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CAMERON PARISH WATERWORKS  
DISTRICT NO. 2

ANNUAL FINANCIAL REPORT

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 6-23-99

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*A Professional Accounting Corporation*

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W. Micheal Elliott, CPA

## UNQUALIFIED OPINION ON GENERAL-PURPOSE FINANCIAL STATEMENTS-GOVERNMENTAL ENTITY

### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Cameron Parish Waterworks District No. 2

I have audited the accompanying general-purpose financial statements of the Cameron Parish Waterworks District No. 2, a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Cameron Parish Waterworks District No. 2's 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 and the standards applicable to financial audits contained in *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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides 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 Cameron Parish Waterworks District No. 2 as of and for the year ended December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 21, 1999, on my consideration of the Cameron Parish Waterworks District No. 2's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly state, in all material respects, in relation to the basic financial statements taken as a whole.

*Elliott & Assoc. "APAC"*

Leesville, Louisiana

May 21, 1999

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

Board of Commissioners  
Cameron Parish Waterworks District No. 2

I have audited the financial statements of the Cameron Parish Waterworks District No. 2 as of and for the year ended December 31, 1998, and have issued my report thereon dated May 21, 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 Cameron Parish Waterworks District No. 2'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*.

### Internal Control Over Compliance

In planning and performing my audit, I considered the Cameron Parish Waterworks District No. 2's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

*Elliott & Assoc. "APAC"*

Leesville, Louisiana

May 21, 1999









COMPONENT UNIT FINANCIAL STATEMENTS  
(COMBINED STATEMENTS - OVERVIEW)

## CAMERON PARISH WATERWORKS DISTRICT NO. 2

## BALANCE SHEET

December 31, 1998

ASSETS

## Current assets:

Cash and cash equivalents (Note 2)	\$ 386,608
Receivables:	
Ad valorem taxes	110,095
Accounts	25,721
State revenue sharing	1,353
Accrued interest	1,700
Prepaid insurance	<u>3,850</u>
Total current assets	<u>529,327</u>

## Restricted assets:

Cash -- Meter deposit fund (Note 2)	11,297
Cash -- Construction fund (Note 2)	<u>396,375</u>
Total restricted assets	<u>407,672</u>

## Fixed assets (Note 4)

Land	1,000
Buildings	127,587
Plant	494,739
Improvements other than buildings	464,299
Furniture, fixtures, and equipment	105,611
Less: accumulated depreciation	<u>(762,940)</u>
Fixed assets (net of accumulated depreciation)	<u>430,296</u>

Total assets	<u>\$1,367,295</u>
--------------	--------------------

The accompanying notes are an integral part of this statement.

Exhibit A

LIABILITIES AND EQUITY

Current liabilities:	
Accounts payable	\$ 8,213
Salaries payable	11,285
Deferred revenue	4,141
Sales taxes payable	323
Ad valorem deductions payable	<u>3,174</u>
Total current liabilities	<u>27,136</u>
Current liabilities payable from restricted assets:	
Customer deposits	<u>9,504</u>
Total current liabilities payable from restricted assets	<u>9,504</u>
Total liabilities	<u>36,640</u>
Equity:	
Contributed capital (Note 5)	<u>206,254</u>
Retained earnings:	
Reserved for meter deposits	1,793
Reserved for general construction	396,375
Unreserved-undesignated	<u>726,233</u>
Total retained earnings	<u>1,124,401</u>
Total equity	<u>1,330,655</u>
Total liabilities and equity	<u>\$1,367,295</u>

