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WATER WORKS DISTRICT NO. 1 OF PARISH OF EVANGELINE, LOUISIANA

PINE PRAIRIE, LOUISIANA

FINANCIAL REPORT

October 31, 1998 and 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAR 0 3 1999

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VIGE & TUJAGUE

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

210 WEST VINE
P. O. BOX 1006
EUNICE, LOUISIANA 70535

SHIRLEY VIGE, JR., C.P.A.
FRANK G. TUJAGUE, C.P.A.

TELEPHONE:
318-457-9324
FAX:
318-457-8743

INDEPENDENT AUDITORS' REPORT

Board of Directors,
Water Works District No. 1 of Evangeline Parish,
State of Louisiana,
Pine Prairie, Louisiana

We have audited the accompanying component unit financial statements of Water Works District No. 1 of Evangeline Parish, State of Louisiana, a component unit of the Parish of Evangeline, State of Louisiana, as of and for the years ended October 31, 1998 and 1997, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Water Works District No. 1 of Evangeline Parish, State of Louisiana, a component unit of the Parish of Evangeline, Louisiana, as of October 31, 1998 and 1997, and the results of its operations and the changes in financial position for the years then ended in conformity with generally accepted accounting principles.

Vige & Tujague

Vige and Tujague
December 28, 1998

WATER WORKS DISTRICT NO. 1 OF PARISH OF
EVANGELINE, LOUISIANA
BALANCE SHEETS
OCTOBER 31, 1998 AND 1997

ASSETS

| | <u>1998</u> | <u>1997</u> |
|-----------------------------------|----------------------|----------------------|
| <u>Current Assets</u> | | |
| Cash | \$ 8,397 | \$ 10,005 |
| Savings | 152,338 | 206,142 |
| Accounts Receivable | 6,471 | 6,841 |
| Prepaid Insurance | 5,680 | 4,840 |
| Accrued Interest Receivable | <u>1,089</u> | <u>1,434</u> |
| Total Current Assets | <u>173,975</u> | <u>229,262</u> |
| <u>Restricted Assets</u> | | |
| Cash | <u>30,348</u> | <u>29,853</u> |
| <u>Property and Equipment</u> | | |
| Equipment | 158,213 | 138,803 |
| Building | 52,346 | 52,346 |
| Water Works System | <u>585,146</u> | <u>566,685</u> |
| | 795,705 | 757,834 |
| Less Accumulated Depreciation | <u>(329,638)</u> | <u>(308,179)</u> |
| Total Property and Equipment | <u>466,067</u> | <u>449,655</u> |
| TOTAL ASSETS | <u>\$670,390</u> | <u>\$708,770</u> |

See Notes to Financial Statements

WATER WORKS DISTRICT NO. 1 OF PARISH OF
EVANGELINE, LOUISIANA
BALANCE SHEETS
OCTOBER 31, 1998 AND 1997

LIABILITIES AND FUND EQUITY

| | <u>1998</u> | <u>1997</u> |
|--|-----------------------------|-----------------------------|
| <u>Current Liabilities</u> | | |
| Accounts Payable | \$ 6,344 | \$ 4,783 |
| Accrued Expenses Payable | 3,301 | 1,775 |
| Interest Payable | 2,301 | 2,616 |
| Current Portion of Long-term Debt | <u>17,000</u> | <u>16,000</u> |
| Total Current Liabilities | <u>28,946</u> | <u>25,174</u> |
| <u>Payable From Restricted Assets</u> | | |
| Meter Deposits | <u>\$ 21,138</u> | <u>\$ 20,558</u> |
| <u>Long-Term Debt</u> | | |
| Notes Payable | <u>102,000</u> | <u>119,000</u> |
| Total Liabilities | <u>152,084</u> | <u>164,732</u> |
| <u>Fund Equity</u> | | |
| Contributed Equity | 193,314 | 193,314 |
| Retained Earnings | <u>324,992</u> | <u>350,724</u> |
| Total Fund Equity | <u>518,306</u> | <u>544,038</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$670,390</u> | <u>\$708,770</u> |

