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**LINCOLN PARISH  
WATERWORKS DISTRICT #3**

**FINANCIAL STATEMENTS**

SEPTEMBER 30, 2003

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 4.28.04

# LINCOLN PARISH WATERWORKS DISTRICT #3

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

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**McGEHEE AND KEEN, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

P.O. Box 1344  
806 North Trenton  
Ruston, Louisiana 71273-1344

**INDEPENDENT AUDITORS' REPORT**

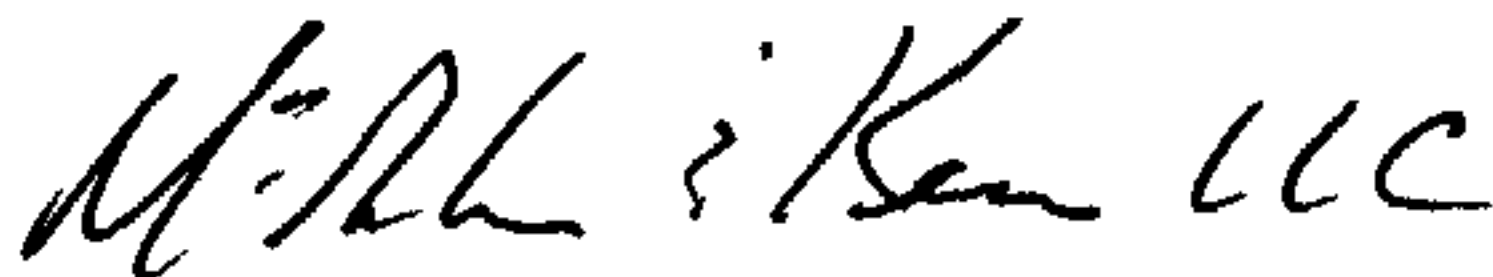
Commissioners of the  
Lincoln Parish Waterworks District #3  
P.O.Box 366  
Ruston, Louisiana 71273

We 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, 2003 and 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Lincoln Parish Waterworks District #3's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits 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 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. We believe that our audits provide a reasonable basis for our opinion.

In our 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, 2003 and 2002, and the results of its operations and cash flows for the years 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 February 11, 2004, on our consideration of Lincoln Parish Waterworks District #3's internal control over financial reporting and 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.



