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**TREEMONT WATER DISTRICT  
Choudrant, Louisiana**

**General Purpose Financial Statements  
With Independent Auditor's Report  
As of and for the Year Ended  
June 30, 2000  
With Supplemental Information Schedules**

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 11-15-00

TREEMONT WATER DISTRICT  
Choudrant, Louisiana

General Purpose Financial Statements  
With Independent Auditor's Report  
As of and for the Year Ended  
June 30, 2000  
With Supplemental Information Schedules

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*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

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**Independent Auditor's Report**

BOARD OF COMMISSIONERS  
TREMONT WATER DISTRICT  
Choudrant, Louisiana

I have audited the accompanying general purpose financial statements of Treemont Water District, a component unit of the Lincoln Parish Police Jury, as of June 30, 2000, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the district's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

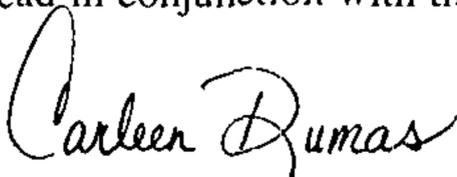
I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable 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 in the first paragraph present fairly, in all material respects, the financial position of Treemont Water District, as of June 30, 2000, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

BOARD OF COMMISSIONERS  
TREEMONT WATER DISTRICT  
Choudrant, Louisiana  
Independent Auditor's Report  
June 30, 2000

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of Treemont Water District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 31, 2000 on my consideration of Treemont Water District's internal control over financial reporting and my tests of the district's compliance with certain provisions of laws, regulations, and contracts. 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 my audit.



Calhoun, Louisiana  
October 31, 2000

**GENERAL PURPOSE FINANCIAL STATEMENTS**

TREEMONT WATER DISTRICT  
Choudrant, Louisiana  
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Balance Sheet, June 30, 2000

**ASSETS**

## Current assets:

Cash	\$31,476
Accounts receivable	4,221
Total current assets	<u>35,697</u>

## Restricted assets:

Cash - contingency account	1,030
Investment - reserve account	8,000
Total restricted assets	<u>9,030</u>

Property, plant and equipment (net of accumulated depreciation)	<u>328,826</u>
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<b>TOTAL ASSETS</b>	<u><u>\$373,553</u></u>
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**LIABILITIES AND FUND EQUITY**

## Current liabilities (payable from current assets):

Accounts payable	\$1,538
Sales tax payable	80
Accrued interest payable	278
Revenue bonds payable - current	1,280
Total current liabilities (payable from current assets)	<u>3,176</u>

Long-term liabilities - revenue bonds payable	<u>128,211</u>
Total liabilities	<u>131,387</u>

## Fund Equity:

Contributed capital	<u>236,000</u>
Retained earnings:	
Reserved for revenue bonds	9,030
Unreserved (deficit)	<u>(2,864)</u>
Total retained earnings	<u>6,166</u>
Total fund equity	<u>242,166</u>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>373,553</u></u>
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The accompanying notes are an integral part of this statement.

TREMONT WATER DISTRICT  
Choudrant, Louisiana  
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Revenues, Expenses, and  
Changes in Retained Earnings  
For the Year Ended June 30, 2000

<b>OPERATING REVENUES</b>	
Water sales	\$35,149
Membership fees	400
Total operating revenues	<u>35,549</u>
<b>OPERATING EXPENSES</b>	
Bookkeeping	2,976
Contract labor	2,400
Depreciation	9,722
Insurance	200
Meter reading	1,500
Office expense	879
Postage	217
Professional services	2,600
Repairs	1,234
Supplies and parts	205
Water purchase	13,847
Other operating expenses	195
Total operating expenses	<u>35,975</u>
<b>OPERATING INCOME</b>	<u>(426)</u>
<b>NON-OPERATING REVENUES (Expenses)</b>	
Interest income	997
Other non-operating revenue	8,103
Interest expense	<u>(6,175)</u>
Total non-operating revenues (expenses)	<u>2,925</u>
<b>NET INCOME</b>	2,499
<b>RETAINED EARNINGS AT BEGINNING OF YEAR</b>	<u>3,667</u>
<b>RETAINED EARNINGS AT END OF YEAR</b>	<u><u>\$6,166</u></u>

The accompanying notes are an integral part of this statement.

