounted for through the use of governmental funds. The following describes the District's governmental fund:

General Fund-The General Fund is the general operating fund of the District. It is used to account for all financial resources except for those required to be accounted for in another fund.

#### **ACCOUNT GROUP**

The account group is used to establish accounting control and accountability for the District's general fixed assets. The following is a description of the District's account group.

General Fixed Assets Account Group-This account group is established to account for all general fixed assets of the District.

Natchitoches Parish Waterworks District No. 1  
Notes to Financial Statements  
December 31, 1998

**D. FIXED ASSETS**

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus, and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in the governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in the governmental fund. These assets are recorded as expenditures in the governmental fund type when purchased. The District has elected not to capitalize certain improvements other than buildings, including the pipes, pumps, and other water system components. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost.

The account group is not a "fund". It is concerned only with the measurement of financial position and is not involved with measurement of results of operations.

**E. BASIS OF ACCOUNTING**

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchase of various operating supplies are regarded as expenditures at the time purchased.

**F. BUDGETS AND BUDGETARY ACCOUNTING**

The budget for the District is formulated by the Secretary and presented to the Board of Commissioners for their approval prior to the beginning of each year. Upon approval by the Commissioners, the budget is adopted by passage of an ordinance. All budgetary appropriations lapse at the end of each year. The budgetary information presented in this report was adopted on a basis consistent with generally accepted accounting principles.

Natchitoches Parish Waterworks District No. 1  
Notes to Financial Statements  
December 31, 1998

**G. ENCUMBRANCES**

The District does not employ the use of encumbrance accounting.

**H. CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents are held separately by each of the District's funds. At December 31, 1998, the District's cash and investments totaled \$1,317,016. Of the amounts held in commercial banks and savings and loan associations, \$310,000 was covered by federal depository insurance.

The District's cash and investments are categorized below to give an indication of the level of risk assumed by the District at December 31, 1998. Category 1 includes cash that is held by the District, cash and investments that are insured or registered, or investments held by the District or its brokers in the District's name. Category 2 would include uninsured and unregistered investments for which the securities are held by the broker's dealer's trust department or agent in the District's name. Category 3 would include uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the District's name.

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Value</u>
Cash-				
Demand Deposits	\$ 264,603	\$544	\$0	\$ 265,147
Certificates of Deposit	210,000	0	0	210,000
U. S. Government Securities	<u>841,869</u>	<u>0</u>	<u>0</u>	<u>841,869</u>
Totals	<u>\$1,316,472</u>	<u>\$544</u>	<u>\$0</u>	<u>\$1,317,016</u>
Insured by-				
FDIC Insurance	\$ 310,000	\$ 0	\$0	\$ 310,000
Bank Securities	164,603	0	0	164,603
U.S. Government Securities	<u>841,869</u>	<u>0</u>	<u>0</u>	<u>841,869</u>
Totals	<u>\$1,316,472</u>	<u>\$ 0</u>	<u>\$0</u>	<u>\$1,316,472</u>
Cash & Investments Under Secured	<u>\$_____0</u>	<u>\$544</u>	<u>\$0</u>	<u>\$_____544</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statements No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

Natchitoches Parish Waterworks District No. 1  
Notes to Financial Statements  
December 31, 1998

**I. COMPARATIVE DATA**

Comparative total data 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. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements, since their inclusion would make the statements unduly complex and difficult to read.

**J. TOTAL COLUMNS ON COMBINED STATEMENTS-OVERVIEW**

Total columns on the combined statements-overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**K. CHANGES IN GENERAL FIXED ASSETS**

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized in the general fixed assets account group. Public domain or infrastructure are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

A summary of changes in general fixed assets follows.

	Balance <u>1-1-98</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-98</u>
Equipment	\$ <u>14,024</u>	\$0	\$0	\$ <u>14,024</u>

**2. RELATED PARTY TRANSACTIONS**

The District did not have any related party transactions during 1998.

**3. LITIGATION AND CLAIMS**

The District was not involved in any litigation, claims or assessments at December 31, 1998.

**4. SUBSEQUENT EVENTS**

There were no material events subsequent to December 31, 1998, that should be included in this report.

Natchitoches Parish Waterworks District No. 1  
Notes to Financial Statements  
December 31, 1998

5. YEAR 2000 ISSUE

The year 2000 issue is a result of shortcomings in many electronic data-processing systems and other equipment that may adversely affect the government's operations as of fiscal year 1999. Waterworks District No. 1 does not own or use any computer systems, and is therefore not generally vulnerable to this issue.

6. COMPENSATION PAID TO BOARD MEMBERS

<u>Board Member</u>	<u>Amount</u>
Gary McElwee	\$ 500
Harrell Robinson	500
Ben N. Mayeaux	720
Joe Cunningham	400
Pat Minturn	450
Robert E. Breedlove, Jr.	550
Barry Smiley	410
Charles E. Powell, Secretary	<u>1,200</u>
Total	<u>\$4,730</u>



# Johnson, Thomas & Cunningham

Certified Public Accountants

Page 12

*Eddie G. Johnson, C.P.A. A Professional Corporation (1968-1996)*

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Natchitoches, Louisiana 71457*

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the  
Natchitoches Waterworks District No. 1

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Natchitoches Parish Waterworks District No. 1 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluation management's assertions about the Natchitoches Parish Waterworks District No. 1's compliance with certain laws and regulations during the year ended December 31, 1998 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### PUBLIC BID LAW

1. Select all expenditures made during the year for materials and supplies exceeding \$7,500, or public works exceeding \$50,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were no capital expenditures exceeding the above dollar amounts.

### CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interest of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Not applicable.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedures (3) were also included on the listing obtained from management in agreed-upon procedures (2) as immediate family members.

Not applicable.

### **BUDGETING**

5. Obtain a copy of the legally adopted budget and all amendments.

Management provided us with a copy of the original budget. There were no amendments to the budget during the year.

6. Trace the budget adoption and amendments to the minute book.

We traced the adoption of the original budget to the minutes of the District.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues or expenditures exceed budgeted amounts by more than 5%.

We compared the revenues and expenditures of the final budget to actual revenues and expenditures. Actual revenues and expenditures for the year did not exceed budgeted amounts by more than 5%.

### **ACCOUNTING AND REPORTING**

8. Randomly select 6 disbursements made during the period under examination and:

- (a) trace payments to supporting documentation as to proper amount and payee:

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

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

Each disbursement appeared to be coded correctly.

- (c) determine whether payments received approval from proper authorities:

Inspection of supporting documentation showed written approval.

### **MEETINGS**

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law)

The District is only required to post a notice of each meeting and the accompanying agenda on the door of the district's office building. Management has asserted that such documents were properly posted.

#### **DEBT**

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds or any other indebtedness which have not been approved by the State Bond Commission.

We inspected copies of all bank deposits for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds or other indebtedness which had not been approved by the State Bond Commission.


#### **ADVANCES AND BONUSES**

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

Not applicable.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Natchitoches Parish Waterworks District No. 1 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

  
Johnson, Thomas & Cunningham, CPA's

June 28, 1999  
Natchitoches, Louisiana



**NATCHITOCHE PARISH WATERWORKS  
DISTRICT NO. 1**

**LOUISIANA ATTESTATION QUESTIONNAIRE**

June 28, 1999

Johnson, Thomas & Cunningham, CPA's  
321 Bienville Street  
Natchitoches, LA 71457

In connection with your compilation of our financial statements as of December 31, 1998 and for the period then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of June 28, 1999.

**Public Bid Law**

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes X No    

**Code of Ethics for Public Officials and Public Employees**

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes X No    

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes X No

**Budgeting**

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14 or the budget requirements of LSA-RS 39:43.

Yes X No \_\_\_

**Accounting and Reporting**

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes X No \_\_\_

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:453, and/or 39:92, as applicable.

Yes X No \_\_\_

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes X No \_\_\_

**Meetings**

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes X No \_\_\_

**Debt**

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 47:1410.60.

Yes X No \_\_\_

**Advances and Bonuses**

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 72-729.

Yes X No \_\_\_

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Secretary Charles E. Powell

Date 6-28-99

Treasurer \_\_\_\_\_

Date \_\_\_\_\_

President \_\_\_\_\_

Date \_\_\_\_\_

Note - Quasi-public entities should delete reference to the above statutes, unless required to follow such laws by contact with their public funding agencies. The quasi-public entities should include a representation that they have complied with the contractual provisions under which they have received state and/or local funds.

*Johnson, Thomas & Cunningham*

*Certified Public Accountants*

Exhibit D

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*Eddie G. Johnson, C.P.A. - A Professional Corporation (1968-1996)*

*Mark D. Thomas, C.P.A. - A Professional Corporation*

*Roger M. Cunningham, C.P.A. - A Professional Corporation*

*J. Paul Klar, C.P.A. - A Professional Corporation*

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June 28, 1999

Charles E. Powell, Secretary  
Natchitoches Parish Waterworks  
District No. 1  
P. O. Box 37  
Natchitoches, LA 71458-0037

Dear Mr. Powell:

We have compiled the general purpose financial statements of Natchitoches Parish Waterworks District No. 1, and have applied certain agreed upon procedures, and have issued our report dated June 28, 1999. As part of those procedures, we have the following additional information to report to you.

Louisiana Statutes allow the District to deposit its 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 principal offices in Louisiana. In November of 1998, the District deposited approximately \$214,000 in an account at A. G. Edwards & Co. These funds were then deposited into certificates of deposit with three out-of-state banks, which would not satisfy the above referenced requirements. We recommend that the District have A. G. Edwards & Co. re-deposit these funds into suitable investments at their respective maturity dates.

Thank you,

  
Johnson, Thomas & Cunningham, CPA's  
MDT/sdw

# Waterworks District #1

Post Office Box 37  
Natchitoches, Louisiana 71458-0037  
PH 318-357-3826  
FX 318-357-3829

Exhibit E  
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July 26, 1999

Louisiana Legislative Auditor  
Attention: Daniel Kyle  
1600 North Third Street  
Baton Rouge, Louisiana 70804

Dear Mr. Kyle:

The following is our response to the management letter issued to us by the accounting firm of Johnson, Thomas & Cunningham for the year ending December 31, 1998.

#### Management's Corrective Action Plan

We have contacted the investment representative who holds these funds and have instructed him that as each certificate of deposit matures, the funds be moved to allowable investments.

Sincerely,



Charles Powell  
Secretary

CP:kl