McGehee and Keen, LLC  
Certified Public Accountants  
February 11, 2004

# LINCOLN PARISH WATERWORKS DISTRICT #3

## BALANCE SHEETS

AS OF SEPTEMBER 30, 2003 AND 2002

	2003	2002
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 20,731	\$ 40,344
Certificates of Deposit	78,953	86,721
Accounts Receivable	25,612	23,217
Due from Other Government Units	200	600
Interest Receivable	819	604
Prepaid Expenses	4,045	2,169
<b>TOTAL CURRENT ASSETS</b>	<b>130,360</b>	<b>153,655</b>
<b>RESTRICTED ASSETS</b>		
Cash and Cash Equivalents	89,592	82,662
Investments	87,474	83,892
<b>TOTAL RESTRICTED ASSETS</b>	<b>177,066</b>	<b>166,554</b>
<b>PLANT AND EQUIPMENT - NET OF ACCUMULATED DEPRECIATION OF \$825,475 AND \$761,470</b>	<b>1,447,274</b>	<b>1,509,777</b>
<b>OTHER ASSETS</b>		
Deposit for Permit	50	100
Bond Fees, Net of Accumulated Amortization of \$4,195 and \$3,534	12,786	13,447
<b>TOTAL OTHER ASSETS</b>	<b>12,836</b>	<b>13,547</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,767,536</b>	<b>\$ 1,843,533</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 3,503	\$ 3,847
Retainage Payable	0	26,891
Accrued Payroll	591	540
Due to Other Government Units	3,882	2,903
Accrued Liabilities	1,012	1,685
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,988</b>	<b>35,866</b>
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Water Customers' Deposits	50,732	48,167
Sewer Customers' Deposits	4,300	4,025
Current Maturities of Long-Term Debt	28,643	27,190
Accrued Interest Payable	4,220	4,378
<b>TOTAL CURRENT LIABILITIES - From Restricted Assets</b>	<b>87,895</b>	<b>83,760</b>
<b>LONG-TERM DEBT (Less Current Maturities)</b>	<b>762,711</b>	<b>794,639</b>
<b>TOTAL LIABILITIES</b>	<b>859,594</b>	<b>914,265</b>
<b>EQUITY</b>		
<b>CONTRIBUTED CAPITAL</b>	<b>789,049</b>	<b>789,049</b>
<b>RETAINED EARNINGS</b>		
Reserved for Repairs and Maintenance	76,393	72,318
Unreserved Retained Earnings	42,500	67,901
<b>TOTAL RETAINED EARNINGS</b>	<b>118,893</b>	<b>140,219</b>
<b>TOTAL EQUITY</b>	<b>907,942</b>	<b>929,268</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,767,536</b>	<b>\$ 1,843,533</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, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Water Sales	\$ 212,813	\$ 213,042
New Installations	1,935	5,307
Penalties	9,829	10,230
Collection Fees	4,360	4,580
Sewage Collection Fee	2,400	2,400
Reconnection Fees	2,300	2,200
Miscellaneous Income	564	4,510
<b>TOTAL REVENUES</b>	<u>234,201</u>	<u>242,269</u>
<b>EXPENSES</b>		
Accounting	12,365	13,900
Bad Debts	1,323	1,042
Commissioners' Fees	1,800	2,250
Depreciation and Amortization	64,665	58,717
Installations	1,250	4,625
Insurance	4,829	5,764
Meter Maintenance	5,163	5,255
Meter Reading	6,270	5,475
Miscellaneous Expenses	763	327
Office Supplies	5,776	5,732
Outside Labor	4,702	4,253
Repairs and Maintenance	26,429	21,166
Safe Water Administration Fee	1,930	1,768
Salaries and Wages	29,458	26,790
System Supplies	3,518	3,789
Taxes-Payroll	3,702	3,404
Training and Travel	325	156
Utilities	43,751	30,776
<b>TOTAL EXPENSES</b>	<u>218,019</u>	<u>195,189</u>
<b>OPERATING INCOME</b>	16,182	47,080
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest Income	8,567	11,701
Interest Expense	(46,075)	(33,159)
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>(37,508)</u>	<u>(21,458)</u>
<b>NET INCOME (LOSS)</b>	(21,326)	25,622
<b>RETAINED EARNINGS-BEGINNING</b>	<u>140,219</u>	<u>114,597</u>
<b>RETAINED EARNINGS-ENDING</b>	<u>\$ 118,893</u>	<u>\$ 140,219</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, 2003 AND 2002**

	2003		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Water Sales	\$ 201,000	\$ 212,813	\$ 11,813
New Installations	9,400	1,935	(7,465)
Penalties	9,200	9,829	629
Collection Fees	4,500	4,360	(140)
Sewage Collection Fee	2,400	2,400	0
Reconnection Fees	1,900	2,300	400
Miscellaneous Income	700	564	(136)
<b>TOTAL REVENUES</b>	<u>229,100</u>	<u>234,201</u>	<u>5,101</u>
<b>EXPENSES</b>			
Accounting	12,000	12,365	(365)
Bad Debts	1,100	1,323	(223)
Commissioners' Fees	2,250	1,800	450
Depreciation and Amortization	70,000	64,665	5,335
Installations	6,000	1,250	4,750
Insurance	4,500	4,829	(329)
Meter Maintenance	6,000	5,163	837
Meter Reading	6,300	6,270	30
Miscellaneous Expenses	400	763	(363)
Office Supplies	5,100	5,776	(676)
Outside Labor	4,700	4,702	(2)
Repairs and Maintenance	18,000	26,429	(8,429)
Safe Water Administration Fee	2,000	1,930	70
Salaries and Wages	29,500	29,458	42
System Supplies	3,500	3,518	(18)
Taxes-Payroll	3,500	3,702	(202)
Training and Travel	400	325	75
Utilities	32,000	43,751	(11,751)
<b>TOTAL EXPENSES</b>	<u>207,250</u>	<u>218,019</u>	<u>(10,769)</u>
<b>OPERATING INCOME</b>	21,850	16,182	(5,668)
<b>NON-OPERATING REVENUE (EXPENSES)</b>			
Interest Income	4,900	8,567	3,667
Interest Expense	(45,900)	(46,075)	(175)
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>(41,000)</u>	<u>(37,508)</u>	<u>3,492</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (19,150)</u>	<u>\$ (21,326)</u>	<u>\$ (2,176)</u>

See accompanying notes to financial statements.

