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**DOYLINE WATERWORKS DISTRICT I, LOUISIANA
WEBSTER PARISH POLICE JURY**

Annual Financial Statements

As of June 30, 2004 and for the Year then Ended

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 2-2-05

**DOYLINE WATERWORKS DISTRICT I, LOUISIANA
WEBSTER PARISH POLICE JURY**

Annual financial Statements
As of and For the Year Ended June 30, 2004
With Supplemental Information Schedules

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MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners of Doyline
Waterworks District I
Doyline, Louisiana

We have audited the accompanying financial statements of the business-type activities of Doyline Waterworks District I, component unit of Webster Parish Police Jury, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Doyline Waterworks District I, component unit of Webster Parish Police Jury, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 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 opinions.

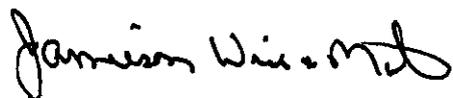
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Doyline Waterworks District I, component unit of Webster Parish Police Jury as of June 30, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2004, on our consideration of the Doyline Waterworks District I, component unit of Webster Parish Police Jury internal control over

financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3-5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Doyline Waterworks District I, component unit of Webster Parish Police Jury basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Jamison W. Smith". The signature is written in a cursive, flowing style.

Minden, Louisiana
December 1, 2004

**REQUIRED SUPPLEMENTARY
INFORMATION**

**DOYLINE WATERWORKS DISTRICT I
WEBSTER PARISH POLICE JURY**

**Management's Discussion and Analysis
As of and for the Year Ended June 30, 2004
(Unaudited)**

Our discussion and analysis of Doyline Waterworks District I's financial performance provides an overview of the District's financial activities for the year ended June 30, 2004. Please read it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the District exceeded its liabilities at June 30, 2004 by \$170,549 (net assets). Of this amount, \$5,203 was unrestricted and may be used to meet the District's ongoing obligations. Net assets increased by \$5,794 in fiscal year 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts: Management discussion and analysis, basic financial statements, and supplementary information. The basic financial statements present information for the District and is designed to make the statements easier to understand. Basic financial statements consist of the fund financial statements and notes to the financial statements.

**TABLE 1
NET ASSETS**

| | |
|--|-------------------|
| | <u>2004</u> |
| Current assets | \$ 39,518 |
| Other assets | <u>508,196</u> |
| Total Assets | <u>\$ 547,714</u> |
| Current liabilities | \$ 1,433 |
| Current liabilities payable from restricted assets | 34,032 |
| Long term outstanding debt | <u>341,700</u> |
| Total Liabilities | <u>\$ 377,165</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | \$ 76,908 |
| Restricted for meter deposits | 21,747 |
| Restricted for debt service | 66,691 |
| Unrestricted | <u>5,203</u> |
| Total Net Assets | <u>\$ 170,549</u> |

**DOYLINE WATERWORKS DISTRICT I
WEBSTER PARISH POLICE JURY**

**Management's Discussion and Analysis
As of and for the Year Ended June 30, 2004
(Unaudited)**

Net assets are those that are restricted as to the purposes they can be used for, or, are invested in capital assets (buildings, water equipment, etc.). Unrestricted net assets are those that do not have any limitations for which these amounts may be used.

**TABLE 2
CHANGES IN NET ASSETS**

| | <u>2004</u> |
|----------------------|-------------------|
| Revenue | |
| Operating | |
| Charges for services | \$ 126,208 |
| Non-operating | <u>9,736</u> |
| Total Revenue | <u>\$ 135,944</u> |
| Expenses | |
| Operating | \$ 104,750 |
| Non-operating | |
| Interest expense | <u>25,400</u> |
| Total Expenses | <u>\$ 130,150</u> |
| Change in Net Assets | <u>\$ 5,794</u> |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had \$418,608 invested in capital assets, net of accumulated depreciation. This includes buildings, water wells, tanks and lines, and equipment.

Debt Administration

At June 30, 2004, the District had \$371,700 in long term debt outstanding.

Invested in capital assets less long term debt is \$76,908.

