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**LINCOLN PARISH  
WATERWORKS DISTRICT #3**

**FINANCIAL STATEMENTS**

SEPTEMBER 30, 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 MAR 10 1999

# LINCOLN PARISH WATERWORKS DISTRICT #3

## FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

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**DON M. McGEHEE**  
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## INDEPENDENT AUDITOR'S REPORT

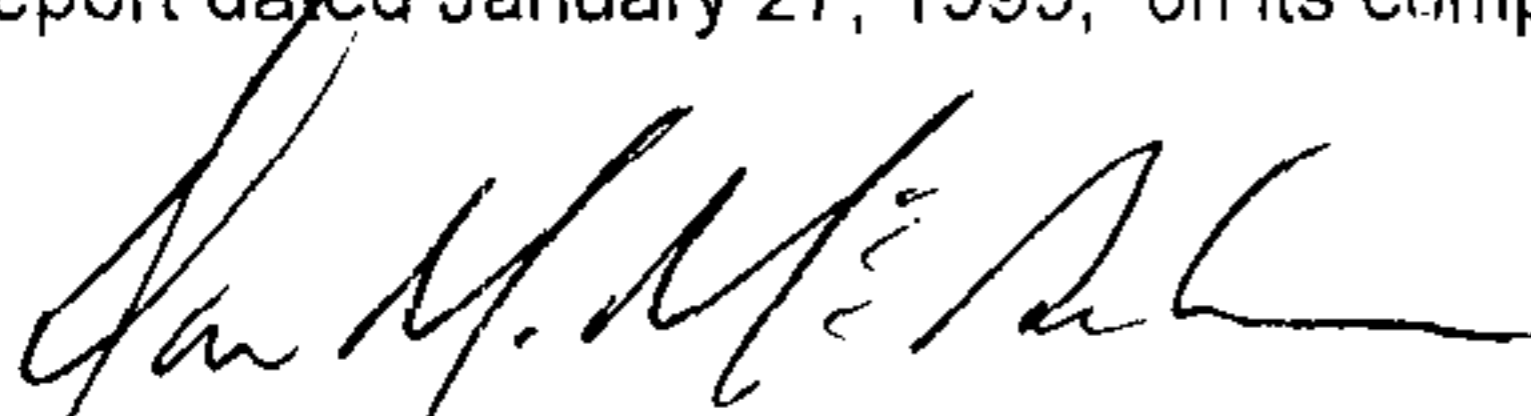
Commissioners of the  
Lincoln Parish Waterworks District #3  
P.O.Box 366  
Ruston, Louisiana 71273

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, 1998 and 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of Lincoln Parish Waterworks District #3's 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 and Government Auditing Standards, issued by the Comptroller General of the United States. 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 the Lincoln Parish Waterworks District #3 as of September 30, 1998 and 1997, 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 January 27, 1999, on my consideration of Lincoln Parish Waterworks District #3's internal control structure and a report dated January 27, 1999, on its compliance with laws and regulations.