2002

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 200,000	\$ 213,042	\$ 13,042
9,400	5,307	(4,093)
9,200	10,230	1,030
4,400	4,580	180
2,400	2,400	0
1,900	2,200	300
400	4,510	4,110
<u>227,700</u>	<u>242,269</u>	<u>14,569</u>
11,700	13,900	(2,200)
2,000	1,042	958
2,250	2,250	0
53,000	58,717	(5,717)
6,000	4,625	1,375
4,500	5,764	(1,264)
6,000	5,255	745
5,700	5,475	225
500	327	173
5,100	5,732	(632)
4,300	4,253	47
19,000	21,166	(2,166)
2,000	1,768	232
27,000	26,790	210
5,000	3,789	1,211
3,500	3,404	96
0	156	(156)
<u>42,000</u>	<u>30,776</u>	<u>11,224</u>
<u>199,550</u>	<u>195,189</u>	<u>4,361</u>
28,150	47,080	18,930
15,000	11,701	(3,299)
<u>(47,300)</u>	<u>(33,159)</u>	<u>14,141</u>
<u>(32,300)</u>	<u>(21,458)</u>	<u>10,842</u>
<u>\$ (4,150)</u>	<u>\$ 25,622</u>	<u>\$ 29,772</u>



# LINCOLN PARISH WATERWORKS DISTRICT #3

## STATEMENT OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Users	\$ 236,024	\$ 243,691
Cash Payments for Goods and Services	(126,738)	(108,073)
Cash Payments to Employees	(29,407)	(26,790)
Net Cash Provided by Operating Activities	79,879	108,828
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(166,427)	(170,612)
Proceeds from Sale of Investments	170,612	382,643
Interest Received	8,354	12,648
Net Cash Used by Investing Activities	12,539	224,679
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(30,475)	(28,771)
Interest Paid	(46,233)	(33,612)
Purchase of Fixed Assets	(1,502)	(18,639)
Construction of New Well	(26,891)	(263,302)
Net Cash Provided (Used) by Capital and Related Financing Activities	(105,101)	(344,324)
<b>NET INCREASE (DECREASE ) IN CASH</b>	(12,683)	(10,817)
<b>CASH AT BEGINNING OF YEAR</b>	123,006	133,823
<b>CASH AT END OF YEAR</b>	\$ 110,323	\$ 123,006
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating Income	\$ 16,182	\$ 47,080
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	64,665	58,717
Changes in Assets and Liabilities Which Required or Provided Cash:		
(Increase) Decrease in Accounts Receivable	(2,395)	1,811
(Increase) Decrease in Due from Police Jury	400	0
(Increase) Decrease in Prepaid Expenses	(1,876)	(571)
(Increase) Decrease in Deposit for Permit	50	(100)
Increase (Decrease) in Accounts Payable	(344)	792
Increase (Decrease) in Accrued Payroll	51	0
Increase (Decrease) in Customers' Deposits	2,840	(204)
Increase (Decrease) in Due to Police Jury	979	(186)
Increase (Decrease) in Accrued Liabilities	(673)	1,489
Total Adjustments	63,697	61,748
Net Cash Provided by Operating Activities	\$ 79,879	\$ 108,828

See accompanying notes to financial statements.



# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

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, 2003 and 2002, as required by the U.S. Department of Agriculture - Rural Economic and Community Development. The budget for each year ended September 30, 2003 and 2002 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, 2003

### 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, January 15, 1992, and May 24, 2001, 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 \$72,882.
- (c) An amount equal to five percent (5%) of the amount to be paid into the Sinking Fund must be deposited into the Waterworks Depreciation Fund.