**DOYLINE WATERWORKS DISTRICT I
WEBSTER PARISH POLICE JURY**

**Management's Discussion and Analysis
As of and for the Year Ended June 30, 2004
(Unaudited)**

**TABLE 3
OUTSTANDING DEBT AT YEAR-END**

| | <u>2004</u> |
|--|-------------------|
| Outstanding Debt | |
| Long term (less current portion) | \$ 341,700 |
| Current portion payable from restricted assets | <u>8,000</u> |
| Total Outstanding Debt | <u>\$ 341,700</u> |

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our customers, citizens, and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, please contact Betty Ballard, Secretary/Treasurer at 318-631-3081 days or 318-745-2402 evenings. You may also leave a message at 318-745-6199.

BASIC FINANCIAL STATEMENTS

**Doyline Waterworks District I, Louisiana
Webster Parish Police Jury**

Statement of Net Assets
June 30, 2004

ASSETS

| | |
|---|-----------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 23,596 |
| Receivables | <u>15,922</u> |
| Total Current Assets | <u>39,518</u> |
| Non-Current Assets: | |
| Restricted assets, cash and cash equivalents | 88,438 |
| Capital assets, net of accumulated depreciation | 418,608 |
| Other assets | <u>1,150</u> |
| Total Non-Current Assets | <u>508,196</u> |
| TOTAL ASSETS | <u>\$ 547,714</u> |

LIABILITIES

| | |
|--|--------------------|
| Current Liabilities: | |
| Accounts payable | \$ 1,403 |
| Deferred revenues | <u>30</u> |
| Total Current Liabilities | <u>1,433</u> |
| Current Liabilities Payable from Restricted Assets | 34,032 |
| Non-Current Liabilities: | |
| Note payable, less current portion | <u>341,700</u> |
| Total Liabilities | <u>377,165</u> |

NET ASSETS

| | |
|---|-----------------------|
| Invested in capital assets, net of related debt | 76,908 |
| Restricted for meter deposits | 21,747 |
| Restricted for debt service | 66,691 |
| Unrestricted | <u>5,203</u> |
| TOTAL NET ASSETS | <u>\$ 170,549</u> |

The accompanying notes are an integral part of this statement.

**Doyline Waterworks District I, Louisiana
Webster Parish Police Jury**

Statement of Revenues, Expenses, and Changes in Net Assets
June 30, 2004

Operating Revenues

Charges for services:

| | |
|----------------------------|----------------|
| Water Sales | \$ 119,118 |
| Meter installation fees | 2,135 |
| Late fees | 2,772 |
| Other charges for services | <u>2,183</u> |
| Total Operating Revenues | <u>126,208</u> |

Operating Expenses

| | |
|--------------------------|----------------|
| Electricity | 7,975 |
| Material and supplies | 10,464 |
| Repairs and maintenance | 13,338 |
| Telephone | 1,628 |
| Contract labor | 30,961 |
| Insurance | 2,280 |
| Office expense | 7,055 |
| Accounting and legal | 8,274 |
| Dues | 200 |
| Rent | 960 |
| Depreciation | 20,248 |
| Miscellaneous | <u>1,367</u> |
| Total Operating Expenses | <u>104,750</u> |

Operating Income

21,458

Non-Operating Revenues (Expenses)

| | |
|---|-----------------|
| Tax Collections | 6,690 |
| Interest Income | 346 |
| Sewer collection fees | 2,700 |
| Interest expense | <u>(25,400)</u> |
| Total Non-Operating Revenues (Expenses) | <u>(15,664)</u> |

Change in Net Assets

5,794

Total Beginning Net Assets, Beginning

164,755

Total Net Assets, Ending

\$ 170,549

The accompanying notes are an integral part of this statement.

**Doyline Waterworks District I, Louisiana
Webster Parish Police Jury**

Statement of Cash Flows
June 30, 2004

Cash Flows From Operating Activities

| | |
|---|----------------|
| Receipts from customers and users | \$ 128,011 |
| Payments for supplies and services | (83,952) |
| Other operating cash payments | <u>(4,807)</u> |
| Net Cash Provided by Operating Activities | <u>39,252</u> |

Cash Flows from Non-Capital Financing Activities

| | |
|--|--------------|
| Customer meter deposits | 1,655 |
| Other miscellaneous | <u>2,700</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>4,355</u> |