## CAMERON PARISH WATERWORKS DISTRICT NO. 2

Statement of Revenues, Expenses and  
Changes in Retained Earnings

For the year ended December 31, 1998

Operating revenues:	
Charges for sales and services:	
Water sales	\$ 232,625
Installation service	14,286
Berthing fee	<u>19,200</u>
Total operating revenues	<u>266,111</u>
Operating expenses:	
Current:	
Salaries and related benefits	142,004
Per diem of board members	3,060
Operation of plant	160,147
Depreciation	<u>39,500</u>
Total operating expenses	<u>344,711</u>
Operating income (loss)	<u>(78,600)</u>
Nonoperating revenues (expenses):	
Ad valorem tax	94,907
Interest income	35,222
State revenue sharing	2,892
Loss on disposal of obsolete assets	<u>(8,995)</u>
Total nonoperating revenues (expenses)	<u>124,026</u>
Net income	45,426
Add depreciation on assets acquired through contributed capital (Note 5)	<u>20,392</u>
Increase in retained earnings	65,818
Retained earnings, January 1, 1998	<u>1,058,583</u>
Retained earnings, December 31, 1998	<u>\$1,124,401</u>

The accompanying notes are an integral part of this statement.

CAMERON PARISH WATERWORKS NO. 2  
 STATEMENTS OF REVENUES, EXPENSES AND RETAINED EARNINGS  
 (BUDGETARY BASIS) AND ACTUAL  
 For the Year Ended December 31, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues:			
Water sales	\$ 230,000	\$ 232,625	\$ 2,625
Installation	16,850	14,286	(2,564)
Berthing fee	19,000	19,200	200
Miscellaneous income	<u>2,000</u>	<u>---</u>	<u>(2,000)</u>
Total revenues	<u>267,850</u>	<u>266,111</u>	<u>(1,739)</u>
Operating expenses:			
Salaries and related benefits	184,350	142,004	42,346
Per diem of board members	3,000	3,060	(60)
Operation of plant	128,000	160,147	(32,147)
Depreciation	<u>35,000</u>	<u>39,500</u>	<u>(4,500)</u>
Total operating expenses	<u>350,350</u>	<u>344,711</u>	<u>5,639</u>
Operating Income (loss)	<u>(82,500)</u>	<u>(78,600)</u>	<u>3,900</u>
Nonoperating Revenue/ (Expenses):			
Ad valorem tax	85,000	94,907	9,907
Interest income	16,200	35,222	19,022
State revenue sharing	10,000	2,892	(7,108)
Loss on disposal of assets	<u>---</u>	<u>(8,995)</u>	<u>(8,995)</u>
Total nonoperating revenues	<u>111,200</u>	<u>124,026</u>	<u>12,826</u>
Net income:	28,700	45,426	16,726
Add depreciation	<u>20,392</u>	<u>20,392</u>	<u>---</u>
Increase (decrease) in retained earnings	49,092	65,818	16,726
Ret. Earnings Jan. 1	<u>1,058,583</u>	<u>1,058,583</u>	<u>---</u>
Ret. Earnings Dec. 31	<u>\$1,107,675</u>	<u>\$1,124,401</u>	<u>\$ 16,726</u>

The accompanying notes are an integral part of this statement.

## CAMERON PARISH WATERWORKS DISTRICT NO. 2

## Statement of Cash Flows

For the year ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ (78,600)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	39,500
Changes in assets and liabilities:	
Accounts receivable	12,418
Other current assets	(8)
Accounts payable	6,769
Other current liabilities	503
Deferred revenue	(23)
Customer deposits	(187)
Ad valorem deductions payable	<u>1,020</u>
Net cash (used) by operating activities	<u>(18,608)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	<u>103,946</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
State revenue sharing	<u>2,781</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>35,590</u>
Increase in cash	123,709
CASH, BEGINNING OF YEAR	<u>670,571</u>
CASH, END OF YEAR	<u>\$794,280</u>
CLASSIFIED AS	
Current Assets	\$386,608
Restricted Assets	<u>407,672</u>
Totals	<u>\$794,280</u>

The accompanying notes are an integral part of this statement.



CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements

December 31, 1998

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cameron Parish Police Jury is a political subdivision of the State of Louisiana. Cameron Parish Police Jury is the reporting entity for Cameron Parish as defined by NCGA Statement 3, (Defining the Governmental Reporting Entity).

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 governments. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local governments.

Cameron Parish Waterworks District No. 2 "District" is a component unit of Cameron Parish Police Jury as defined by GASB codification Section 2100. The District was created by the Cameron Parish Police Jury as authorized by Louisiana Revised Statutes 33:3811-21. The District is governed by a board of five commissioners appointed by the Cameron Parish Police Jury, who are responsible for providing water service within the boundaries of the district.