Don M. McGehee  
Certified Public Accountant  
January 27, 1999

# LINCOLN PARISH WATERWORKS DISTRICT #3

BALANCE SHEETS  
AS OF SEPTEMBER 30, 1998 AND 1997

	1998	1997
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 87,637	\$ 53,358
Investments	46,857	45,817
Accounts Receivable	18,454	17,807
Due from Other Government Units	400	600
Interest Receivable	258	698
Prepaid Insurance	2,782	2,247
<b>TOTAL CURRENT ASSETS</b>	<b>156,388</b>	<b>120,527</b>
<b>RESTRICTED ASSETS</b>		
Cash and Cash Equivalents	19,238	16,062
Investments	87,935	81,371
<b>TOTAL RESTRICTED ASSETS</b>	<b>107,173</b>	<b>97,433</b>
<b>PLANT AND EQUIPMENT - NET OF ACCUMULATED DEPRECIATION OF \$550,393 AND \$501,354</b>	1,340,167	1,387,512
<b>OTHER ASSETS</b>		
Insurance Deposit	438	597
L.P.F.A. Bond Fees, Net of Accumulated Amortization of \$1,899 and \$1,616	9,422	9,706
<b>TOTAL OTHER ASSETS</b>	<b>9,860</b>	<b>10,303</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,613,588</b>	<b>\$ 1,615,775</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 7,501	\$ 6,711
Due to Other Government Units	4,698	2,104
Accrued Liabilities	1,366	277
<b>TOTAL CURRENT LIABILITIES</b>	<b>13,565</b>	<b>9,092</b>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Water Customers' Deposits	36,881	34,086
Sewer Customers' Deposits	2,175	1,675
Current Maturities of Long-Term Debt	18,579	18,136
Accrued Interest Payable	3,451	3,718
<b>TOTAL CURRENT LIABILITIES - From Restricted Assets</b>	<b>61,086</b>	<b>57,615</b>
<b>LONG-TERM DEBT (Less Current Maturities)</b>	<b>650,172</b>	<b>671,951</b>
<b>TOTAL LIABILITIES</b>	<b>724,823</b>	<b>738,658</b>
<b>EQUITY</b>		
<b>CONTRIBUTED CAPITAL</b>	789,049	789,049
<b>RETAINED EARNINGS</b>		
Reserved for Repairs and Maintenance	30,610	27,022
Unreserved Retained Earnings	69,106	61,046
<b>TOTAL RETAINED EARNINGS</b>	<b>99,716</b>	<b>88,068</b>
<b>TOTAL EQUITY</b>	<b>888,765</b>	<b>877,117</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,613,588</b>	<b>\$ 1,615,775</b>

See accompanying notes to financial statements.

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
<b>REVENUES</b>		
Water Sales	\$ 180,483	\$ 160,803
New Installations	12,295	15,727
Penalties	8,445	4,926
Collection Fees	3,955	3,496
Sewage Collection Fee	2,400	2,400
Turn-on Water	2,235	2,100
Miscellaneous Income	<u>660</u>	<u>143</u>
<b>TOTAL REVENUES</b>	<u>210,473</u>	<u>189,595</u>
<b>EXPENSES</b>		
Accounting	19,961	10,018
Bad Debts	910	1,164
Commissioners' Fees	1,740	1,665
Depreciation and Amortization	49,322	47,691
Installations	8,645	15,585
Insurance	4,321	7,126
Miscellaneous Expenses	106	212
Office Supplies	4,767	3,564
Outside Labor	9,639	5,637
Repairs and Maintenance	18,144	16,769
Salaries and Wages	21,055	25,240
System Supplies	1,206	997
Taxes-Payroll	1,599	1,969
Theft and Loss	1,988	0
Utilities	<u>27,176</u>	<u>27,024</u>
<b>TOTAL EXPENSES</b>	<u>170,579</u>	<u>164,661</u>
<b>OPERATING INCOME</b>	39,894	24,934
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Income	9,375	7,526
Interest Expense	<u>(37,621)</u>	<u>(39,788)</u>
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>(28,246)</u>	<u>(32,262)</u>
<b>NET INCOME (LOSS)</b>	11,648	(7,328)
<b>RETAINED EARNINGS-BEGINNING</b>	<u>88,068</u>	<u>95,396</u>
<b>RETAINED EARNINGS-ENDING</b>	<u>\$ 99,716</u>	<u>\$ 88,068</u>

See accompanying notes to 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 1997**

	1998		Variance Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
Water Sales	\$ 165,000	\$ 180,483	\$ 15,483
New Installations	8,000	12,295	4,295
Penalties	5,000	8,445	3,445
Collection Fees	3,500	3,955	455
Sewage Collection Fee	2,400	2,400	0
Turn-on Water	2,200	2,235	35
Miscellaneous Income	200	660	460
<b>TOTAL REVENUES</b>	<u>186,300</u>	<u>210,473</u>	<u>24,173</u>
<b>EXPENSES</b>			
Accounting	11,000	19,961	(8,961)
Bad Debts	0	910	(910)
Commissioners' Fees	2,250	1,740	510
Depreciation and Amortization	46,000	49,322	(3,322)
Installations	8,000	8,645	(645)
Insurance	7,500	4,321	3,179
Miscellaneous Expenses	0	106	(106)
Office Supplies	3,500	4,767	(1,267)
Outside Labor	9,240	9,639	(399)
Repairs and Maintenance	20,050	18,144	1,906
Salaries and Wages	22,100	21,055	1,045
System Supplies	0	1,206	(1,206)
Taxes-Payroll	1,700	1,599	101
Theft and Loss	0	1,988	(1,988)
Utilities	27,000	27,176	(176)
<b>TOTAL EXPENSES</b>	<u>158,340</u>	<u>170,579</u>	<u>(12,239)</u>
<b>OPERATING INCOME</b>	27,960	39,894	11,934
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Interest Income	7,600	9,375	1,775
Interest Expense	(38,000)	(37,621)	379
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>(30,400)</u>	<u>(28,246)</u>	<u>2,154</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (2,440)</u>	<u>\$ 11,648</u>	<u>\$ 14,088</u>