Cash Flows From Capital and Related Financing Activities

| | |
|---|-----------------|
| Principal paid on capital debt | (7,000) |
| Interest paid on capital debt | (25,861) |
| Tax revenues collected | <u>6,457</u> |
| Net Cash Used by Capital and Related Financing Activities | <u>(26,404)</u> |

Cash Flows From Investing Activities

| | |
|---|------------|
| Interest received | <u>346</u> |
| Net Cash Provided by Investing Activities | <u>346</u> |

| | |
|--|-------------------|
| Net Increase in Cash and Cash Equivalents | 17,549 |
| Cash and Cash Equivalents, Beginning of Year | <u>94,485</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 112,034</u> |

**Reconciliation of Operating income to Net Cash Provided (used)
by Operating Activities**

| | |
|--|------------------|
| Operating income | \$ 21,458 |
| Depreciation expense | 20,248 |
| (Increase) decrease in accounts receivable | 1,802 |
| Increase (decrease) in accounts payable | <u>(4,256)</u> |
| Total Adjustments | <u>17,794</u> |
| Net Cash Provided by Operating Activities | <u>\$ 39,252</u> |

The accompanying notes are an integral part of this statement.

Doyline Waterworks District I, Louisiana
Webster Parish Police Jury

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

INTRODUCTION

The Doyline Waterworks District I (the District) is a component unit of the Webster Parish Police Jury. The District was created by the Webster Parish Police Jury under R.S. 33:3811 through ordinance 798 dated March 6, 1984 to provide water service to the Doyline community area.

The District is governed by a Board of Commissioners who are appointed by the Webster Parish Police Jury. The Board is uncompensated and consists of eight members each serving one to five year terms.

Currently, the District serves approximately 300 customers. The District has four water wells and an elevated storage tank which provides the Doyline area with water.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, Doyline Waterworks District I is considered a component unit of the Webster Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local government through its pronouncements (statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

Doyline Waterworks District I has only one fund which is a proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating

Doyline Waterworks District I, Louisiana
Webster Parish Police Jury

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

revenues of Doyline Waterworks District I come from the sales and distribution of water. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District has adopted the provisions of Statement No. 34 (Statement 34) of the Governmental Accounting Standards Board "*Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments.*" Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year end.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement No. 34 has no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The District utilizes the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

Doyline Waterworks District I, Louisiana
Webster Parish Police Jury

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

B. Cash

Cash includes amounts in demand deposits, and interest-bearing demand deposits. Under state law, the District may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

C. Accounts Receivable

The major receivable of the District are those from water billings. The District considers substantially all customers' utility receivables to be fully collectable; accordingly, an allowance for doubtful accounts is not required. If amounts become uncollectible they are charged to operations at that time.

The aging of accounts receivable (water sales) at June 30, 2004 is as follows:

| | |
|------------|------------------|
| Current | \$ 14,359 |
| 30-60 days | <u>1,563</u> |
| | <u>\$ 15,922</u> |

D. Levied Taxes

The District levies taxes on real and business personal property within its boundaries on November 1st of each year. Property taxes are due before December 31st and attach as an enforceable lien on property as of January 1st of the following year. Property taxes are recorded as receivables and revenue in the year assessed to the extent that revenues are collected within 60 days after year end.

On May 5, 1984, the voters of the District approved the issuance of General Obligation bonds in the amount of \$41,300, for the purpose of constructing and acquiring extensions and improvements to the waterworks system of the District. The 1984 General Obligation bonds were to be payable through the collection of ad valorem taxes.

For the year ended June 30, 2004, total ad valorem taxes of 7.78 mills were levied on property with assessed valuations totaling \$867,280. Total taxes levied were \$6,748.

Doyline Waterworks District I, Louisiana
Webster Parish Police Jury

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

E. Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to debt service and customer meter deposits.

F. Capital Assets

Capital assets include property, plant, and equipment, and infrastructure assets. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

| | |
|------------------------------|----------|
| Distribution system | 40 Years |
| Equipment / Storage Building | 10 years |

G. Long-Term Obligations

In the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Long-term debt consists primarily of bonds payable.

H. Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America require management to make estimates and assumptions that effect 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Doyline Waterworks District I, Louisiana
Webster Parish Police Jury

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

2. CASH AND CASH EQUIVALENTS

At June 30, 2004, Doyline Waterworks District I has cash and cash equivalents with book balances totaling \$112,034 as follows:

| | |
|----------------------------------|-------------------|
| Demand deposits | \$ 562 |
| Interest-bearing demand deposits | <u>111,472</u> |
| Total | <u>\$ 112,034</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 equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2004, Doyline Waterworks District I had \$117,139 in deposits (collected bank balances). These deposits were secured from risk by \$101,051 of federal deposit insurance. The remaining balance of \$16,088 was not secured by the pledge of securities and is a violation of state law.

Even though the pledged securities are considered uncollateralized (category 3) under the provisions of GASB Statement 3, R.S. 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 entity that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

Accounts receivable for water customers are analyzed periodically and accounts considered to be uncollectible are charged off. For the year ended June 30, 2004, \$546 of accounts receivable were charged off. Past due accounts totaled \$1,563 at June 30, 2004.

Accounts receivable for water customers total \$15,922 at June 30, 2004.

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2004 for Doyline Waterworks District I is as follows:

**Doyline Waterworks District I, Louisiana
Webster Parish Police Jury**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

| Capital assets <u>Being depreciated</u> | Beginning <u>Balance</u> | <u>Increases</u> | <u>Decreases</u> | Ending <u>Balance</u> |
|--|-----------------------------|------------------|------------------|--------------------------|
| Distribution system | \$ 766,062 | - | - | \$ 766,062 |
| Equipment / Storage Building | <u>14,508</u> | - | - | <u>14,508</u> |
| Total capital assets being Depreciated | 780,570 | - | - | 780,570 |
| Less accumulated depreciation | <u>341,714</u> | <u>20,248</u> | - | <u>361,962</u> |
| Total business-type activities, Net | <u>\$ 438,856</u> | <u>\$ 20,248</u> | <u>\$ -</u> | <u>\$ 418,608</u> |

5. NOTES PAYABLE

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) note payable for the year ended June 30, 2004:

| | |
|---|-------------------------------------|
| \$431,700 water revenue bond dated April 25, 1985, due in annual installments ranging from \$33,354 to \$27,885, including interest at 7.25% due April 25, 2025 | \$ 349,700 |
| Less current portion | <u>(8,000)</u> <u>\$ 341,700</u> |

The annual requirements to amortize all long-term debt as of June 30, 2004 are as follows:

| <u>Year ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-------------------|-------------------|-------------------|
| 2005 | \$ 8,000 | \$ 25,353 | \$ 33,353 |
| 2006 | 8,000 | 24,773 | 32,773 |
| 2007 | 9,000 | 24,193 | 33,193 |
| 2008 | 9,700 | 23,541 | 33,241 |
| 2009 | 10,000 | 22,838 | 32,838 |
| 2010-2014 | 63,000 | 101,935 | 164,935 |
| 2015-2019 | 90,000 | 75,400 | 165,400 |
| 2020-2024 | 126,000 | 38,135 | 164,135 |
| 2025 | <u>26,000</u> | <u>1,885</u> | <u>27,885</u> |
| Total | <u>\$ 349,700</u> | <u>\$ 338,053</u> | <u>\$ 687,753</u> |

Under the terms of the water revenue bonds, the following funds are to be maintained with respect to the bonds:

Doyline Waterworks District I, Louisiana
Webster Parish Police Jury

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

- A. As provided in the Resolution, all income and revenues earned or derived from the operation of the System shall be deposited in the Revenue Fund. Out of the funds on deposit in the Revenue Fund, after the reasonable and necessary expenses of operating and maintaining the System have been paid, monies are to be transferred to the Sinking Fund, the Reserve Fund and/or the Contingency Fund as provided in the Resolution.
- B. The issuer is required by the Resolution to make monthly deposits into the Sinking Fund, the Reserve Fund, and the Contingency Fund from the net revenues, no later than the 20th day of each month. All amounts deposited in the Sinking Fund are expected to be deleted at least once a year on April 25 (the principal and interest payment date for the bonds), except for a reasonable carryover amount which will not exceed the greater of (1) one year's earnings on such funds, or (2) 1/12 of the annual debt service on the bonds and any additional parity bonds payable there from.
- C. The Reserve Fund is maintained solely for the purpose of paying the principal of and the interest on bonds payable from the Sinking Fund as to which there would otherwise be default. A monthly payment at least equal to five percent (5%) of the monthly Sinking Fund payment will be deposited until an amount equal to the Reserve Fund requirement is accumulated therein.
- D. The Contingency Fund is established to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System, by transferring from the System Fund on or before the 20th day of each month of each year a sum of \$139. Such payments into the Contingency Fund are to continue over the life of the bonds. The Contingency Fund may also be used to pay the principal and interest on bonds authorized for the payment of which there is not sufficient money in the Sinking Fund or Reserve Fund.