A. FUND ACCOUNTING

Cameron Parish Waterworks District No. 2 is organized and operated on a fund basis as a Proprietary Fund Type-Enterprise Fund. In an enterprise fund the accrual basis of accounting is utilized and revenues are recognized when earned and expenses are recognized when incurred. 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and ad valorem taxes.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

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

B. BASIS OF ACCOUNTING

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

Proprietary funds follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets associated with the operation of these funds are included on the balance sheet. Fund equity, (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

C. BUDGETARY PRACTICE

The Cameron Parish Waterworks District No. 2 utilizes the following budgetary practice:

Annually the District adopts a budget for the Enterprise Fund as a management device for control of revenues and expenses. The budget is amended at various times during the year as the need arises. A comparison of revenues and expenses is included with the accompanying statements.

D. CASH AND CASH EQUIVALENTS

Cash includes amounts in petty cash, demand deposits, interest earning demand deposits, and money market accounts. Cash equivalents include amounts in time deposits, with maturities of three months or less. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana, or United States bonds, treasury bills and notes, or certificates.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

E. ACCOUNTS RECEIVABLE WRITE-OFF METHOD

The District has adopted a write off policy wherein any account that is deemed uncollectible is written off directly when the account's collection efforts have been deemed unsuccessful.

F. FIXED ASSETS

The fixed assets of the waterworks district are accounted for on the balance sheet of the Enterprise Fund. The fixed assets of the District as shown on the balance sheet are recorded at historical cost. Depreciation is computed by the straight line method based on the estimated useful life of the individual assets.

G. VACATION AND SICK LEAVE

The Cameron Parish Waterworks District No. 2 has the following policy related to vacation and sick leave:

Employees of the District accrue from 5 to 25 days annual leave each year depending on length of service. Upon resignation or retirement, unused annual leave is forfeited. In addition, employees of the District accrue from 12 to 18 days of sick leave each year depending on length of service. Upon resignation or retirement, unused sick leave is forfeited.

NOTE 2--CASH AND INVESTMENT COLLATERAL

Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

NOTE 2--CASH AND INVESTMENT COLLATERAL (Continued)

At December 31, 1998, the District had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits) and certificate of deposit	<u>\$386,608</u>	<u>\$407,672</u>	<u>\$794,280</u>

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) were \$794,280, and the bank balances were \$794,300. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$300,000
Uncollateralized (In accordance with GAAP - See below)	<u>695,000</u>
	<u>\$995,000</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times at least equal the amount on deposit with the fiscal agent.

The uncollateralized amount shown above is secured by pledged securities with a market value of \$696,038 held in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.



CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

NOTE 3--RECEIVABLES

Receivables at December 31, 1998 consist of the following:

Ad valorem taxes	\$110,095
Accounts	25,721
State revenue sharing	1,353
Accrued interest	<u>1,700</u>
Net total receivables	<u>\$138,869</u>

The amount included in the ad valorem receivable on the balance sheet is for ad valorem taxes which attach as an enforceable lien on property as of January 1 of each year. Taxes are levied to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The District utilizes the Cameron Parish Tax Collector/Sheriff to bill and collect its property taxes using the assessed values determined by the tax assessor of Cameron Parish.

For the year ended December 31, 1998, taxes of 5.72 mills were levied on property with assessed valuation totaling \$17,478,417 and were dedicated to water district operations.

Taxes were levied upon a total assessed valuation of \$17,478,417. The total amount levied was \$99,977. Furthermore, collections of delinquent taxes and other adjustments resulted in total collections of \$94,720.

Note 4--CHANGES IN FIXED ASSETS

Fixed assets are recorded at cost less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful life of the various classes of assets.

CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

NOTE 4--CHANGES IN FIXED ASSETS (CONTINUED)

The following is a summary of changes in fixed assets as of December 31, 1998:

	<u>Land</u>	<u>Buildings</u>	<u>Plant</u>	<u>Improvements other than buildings</u>	<u>Furniture, fixtures,&amp; equipment</u>	<u>Total</u>
Balance 12/31/97	\$1,000	\$127,587	\$494,739	\$464,299	\$123,082	\$1,210,707
Additions	---	---	---	---	---	---
Deletions	---	---	---	---	(17,471)	(17,471)
Balance 12/31/98	1,000	127,587	494,739	464,299	105,611	1,193,236
Less: Accumulated depreciation	---	(108,749)	(304,455)	(259,739)	(89,997)	(762,940)
Net fixed assets 12/31/98	<u>\$1,000</u>	<u>\$ 18,838</u>	<u>\$190,284</u>	<u>\$204,560</u>	<u>\$ 15,614</u>	<u>\$430,296</u>

The following estimated useful lives are used to compute depreciation:

Buildings	45 years
Improvements other than buildings	45 years
Furniture, fixtures, and equipment	3-10 years

NOTE 5--CONTRIBUTED CAPITAL

Changes during 1998 in the contributed capital account (shown net) are as follows:

Balance 12/31/97	\$ 226,646
Depreciation of assets acquired by contributed capital	<u>(20,392)</u>
Balance 12/31/98	<u>\$ 206,254</u>



CAMERON PARISH WATERWORKS DISTRICT NO. 2

Notes to the Financial Statements (Continued)

NOTE 6--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

	LIMITS OF COVERAGE
Workmen's compensation	\$ 350,000
Auto liability	1,000,000
Commercial general liability	2,000,000
District-owned buildings and equipment	362,950

The District covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The District has filed a suit against North American Ship Agencies, Inc., et al, on June 11, 1998, seeking to recover damages in the sum of \$27,169 for damages caused the defendants to cluster piles and the dock facility owned by Waterworks District No. 2. At this time the suit is pending and not all of the defendants have made appearances in the suit that is estimated to be in litigation for at least one year. A determination of the final outcome cannot be determined at this time therefore, there has been no related adjustment in the financial statements.

SUPPLEMENTARY INFORMATION

CAMERON PARISH WATERWORKS DISTRICT NO. 2

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

For the year ended December 31, 1998

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 session of the Legislature.

As provided by Louisiana Revised Statute 33:4564, the board members received \$60 per diem for attendance at meetings of the board in 1998.

	<u>Number Attended</u>	<u>Amount</u>
Alton Schexnider	11	\$ 600
Donald Broussard	12	720
Gerald Labove	11	660
Richard Erickson	11	660
Darrell Duhon	07	<u>420</u>
Totals		<u>\$3,060</u>

See independent auditor's report.

Cameron Parish Waterworks District No. 2  
SCHEDULE OF PRIOR YEAR FINDINGS

For the Fiscal Year Ended December 31, 1998

**SECTION I            INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS**

The audit report for the year ended December 31 1997, contained a finding related to the report not being issued within the six months of the close of its' December 31, 1997 year-end. This was a violation of LA R.S. #24:513 (A)(5)(a), but did not effect the financial statements. The current year report will be issued to the Legislative Auditor within the statutory period.

**SECTION II          INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS**

There were no prior year findings relating to internal control and compliance material to federal awards.

**SECTION III        MANAGEMENT LETTER**

There was no management letter with prior year audit report.

See independent auditor's report.

Cameron Parish Waterworks District No. 2  
MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Fiscal Year Ended December 31, 1998

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

N/A

**SECTION II        INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL  
AWARDS**

N/A

**SECTION III      MANAGEMENT LETTER**

N/A

See independent auditor's report.

Cameron Parish Waterworks District No. 2  
Required Supplemental Information  
Year 2000 Supplementary Information  
December 31, 1998

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations as early as fiscal year 1999.

The District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, water accounts receivable, and cash receipts. The District relies on a vendor to provide these systems and for assessment, remediation, testing, and validation of these systems as being Year 2000 compliant.

The District purchased computer equipment and related software in early 1999 from a vendor that has validated such purchases as Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

See independent auditor's report.