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

### 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
Land Improvements	15 years
Water Lines and Well	20-50 years
Equipment	5-15 years

Interest incurred during the construction of a fixed asset is capitalized in the cost of the asset constructed, net of interest earned on the invested proceeds over the same period.

In 2002, \$47,422 of interest was incurred, of which \$14,263 was determined to be a capitalizable cost of the new well being constructed. This interest expense was netted with interest earnings of \$3,499, for a net capitalized interest cost of \$10,764 in 2002.

#### 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, 2003, the carrying amount of the District's deposits was \$276,650 and there was a petty cash fund of \$100. The bank balance for the deposits was \$285,264. Of the bank balance, \$223,478 was covered by federal depository insurance and \$61,786 was covered by pledged securities held as collateral 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 repairs and maintenance of the water system. These assets consist of cash and investments restricted at September 30, as follows:

	<u>2003</u>	<u>2002</u>
Debt Service-Sinking Fund	\$ 15,456	\$ 15,454
Debt Service-Reserve Fund	30,185	26,590
Repairs and Maintenance	76,393	72,318
Customer Deposits	<u>55,032</u>	<u>52,192</u>
Total Restricted Assets	<u>\$ 177,066</u>	<u>\$ 166,554</u>

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2003

**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:

	2003	2002
Due from Lincoln Parish Police Jury	\$ 200	\$ 600

**NOTE 5 - PLANT AND EQUIPMENT**

The following is a summary of plant and equipment for the years ending September 30, 2003 and 2002:

	2003	2002
Land	\$ 19,585	\$ 19,585
Land Improvements	6,060	6,060
Buildings	103,593	103,122
Water Wells, Lines, Furniture and Equipment	2,143,511	2,142,480
Less: Accumulated Depreciation	(825,475)	(761,470)
Net Plant and Equipment	\$ 1,447,274	\$ 1,509,777

**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:

	2003	2002
Due to Lincoln Parish Police Jury	\$ 3,882	\$ 2,903

**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, 2002	\$ 807,353	\$ 14,476	\$ 821,829
Debt Retired	(26,144)	(4,331)	(30,475)
Balance at September 30, 2003	781,209	10,145	791,354
Less Current Maturities	(27,716)	(927)	(28,643)
Long-Term Debt at September 30, 2003	\$ 753,493	\$ 9,218	\$ 762,711

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.

\$ 33,000



# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

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

\$568,000 Waterworks Revenue Bonds, dated January 15, 1992, due in annual installments of \$36,823 on August 26th of each year through 2031; interest at 5.75%; secured by revenues earned by the District from the operation of the waterworks system.	\$ 506,209
\$250,000 Waterworks Revenue Bonds, Series 2001, dated May 24, 2001, due in annual principal installments of \$10,962 - \$27,803 and semi-annual interest payments of \$803 - \$6,962 through August 26, 2016; interest at an effective rate of approximately 5.56% through August 26, 2006, and 5.95% thereafter until maturity; secured by revenues earned by the District from the operation of the waterworks system.	242,000
<u>Revenue Promissory Note</u>	
\$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.	<u>10,145</u>
Total Long-Term Debt	791,354
Less Current Maturities	<u>(28,643)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 762,711</u>

The annual debt service requirements to maturity for all debt outstanding as of September 30, 2003, is as follows:

	Bonds		Note		Total
	Principal	Interest	Principal	Interest	
2004	\$ 27,716	\$ 44,204	\$ 927	\$ 99	\$ 72,946
2005	30,160	42,722	4,280	346	77,508
2006	24,629	41,106	4,441	185	70,361
2007	26,125	40,609	497	19	67,250
2008	27,650	39,073	0	0	66,723
2009-2013	162,241	169,122	0	0	331,363
2014-2018	152,702	117,757	0	0	270,459
2019-2023	100,117	84,000	0	0	184,117
2024-2028	132,407	51,711	0	0	184,118
2029-2031	<u>97,462</u>	<u>11,324</u>	<u>0</u>	<u>0</u>	<u>108,786</u>
Totals	<u>\$ 781,209</u>	<u>\$ 641,628</u>	<u>\$ 10,145</u>	<u>\$ 649</u>	<u>\$1,433,631</u>

### NOTE 8 - BOND FEES

The Lincoln Parish Waterworks District #3 capitalized \$11,321 in bond issue costs paid to the Louisiana Public Facilities Authority (LPFA) in 1992, related to the bonds issued that year. These costs are being amortized over 40 years. In 2001 the District capitalized \$5,660 in bond issue costs related to the bonds issued that year. These costs are being amortized over 15 years.