See accompanying notes to financial statements.

1997

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 155,000	\$ 160,803	\$ 5,803
7,200	15,727	8,527
4,400	4,926	526
3,900	3,496	(404)
2,400	2,400	0
2,300	2,100	(200)
400	143	(257)
<u>175,600</u>	<u>189,595</u>	<u>13,995</u>
10,500	10,018	482
0	1,164	(1,164)
2,250	1,665	585
46,000	47,691	(1,691)
7,200	15,585	(8,385)
7,200	7,126	74
0	212	(212)
3,000	3,564	(564)
9,500	5,637	3,863
20,000	16,769	3,231
25,300	25,240	60
0	997	(997)
2,000	1,969	31
0	0	0
<u>18,600</u>	<u>27,024</u>	<u>(8,424)</u>
<u>151,550</u>	<u>164,661</u>	<u>(13,111)</u>
24,050	24,934	884
7,600	7,526	(74)
<u>(39,000)</u>	<u>(39,788)</u>	<u>(788)</u>
<u>(31,400)</u>	<u>(32,262)</u>	<u>(862)</u>
<u>\$ (7,350)</u>	<u>\$ (7,328)</u>	<u>\$ 22</u>

# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENT OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 1998 AND 1997

	1998	1997
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Users	\$ 215,916	\$ 193,793
Cash Payments for Goods and Services	(98,699)	(91,338)
Cash Payments to Employees	(21,055)	(25,240)
Net Cash Provided by Operating Activities	96,162	77,215
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(1,693)	(4,000)
Purchase of Investments	(134,792)	(127,186)
Proceeds from Sale of Investments	127,187	121,131
Interest Received	9,815	7,382
Net Cash Used by Investing Activities	517	(2,673)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(21,336)	(19,117)
Interest Paid	(37,888)	(39,667)
Net Cash Used by Financing Activities	(59,224)	(58,784)
<b>NET INCREASE (DECREASE ) IN CASH</b>	37,455	15,758
<b>CASH AT BEGINNING OF YEAR</b>	69,420	53,662
<b>CASH AT END OF YEAR</b>	\$ 106,875	\$ 69,420
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 39,894	\$ 24,934
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	49,322	47,691
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	(647)	(1,558)
(Increase) Decrease in Due from Police Jury	200	(200)
(Increase) Decrease in Prepaid Insurance	(535)	2,240
(Increase) Decrease in Insurance Deposit	159	(186)
Increase (Decrease) in Accounts Payable	791	(948)
Increase (Decrease) in Customers' Deposits	3,295	5,830
Increase (Decrease) in Due to Police Jury	2,594	127
Increase (Decrease) in Accrued Liabilities	1,089	(715)
Total Adjustments	56,268	52,281
Net Cash Provided by Operating Activities	\$ 96,162	\$ 77,215
<b>NONCASH INVESTING ACTIVITIES</b>		
Contribution of Fixed Assets from Government	\$ 0	\$ 93,851

See accompanying notes to financial statements.



# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

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 24:513 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.

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

#### C. BUDGETARY PRACTICES

The Lincoln Parish Waterworks District #3 adopted operating budgets for the years ended September 30, 1998 and 1997, as required by the U.S. Department of Agriculture - Rural Economic and Community Development. The budget for each year ended September 30, 1998 and 1997 is 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.

#### D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### E. 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.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### F. 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.

#### G. 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 29, 1966.

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. 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.