TREEMONT WATER DISTRICT  
Choudrant, Louisiana  
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Cash Flows  
For the Year Ended June 30, 2000

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating Income (Loss)	<u>(\$426)</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	9,722
Increase in accounts receivable	(220)
Decrease in taxes payable	(4)
Increase in accounts payable	<u>692</u>
Total adjustments	<u>10,190</u>
Net cash provided by operating activities	<u>9,764</u>

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Principal paid on revenue bonds	(1,206)
Interest paid on revenue bonds	(6,386)
Purchase of investment	(8,000)
Purchase of equipment	(1,025)
State connection fee	<u>8,103</u>
Net cash used by capital financing activities	<u>(8,514)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earnings on bank deposits	<u>997</u>
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**NET INCREASE IN CASH**

2,247

**CASH AT BEGINNING OF YEAR**30,259**CASH AT END OF YEAR**\$32,506

The accompanying notes are an integral part of this statement.

TREEMONT WATER DISTRICT  
Choudrant, Louisiana

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2000

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Treemont Water District was created by the Lincoln Parish Police Jury on October 8, 1991, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district was altered and enlarged by the Lincoln Parish Police Jury on August 22, 1995. All existing water distribution lines in the service area were abandoned and efforts to officially organize the Treemont Waterworks District were begun in April 1996. On August 5, 1997 the construction of the system was substantially completed and the system began providing water service to residents in the district. The district is governed by a five member board appointed by the police jury to serve indefinite terms of office. The district has no employees and serves approximately 123 customers.

**A. BASIS OF PRESENTATION**

The accompanying general purpose financial statements of Treemont Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The district applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**B. REPORTING ENTITY**

As the governing authority of the parish, for reporting purposes, the Lincoln Parish Police Jury is the financial reporting entity for Lincoln Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Lincoln Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB

## TREEMONT WATER DISTRICT

Choudrant, Louisiana

### Notes to the financial statements (Continued)

has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and;
  - a. The ability of the police jury to impose its will on that organization and/or;
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the governing body of the district and has the ability to impose its will on the district, the district was determined to be a component unit of the Lincoln Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

### **C. FUND ACCOUNTING**

Treemont Water District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund is reported in the accompanying financial statements on the accrual basis of accounting. Revenues, such as water sales and other operating income are recognized when they are earned. Interest on bank deposits is recorded when the interest is credited to the account. All expenses of the district are recognized when they are incurred.

**E. CASH**

Cash includes amounts in interest-bearing demand deposits. Time deposits with original maturities that exceed 90 days are classified as investments. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits or time deposits with state banks organized under the laws of the State of Louisiana, or any other state of the United States, or under the laws of the United States.

**F. INVESTMENTS**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At June 30, 2000, the district's investment is a nonnegotiable certificate of deposit with an original maturity that exceeds 90 days that is reported in the accompanying financial statements at cost. The bank balance of the deposit is fully secured from risk by federal deposit insurance.

**G. RESTRICTED ASSETS**

Certain resources of the Enterprise Fund that are set aside in compliance with the revenue bond covenant are classified as restricted assets on the balance sheet because their use is limited.

TREEMONT WATER DISTRICT  
Choudrant, Louisiana  
Notes to the financial statements (Continued)

**H. FIXED ASSETS AND LONG-TERM DEBT**

Fixed assets of the district are included on the balance sheet of the enterprise fund and are recorded at actual cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of 40 years for the water system and 5 to 10 years for equipment. Long-term debt is recognized within the enterprise fund.

**I. ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. CASH**

At June 30, 2000, the district has cash (book balances) in interest-bearing demand deposits totaling \$32,506. 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. Cash (bank balances) at June 30, 2000, are fully secured by federal deposit insurance.