6. WELL SITE RENT

The District entered into an operating lease agreement on December 20, 1984, for forty years with an annual lease rental payment of an amount equal to twice the minimum water charge per month for residential users for the purpose of the operation and maintenance of a well and a water distribution system located on

Doyline Waterworks District I, Louisiana
Webster Parish Police Jury

Notes to the Financial Statements
As of and for the Year Ended June 30, 2004

the Carter property. Total lease payments for the year ended June 30, 2004 totaled \$360.

The District also entered into an operating lease agreement on October 21, 1987, for forty years with an annual lease rental payment of an amount equal to twice the minimum water charge per month for residential users for the purpose of the operation and maintenance of a well and a water distribution system located on the Bass property. Total lease payments for the year ended June 30, 2004 totaled \$240.

7. RESTRICTED ASSETS

Restricted assets of Doyline Waterworks District I at June 30, 2004 are as follows:

| | |
|-------------------------|------------------|
| Customer meter deposits | \$ 21,747 |
| Reserve fund | 31,240 |
| Sinking fund | 7,140 |
| Contingency fund | <u>28,311</u> |
| | <u>\$ 88,438</u> |

OTHER SUPPLEMENTAL SCHEDULES

**Doyline Waterworks District I, Louisiana
Webster Parish Police Jury**

**Schedule of Compensation Paid Board Members
For the Year Ended June 30, 2004**

| <u>Board Member</u> | <u>Compensation Paid</u> |
|---------------------------------|--------------------------|
| Billy Reeves, President | None |
| Charles Stewart, Vice President | None |
| Betty Ballard, Sec/Treasurer | None |
| Stanley Brown | None |
| Donald Lisoski | None |
| Gene Tatro | None |
| Paul Smith | None |

OTHER REPORTS

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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**

The Board of Commissioners of Doyline
Waterworks District I
Doyline, Louisiana

We have audited the financial statements of the business-type activities of Doyline Waterworks District I, Louisiana, as of and for the year ended June 30, 2004, which collectively comprise Doyline Waterworks District I, Louisiana's basic financial statements and have issued our report thereon dated December 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

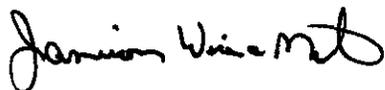
As part of obtaining reasonable assurance about whether Doyline Waterworks District I, Louisiana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances on noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of current year findings, recommendations and corrective action plan as items 04-01 and 04-02. We also noted certain immaterial instances of noncompliance that we have reported to management of Doyline Waterworks District I, Louisiana, in a separate letter dated December 1, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Doyline Waterworks District, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, could adversely affect Doyline Waterworks District I, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of current year findings, recommendations, and corrective action plan as items 04-01 and 04-02.

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. 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 solely for the information and use of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Minden, Louisiana
December 1, 2004

**Doyline Waterworks District I
Webster Parish Police Jury**

Current Year Findings, Recommendations, and Corrective Action Plan
June 30, 2004

04-01 Deposits in Excess of Security

Criteria: According to LA R.S. 39:1225, the amount of the security shall at all times be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

Condition: Doyline Waterworks District I had \$16,088 of unsecured cash deposits on hand at June 30, 2004.

Recommendation: We recommend that Doyline Waterworks District I have pledged securities in the amount of the excess deposits on hand at any given date. Management should monitor these balances on a regular basis to ensure that the District is not exposed to the risk of unsecured deposits.

Management's Response / Corrective Action Plan: Management was unaware of the need to secure deposits on hand above that covered by FDIC. Steps will be taken immediately to cover the excess risk and management will monitor the balances for such risk in the future.