Under the terms of the Waterworks Revenue Bond agreements, dated August 16, 1980, and January 15, 1992, 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 29, 1966, 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 \$54,673.
- (c) An amount equal to \$259 per month shall be deposited into the Waterworks Depreciation Fund.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. 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	10-39 years
Water Lines and Well	20-50 years
Equipment	5-10 years

#### I. 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. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### NOTE 2 - CASH AND INVESTMENTS

Cash consists of interest bearing demand deposits and cash on hand. Investments consist of time deposits. State law requires that the bank deposit and maintain security for the District equal to one hundred percent of the balance on deposit. At September 30, 1998, the carrying amount of the District's deposits was \$241,617 and there was a petty cash fund of \$50. The bank balance for the deposits was \$245,879. Of the bank balance, \$164,724 was covered by federal depository insurance, \$56,662 was covered by pledged securities held as collateral, and \$24,493 was uncollateralized under state law.

Because the pledged securities are held by the custodial bank in the name of the fiscal agent bank rather than in the name of the District, they are considered uncollateralized (Category 3) under the provisions of GASB codification C20.106.

### 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 at September 30, as follows:

	1998	1997
Debt Service	\$ 37,507	\$ 34,650
Repairs and Maintenance	30,610	27,022
Customer Deposits	39,056	35,761
Total Restricted Assets	<u>\$ 107,173</u>	<u>\$ 97,433</u>

### 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 Hills Subdivisions beginning January 1, 1996. The Police Jury owed the District the following at September 30, according to this agreement:

	1998	1997
Due from Lincoln Parish Police Jury	<u>\$ 400</u>	<u>\$ 600</u>

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

### NOTE 5 - PLANT AND EQUIPMENT

The following is a summary of plant and equipment for the years ending September 30, 1998 and 1997:

	1998	1997
Land	\$ 19,585	\$ 19,585
Buildings	103,122	103,122
Water Wells, Lines, Furniture and Equipment	1,767,853	1,766,159
Less: Accumulated Depreciation	(550,393)	(501,354)
Net Plant and Equipment	\$ 1,340,167	\$ 1,387,512

### 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 recognized certain sewer fees from customers in accounts receivable and recognized the related payable to the Police Jury, as follows:

	1998	1997
Due to Lincoln Parish Police Jury	\$ 4,698	\$ 2,104

### 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, 1997	\$ 656,301	\$ 33,786	\$ 690,087
Debt Retired	(17,441)	(3,895)	(21,336)
Balance at September 30, 1998	638,860	29,891	668,751
Less Current Maturities	(17,839)	(740)	(18,579)
Long-Term Debt at September 30, 1998	\$ 621,021	\$ 29,151	\$ 650,172

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

#### Revenue Bonds

\$238,000 Waterworks Revenue Bonds, dated August 26, 1980, due in annual installments of \$17,000 - \$18,000 through August 26, 2005, interest at 5%; secured by revenues earned by the District from the operation of the waterworks system.

\$ 100,000

\$568,000 Waterworks Revenue Bonds, dated January 15, 1992, due in annual installments of \$36,823.44 on August 26th of each year through 2031; interest at 5 3/4%; secured by revenues earned by the District from the operation of the waterworks system.

538,860

#### Revenue Promissory Note

\$94,000 Revenue Promissory Note, dated September 28, 1966, due in annual installments of \$4,626 through January 1, 2007; interest at 3.75%; secured by revenues earned by the District from the operation of the waterworks system.

29,891

Total Long-Term Debt

668,751

Less Current Maturities

(18,579)

Long-Term Debt, Net of Current Maturities

\$ 650,172

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

### NOTE 7 - LONG-TERM DEBT (CONTINUED)

The annual debt service requirements to maturity for all debt outstanding as of September 30, 1998, including \$700,329 of interest, is as follows:

	Bonds	Note	Total
1999	\$ 53,823	\$ 1,026	\$ 54,849
2000	54,223	4,626	58,849
2001	53,573	4,626	58,199
2002	53,923	4,626	58,549
2003	54,223	4,626	58,849
2004-2031	<u>1,064,395</u>	<u>15,390</u>	<u>1,079,785</u>
Totals	<u>\$ 1,334,160</u>	<u>\$ 34,920</u>	<u>\$ 1,369,080</u>