The following is a summary of the unamortized bond issue cost for the years ending September 30, 2003 and 2002:

	2003	2002
LPFA Bond Fees	\$ 11,321	\$ 11,321
2001 Bond Fees	5,660	5,660
Less: Accumulated Amortization	<u>(4,195)</u>	<u>(3,534)</u>
Net Bond Fees	<u>\$ 12,786</u>	<u>\$ 13,447</u>

# LINCOLN PARISH WATERWORKS DISTRICT #3

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

### 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 - FEES TO COMMISSIONERS

Fees paid to the commissioners of the Lincoln Parish Waterworks District #3 for the year ended September 30, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
James Albritton	\$ 0	\$ 450
Jack Allen	360	450
Willard Anderson	360	450
G.W. Kimble	360	450
Jay Robbins	360	0
Don Smith	360	450
Total	<u>\$ 1,800</u>	<u>\$ 2,250</u>

## **ADDITIONAL REPORT**



**McGEHEE AND KEEN, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

P.O. Box 1344  
806 North Trenton  
Ruston, Louisiana 71273-1344

**INDEPENDENT AUDITORS' 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

We 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, 2003, and have issued our report thereon dated February 11, 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 the Lincoln Parish Waterworks District #3's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

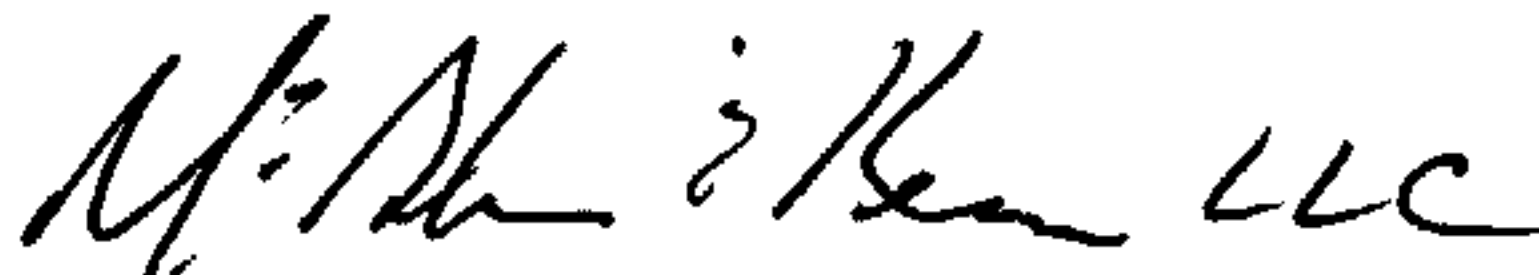
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lincoln Parish Waterworks District #3's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the 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 in the accompanying schedule of findings and questioned costs as item 2003-1.

PAGE TWO

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



McGehee and Keen, LLC  
Certified Public Accountants  
February 11, 2004

**LINCOLN PARISH WATERWORKS DISTRICT #3**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2003**

We have audited the financial statements of the Lincoln Parish Waterworks District #3, as of and for the year ended September 30, 2003, and have issued our report thereon dated February 11, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of September 30, 2003 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**

**2003-1.** 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.

**LINCOLN PARISH WATERWORKS DISTRICT #3**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

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

**2002-1** Too few personnel involved in the accounting system to have adequate separation of duties for internal control.

Unresolved. See 2003-1.

**SECTION II MANAGEMENT LETTER**

No findings.

**LINCOLN PARISH WATERWORKS DISTRICT #3**

MANAGEMENT'S CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2003

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

**FINDING**

**RESPONSE**

**2003-1** 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**

No findings.