04-02 Ad Valorem Taxes Collected in Excess of Bond Repayment

Criteria: On May 5, 1984, the voters of Doyline Waterworks District I approved the issuance of general obligation bonds in the amount of \$41,300 for the purpose of constructing and acquiring extensions and improvements to the waterworks system of the District. The general obligation bonds were to be payable from the levy of ad valorem taxes.

Condition: The general obligation bonds were retired on June 14, 2000; however, the ad valorem taxes were assessed and collected for the 2003 year.

Recommendation: Management should consult with legal counsel to determine the proper use or disposition of the ad valorem taxes collected subsequent to the retirement of the related general obligation bond. The Webster Parish Tax Assessor should be notified that the bonds have been paid off and the tax for 2004 should not be collected.

Management's Response / Corrective Action Plan: On May 18, 2004, a letter was sent to the Webster Parish Tax Assessor requesting that ad valorem taxes for 2004 in relation to the Doyline Waterworks District I general obligation bond not be collected as the bond was paid out early.

**Doyline Waterworks District I
Webster Parish Police Jury**

Status of Prior Audit Findings
June 30, 2004

Item 03-1

Description: Doyline Waterworks District I did not comply with the annual financial reporting requirements of R.S. 25:514 in that they did not have an annual compilation of its financial statements accompanied by an attestation report.

Corrective Action Taken: This item has been corrected. Doyline Waterworks District I had an audit as specifically required by the Legislative Auditor for the years ending June 30, 2003 and June 30, 2004

Item 03-2

Description: Doyline Waterworks District I was unable to provide evidence that it had provided timely notification of meetings to the public in the manner required by R.S. 42:7A

Corrective Action taken: This item has been corrected. Doyline Waterworks District I has posted notices of all meetings as required by the state statute and within the prescribed time limits. The District has also retained documentation to support compliance with the statute.

Item 03-3

Description: Doyline Waterworks District I did not publish the proceedings of board meetings or annual financial reports as required by R.S. 43:171

Corrective Action Taken: This item has been corrected. All minutes have been published in the local journal as required.

Item 03-4

Description: Vacancies occurring in the Board of Commissioners for Doyline Waterworks District I were not filled by appointees of the Webster Parish Police Jury as required by R.S. 33:3813(l).

Corrective Action Taken: This item has been corrected. All vacancies have been filled by the Webster Parish Police Jury or the Village of Doyline as required.

**Doyline Waterworks District I
Webster Parish Police Jury**

Status of Prior Audit Findings
June 30, 2004

Item 03-5

Description: Doyline Waterworks District I failed to properly report wages paid to the clerk and failed to withhold or pay payroll taxes and the related unemployment taxes accrued for that service. The District also failed to properly report amounts paid to contract employees as required by the Internal Revenue Service.

Corrective Action Taken: This item has been corrected. Doyline Waterworks District I does not have any employees that make it subject to payroll withholding or unemployment taxes. All employees are contract employees and have current contracts on file with the District. In addition, the amounts earned by the contract employees have been properly reported to the Internal Revenue Service.

Item 03-6

Description: Doyline Waterworks District I assessed and collected property taxes dedicated to fund the 1984 General obligation bonds after said bonds were retired on June 14, 2000.

Corrective Action Taken: Reported as a finding in the current year, however, the District has submitted notice to the Webster Parish Tax Assessors office not to assess the taxes for 2004 tax year.

Item 03-7

Description: Elizabeth Wilson was paid as a contract employee for reading water meters while employed as a water clerk, and James Pickett, the brother of Chairman Bobby Pickett, performed contract well maintenance services for the District.

Corrective Action taken: This item has been corrected. Bobby Pickett is no longer on the Board of Commissioners and Elizabeth Wilson is no longer employed by the District. The District has reviewed the relationship of persons performing services for them and they have determined they currently do not have any prohibited contractual arrangements.

Item 03-8

Description: The clerk was hired as water clerk for the District on or about January 12, 2000. Her step-father was recorded as a member of the Board of

**Doyline Waterworks District I
Webster Parish Police Jury**

Status of Prior Audit Findings
June 30, 2004

Commissioners in the minutes of the October 18, 1999, January 17, 2000, and February 21, 2000 meetings.

Corrective Action Taken: This item has been corrected. The clerk, as mentioned above, no longer works for the District and her step-father is no longer a board member. The District is currently in compliance with the Louisiana Code of Government Ethics.