### NOTE 8 - LPFA BOND FEES

The Louisiana Public Facilities Authority (LPFA) advanced \$277,863 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 LPFA advanced \$31,360 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 \$20,038 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 LPFA bond fees for the years ending September 30, 1998 and 1997:

	1998	1997
LPFA Bond Fees	\$ 11,321	\$ 11,322
Less: Accumulated Amortization	<u>(1,899)</u>	<u>(1,616)</u>
Net LPFA Bond Fees	<u>\$ 9,422</u>	<u>\$ 9,706</u>

### NOTE 9 - RESERVED RETAINED EARNINGS

The District's bond and note covenants require certain reservations of the Lincoln Parish Waterworks District #3's retained earnings for repairs and maintenance.

### NOTE 10 - YEAR 2000 ISSUE

The Lincoln Parish Waterworks District #3 is aware of the Year 2000 issue and that it could affect the operations of the computers used in the office. There has been no formalized plan or budget adopted to deal with the year 2000 issue at this time.

### NOTE 11 - FEES TO COMMISSIONERS

Fees paid to the commissioners of the Lincoln Parish Waterworks District #3 for the year ended September 30, 1998 and 1997 were as follows:

	1998	1997
James Albritton	\$ 360	\$ 405
Jack Allen	300	165
Willard Anderson	360	405
Andy Gibson	0	120
G.W. Kimble	360	405
Don Smith	<u>360</u>	<u>165</u>
Total	<u>\$ 1,740</u>	<u>\$ 1,665</u>

## ADDITIONAL REPORT

**DON M. McGEHEE**  
(A Professional Accounting Corporation)  
P.O. Box 1344  
806 North Trenton  
Ruston, Louisiana 71273-1344

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

Commissioners of the  
Lincoln Parish Waterworks District #3  
P.O.Box 366  
Ruston, Louisiana 71273

I have audited the general purpose financial statements of the Lincoln Parish Waterworks District #3, a component unit of the Lincoln Parish Police Jury, as of and for the year ended September 30, 1998, and have issued my report thereon dated January 27, 1999. I conducted my 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 the Lincoln Parish Waterworks District #3's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance 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 objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. I also noted certain immaterial instances of noncompliance that I have reported to management of Lincoln Parish Waterworks District #3 in a separate letter dated January 27, 1999.

Internal Control Over Financial Reporting

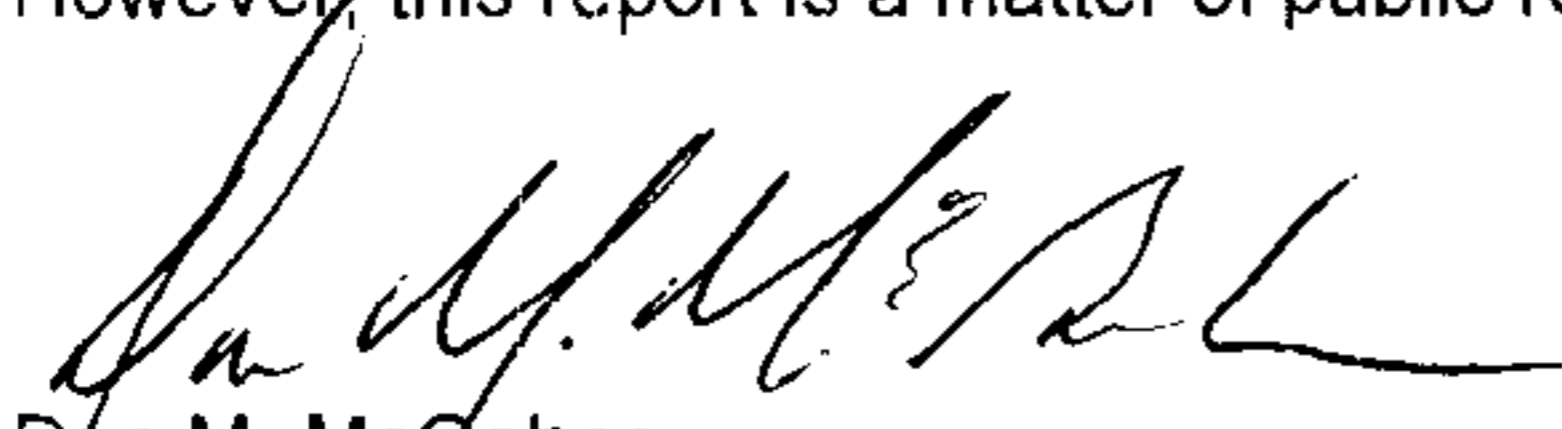
In planning and performing my audit, I considered the Lincoln Parish Waterworks District #3's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Lincoln Parish Waterworks District #3's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. This reportable condition is described below:

It came to my attention that the Lincoln Parish Waterworks District #3 Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

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. My consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider the reportable condition described above to be a material weakness.

My prior year report, dated March 26, 1998, did not include any comments or unresolved matters.

This report is intended for the information of the commissioners, management, the Legislative Auditor of Louisiana, and U.S. Department of Agriculture - Rural Economic and Community Development. However, this report is a matter of public record and its distribution is not limited.



Don M. McGehee  
Certified Public Accountant  
January 27, 1999



# LINCOLN PARISH WATERWORKS DISTRICT #3

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 1998

I have audited the financial statements of the Lincoln Parish Waterworks District #3 as of and for the year ended September 30, 1998, and have issued my report thereon dated January 27, 1999. I conducted my 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. My audit of the financial statements as of September 30, 1998 resulted in an unqualified opinion.

### Section I Summary of Auditor's Reports

#### Report on Internal Control and Compliance Material to the Financial Statements

##### Internal Control

Material Weaknesses  Yes  No      Reportable Conditions  Yes  No

##### Compliance

Compliance Material to Financial Statements  Yes  No

### Section II Financial Statement Findings

**1998-1.** The Lincoln Parish Waterworks District #3 Office has too few personnel involved in the accounting system to have adequate separation of duties for internal control.

**DON M. McGEHEE**  
*(A Professional Accounting Corporation)*  
P.O. Box 1344  
806 North Trenton  
Ruston, Louisiana 71273-1344

MANAGEMENT LETTER

January 27, 1999

Commissioners of the  
Lincoln Parish Waterworks District #3  
P.O.Box 366  
Ruston, Louisiana 71273

In planning and performing my audit of the general purpose financial statements of the Lincoln Parish Waterworks District #3 for the year ended September 30, 1998, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on internal control.

However, during my audit I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding this matter. I previously reported on internal control in my audit report dated January 27, 1999; this letter does not affect that report.

I will review the status of these comments during our next audit engagement. I have already discussed these comments and suggestions with your personnel, and I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

  
Don M. McGehee  
Certified Public Accountant

## MANAGEMENT MEMORANDUM

To: Commissioners of the  
Lincoln Parish Waterworks District #3

From: Don M. McGehee, CPA

*During the course of my audit, I observed the following conditions which are opportunities for you to strengthen your internal control and increase efficiency. My recommendations for improvement are also included.*

### INSUFFICIENT SECURITY FOR DEPOSITS

On September 30, 1998, the security for deposits at Central Bank was \$24,493.82 less than the District had on deposit at that time. There are no procedures in place to monitor security for deposits on a timely basis and request additional coverage. I recommend establishing procedures to monitor security for deposits on a quarterly basis to determine if security is sufficient, to notify bank if security is inadequate, and to be prepared to transfer funds to another bank if additional security is not provided.

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 1998**

**SECTION 1 INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENT**

1998-1 Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

It would not be cost-effective to hire additional personnel to provide adequate separation of duties for internal control with such a small workload.

**SECTION II MANAGEMENT LETTER**

1998-2 Insufficient Security for Deposits. Recommend client monitor security for deposits on a quarterly basis to determine if they are sufficient.

Beginning in March, 1999, Diane Gibson, secretary/treasurer, will begin preparing a workpaper each quarter comparing the amount of deposits to the security for those deposits to determine if security is sufficient. She will then notify the manager if security is insufficient. Ronnie Loyd, manager, will notify the bank of the insufficiency. If the bank does not comply with additional security within five working days from notification, he will transfer the funds to another bank.