**3. ACCOUNTS RECEIVABLE**

At June 30, 2000, the district has net receivables of \$4,221, as follows:

Water sales	\$4,221
Allowance for uncollectible accounts	<u>NONE</u>
Net receivables	<u>\$4,221</u>

The statements contain no provision for uncollectible accounts. The district is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

TREEMONT WATER DISTRICT  
 Choudrant, Louisiana  
 Notes to the financial statements (Continued)

**4. FIXED ASSETS**

A summary of property, plant, and equipment at June 30, 2000, follows:

Water system	\$351,867
Equipment	<u>4,951</u>
	356,818
Less accumulated depreciation	<u>(27,992)</u>
Property, plant and equipment, net	<u>\$328,826</u>

**5. LONG-TERM DEBT**

At June 30, 2000, the district has one outstanding issue of long-term revenue bonds. The purpose of the bonds was to provide financing for the construction of the water system. The issue is dated March 7, 1997 and the original amount was \$131,000. The issue bears interest at 4.875 per cent per annum and the principal is to be repaid in monthly payments of \$633 through February 20, 2037.

The following is a summary of revenue bonds payable transactions for the year ended June 30, 2000:

Revenue bonds payable at July 1, 1999	\$130,697
Reductions	<u>(1,206)</u>
Revenue bonds payable at June 30, 2000	<u>\$129,491</u>

The annual requirements to amortize all bonds outstanding at June 30, 2000, including interest of \$151,443, are as follows:

<u>Year</u>	
2001	\$7,593
2002	7,593
2003	7,593
2004	7,593
2005	7,593
2006-2010	37,964
2011-2015	37,964
2016-2020	37,964
2021-2025	37,964
2026-2030	37,964
2031-2035	37,964

TREEMONT WATER DISTRICT  
 Choudrant, Louisiana  
 Notes to the financial statements (Continued)

2036-2037	<u>\$15,185</u>
Total	<u><u>\$280,934</u></u>

**6. RESERVED RETAINED EARNINGS**

The bond covenant for the 1997 water revenue bonds discussed in note 5 above, requires the district to establish the following reserve accounts:

- A. A "Reserve Fund". A sum of \$32 per month must be deposited into this fund until \$7,593 has been accumulated therein. At June 30, 2000, this fund was fully funded.
- C. A "Contingency Fund". A sum of \$32 per month must be deposited into this fund.

At June 30, 2000 the district has \$9,030, in restricted accounts to meet the reserve requirements. The following is a summary of transactions in the bond reserve accounts for the year ended June 30, 2000:

	<u>Reserve Fund</u>	<u>Contingency Fund</u>	<u>Total</u>
Balance at July 1, 1999	NONE	NONE	NONE
Deposits	8,000	1,024	9,024
Interest earnings		6	6
Balance at June 30, 2000	<u><u>\$8,000</u></u>	<u><u>\$1,030</u></u>	<u><u>\$9,030</u></u>

**7. AGREEMENT WITH THE VILLAGE OF CHOUDRANT**

On September 17, 1996, the Treemont Water District entered into a water purchase contract with the Village of Choudrant. The contract provides that the district will purchase treated water from the Village of Choudrant at a cost of \$1 per 1000 gallons of water. The contract is for a period of forty years. The water rate to be paid by the district is subject to modification at the end of each year. During the year ended June 30, 2000, the district paid the Village of Choudrant \$13,847 for water purchases.

TREEMONT WATER DISTRICT  
Choudrant, Louisiana  
Notes to the financial statements (Continued)

**8. LITIGATION AND CLAIMS**

The district is not involved in any litigation at June 30, 2000, nor is it aware of any unasserted claims. There were no significant reductions in insurance coverage during the year ended June 30, 2000. There were no costs resulting from claims or judgments during the year ended June 30, 2000. Settlements have not exceeded insurance coverage for any of the past three fiscal years.

**SUPPLEMENTAL INFORMATION SCHEDULES**

TREEMONT WATER DISTRICT  
Choudrant, Louisiana  
SUPPLEMENTAL INFORMATION SCHEDULES  
For the Year Ended June 30, 2000

**PRIOR YEAR FINDINGS**

The follow-up and corrective action taken on all prior year findings is presented in the summary schedule of prior year findings (Schedule 1).

TREEMONT WATER DISTRICT  
Choudrant, Louisiana

Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2000

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken
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There were no prior year findings.