Item 03-9

Description: One customer has been provided water service without paying the required deposit of \$100. Five individuals were provided water service prior to paying their required deposits.

Corrective Action Taken: This item has been corrected. Full payment of all deposits and fees are required in advance to connecting water service to all customers.

Item 03-10

Description: The District did not hold a public Board of Commissioners meeting during the period from January 21, 2002 to July 15, 2002 and was in violation of R.S. 33:3819(A).

Corrective Action Taken: This item has been corrected. The District is scheduled to hold meetings on the first Thursday of each month.

Item 03-11

Description: A single employee (the clerk) performs certain critical duties for the District resulting in a lack of effective segregation of key duties.

Corrective Action taken: This item has been corrected. Conflicting duties have been segregated by having the board members assume responsibilities for key internal control functions.

Item 03-12

Description: The District was unable to provide monthly reconciliations for its bank accounts.

**Doyline Waterworks District I
Webster Parish Police Jury**

Status of Prior Audit Findings
June 30, 2004

Corrective Action Taken: This item has been corrected. Bank accounts are reconciled monthly and are presented at the monthly meetings of the Board of Commissioners for review.

Item 03-13

Description: The clerk does not prepare a formal credit memo to make an adjustment to customers' accounts. A list of adjustments is sent to the service organization without the approval or review of any District official.

Corrective Action Taken: This item has been corrected. A formal credit memo is prepared on a monthly basis and is approved by the Board before any adjustments are made.

Item 03-14

Description: The minutes of Doyline Waterworks District I did not reflect that the Board of Commissioners reviewed or approved cash disbursements made by the District.

Corrective Action Taken: This item has been corrected. Cash disbursement journals are provided for inspection and approval at each monthly meeting and approval is recorded in the minutes.

JAMIESON, WISE & MARTIN
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MANAGEMENT LETTER

The Board of Commissioners of Doyline
Waterworks District I
Doyline, Louisiana

We have audited the financial statements of Doyline Waterworks District I, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 1, 2004.

In connection with our audit, we made certain observations relative to the records maintained, the accounting procedures in effect, and the overall administration of the financial affairs of the District. As a supplement to the reports, we submit for your consideration pertaining to the following observations which did not meet the criteria of being material to the financial statements.

Compliance and internal control items considered non-material to the financial statements:

2004-01(A): Deposit of Transferred Funds

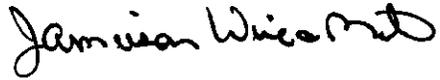
During our audit, it was noted that checks being written from the revenue account to be transferred to the various accounts required by the bond had significant time between the date the check was written and the date the check was deposited. We suggest that these transfers be made in a timelier manner to ensure that the deposits are properly made and accounted for and to comply with the bond requirements in that they are deposited by the 20th of each month.

2004-02(B): Unclaimed Meter Deposits

The District is holding approximately \$723 in unclaimed meter deposits that were refunded to prior water customers that cannot now be located. We suggest that these types of deposits be turned over the state once per year to relieve the District of the burden of accounting for the funds and trying to track down the owners.

Prior audit finding have been addressed by the District's management unless included in the above comments. Should you have any questions concerning the content of this letter or if we can be of any additional service, please contact us at your convenience.

Very truly yours,

A handwritten signature in black ink that reads "Jamieson Wise Martin". The signature is written in a cursive style with a large, stylized initial 'J'.

Jamieson, Wise & Martin
December 1, 2004

Doyline Waterworks District #1
PO Box 597
Doyline, LA 71023

December 27, 2004

Jamieson, Wise and Martin
601 Main Street
PO Box 897
Minden, LA 71058-0897

Re: Management Letter

Dear Mr. Martin,

Listed below are the actions that we have taken in each area:

Item: 2004-01(A)

In order to ensure that deposits and transfers are made in a more timely manner, management has decided that Secretary/Treasurer will mail deposits and transfers to Richland Bank after checks are signed.

Item: 2004-02(B)

The District has applied for and received copies of the necessary forms to turn the unclaimed meter deposits over to the state once a year to relieve the burden on the District of having to track down the owners.

If you have any questions please feel free to call me at 318-631-3081 days or 318-745-2402 evenings.

Sincerely,



Betty A. Ballard
Secretary/Treasurer
Doyline Waterworks District 1