**Independent Auditor's Report**  
**Required by *Government Auditing Standards***

The following independent auditor's report on compliance and internal control over financial reporting are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

*M. Carleen Dumas*  
CERTIFIED PUBLIC ACCOUNTANT

369 DONALDSON ROAD • CALHOUN, LOUISIANA 71225 • TELEPHONE 318/644-5726

**Independent Auditor's Report on Compliance and on  
Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

BOARD OF COMMISSIONERS  
TREMONT WATER DISTRICT  
Choudrant, Louisiana

I have audited the general purpose financial statements of Treemont Water District, a component unit of the Lincoln Parish Police Jury, as of June 30, 2000, and for the year then ended, and have issued my report thereon dated October 31, 2000. I conducted my audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

**Compliance**

As part of obtaining reasonable assurance about whether Treemont Water District's general purpose financial statements are free of material misstatement, I performed tests of the district's compliance with certain provisions of laws and regulations 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-1. I also noted certain immaterial instances of noncompliance that I have reported to management of the district, in a separate letter dated October 31, 2000.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Treemont Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the district's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of

findings as item 2000-2.  
BOARD OF COMMISSIONERS  
TREEMONT WATER DISTRICT  
Choudrant, Louisiana  
Independent Auditor's Report  
on Compliance and on  
Internal Control, etc.,  
June 30, 2000

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider item 2000-2 to be a material weakness.

This report is intended solely for the information of the board of commissioners and management of Treemont Water District, and other interested state and federal agencies and is not intended to be and should not be used by anyone other than these specified parties.



Calhoun, Louisiana  
October 31, 2000

TREEMONT WATER DISTRICT  
Choudrant, Louisiana

Schedule of Findings  
For the Year Ended June 30, 2000

I have audited the financial statements of Treemont Water District, as of and for the year ended June 30, 2000, and have issued my report thereon dated October 31, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2000 resulted in an unqualified opinion.

**Section I - Summary of Auditor's Reports**

A. Report on Internal Control and Compliance Material to the Financial Statements

**Internal Control**

Material Weakness  Yes  No

Reportable Conditions  Yes  No

**Compliance**

Compliance Material to Financial Statement  Yes  No

**Section II - Financial Statement Findings**

**2000-1. Need to Establish Accounting Records  
In Accordance With State Law**

**Criteria:** Louisiana Revised Statutes 24:515(A) requires that the accounts of public funds be kept in the form prescribed by the legislative auditor. Accounting records should be maintained that provides for the timely preparation of accurate financial statements in accordance with generally accepted accounting principles.

**Condition:** The water system has not established and maintained a complete set of accounting records. The accounting records consist of a checkbook register only.

**Effect:** The failure to establish and properly maintain accounting records for the funds of the district is a violation of state law.

TREEMONT WATER DISTRICT

Choudrant, LA  
Schedule of Findings  
June 30, 2000

**Recommendation:** The water system should maintain a complete set of accounting records that includes transaction registers or journals and a general ledger that is maintained on a monthly basis. These records may be manual or computer-based records; however, computer-based records are considered the most efficient. The accounting records should include the activity in all of the district's bank accounts.

**Management's Response:** A complete accounting system will be set up by December 31, 2000.

**2000-2. Need to Improve Controls Over Accounting Records**

**Criteria:** As reported in finding 2000-1 above, management is responsible for establishing and maintaining accounting records that provides for the preparation of accurate and timely financial statements.

**Condition:** The following deficiencies were noted in the accounting records:

1. The water system has not established and maintained a complete set of accounting records. The accounting records consist of a checkbook register only.
2. 13 out of 95 checks written from the regular account were not supported by original invoices or other documentation.

**Effect:** The failure to properly maintain accounting records could result in the material misstatement of the financial statements prepared from these records.

**Recommendation:** I recommend the following with regards to maintaining the accounting records of the water system:

1. As recommended in finding 2000-1, the water system should maintain a complete set of accounting records.
2. All checks written should be supported by an original invoice or other appropriate supporting documentation. All invoices should be marked paid with the date and check number and filed in an orderly manner.

TREEMONT WATER DISTRICT  
Choudrant, LA  
Schedule of Findings  
June 30, 2000

**Management's Response:** A complete accounting system will be set up by December 31, 2000, and all future disbursements will be supported by original invoices or other documentation.