See Notes to Financial Statements

WATER WORKS DISTRICT NO. 1 OF PARISH OF
EVANGELINE, LOUISIANA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED OCTOBER 31, 1998 AND 1997

| | <u>1998</u> | <u>1997</u> |
|-----------------------------------|-----------------------|----------------------|
| <u>Revenues</u> | | |
| Customer Water Service | \$ 66,232 | \$ 64,718 |
| Connect and Disconnect Fee | 5,815 | 4,935 |
| Late Charges | 1,523 | 1,418 |
| Rental Fees | 3,060 | 2,058 |
| Miscellaneous | <u>673</u> | <u>651</u> |
| Total Revenues | <u>\$ 77,303</u> | <u>\$ 73,780</u> |
| <u>Operating Expenses</u> | | |
| Salaries and Wages | 55,874 | 52,237 |
| Depreciation | 21,459 | 25,868 |
| Repairs and Maintenance | 5,648 | 3,104 |
| Telephone and Utilities | 13,654 | 14,026 |
| Materials and Supplies | 9,752 | 9,725 |
| Payroll Tax Expense | 4,207 | 4,140 |
| Board Fees | 11,220 | 11,820 |
| Professional Fees | 3,900 | 3,775 |
| Insurance | 19,970 | 14,025 |
| Office Supplies | 2,457 | 2,885 |
| Postage | 1,770 | 1,659 |
| Dues | 1,004 | 693 |
| Truck Expense | 3,558 | 3,269 |
| Interest | 7,514 | 8,456 |
| Miscellaneous | <u>407</u> | <u>2,038</u> |
| Total Operating Expenses | <u>162,394</u> | <u>157,720</u> |
| Income (Loss) from Operations | <u>(85,091)</u> | <u>(83,940)</u> |
| <u>Non Operating Revenues</u> | | |
| State Revenue Sharing | 3,814 | 3,940 |
| Ad Valorem Tax | 43,562 | 44,981 |
| Interest Earned | <u>11,983</u> | <u>13,459</u> |
| Total Non Operating Revenues | <u>59,359</u> | <u>62,380</u> |
| Net (Loss) | (25,732) | (21,560) |
| Retained Earnings, Beginning | <u>350,724</u> | <u>372,284</u> |
| Retained Earnings, Ending | <u>\$ 324,992</u> | <u>\$350,724</u> |

See Notes to Financial Statements

WATER WORKS DISTRICT NO. 1 OF PARISH OF
EVANGELINE, LOUISIANA
STATEMENTS OF CHANGES IN FUND EQUITY
FOR THE YEARS ENDED OCTOBER 31, 1998 AND 1997

| | <u>CONTRIBUTED</u> <u>CAPITAL</u> | <u>RETAINED</u> <u>EARNINGS</u> | <u>TOTAL</u> |
|-----------------------------|--------------------------------------|------------------------------------|------------------|
| Balance at October 31, 1996 | \$193,314 | \$372,284 | \$565,598 |
| Net Loss | — | (21,560) | (21,560) |
| Balance at October 31, 1997 | \$193,314 | \$350,724 | \$544,038 |
| Net Loss | — | (25,732) | (25,732) |
| Balance at October 31, 1998 | <u>\$193,314</u> | <u>\$324,992</u> | <u>\$518,306</u> |

See Notes to Financial Statements

WATER WORKS DISTRICT NO. 1 OF PARISH OF
EVANGELINE, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 1998 AND 1997

| | <u>1998</u> | <u>1997</u> |
|--|------------------|------------------|
| Cash Flows from Operating Activities | | |
| Net Income (Loss) | \$ (25,732) | \$(21,560) |
| Non Cash Expenses | | |
| Depreciation | 21,459 | 25,868 |
| Decrease (Increase) in Savings | 53,804 | 22,629 |
| Decrease (Increase) in Accounts Receivable | 370 | (865) |
| (Increase) in Prepaid Insurance | (840) | (2,345) |
| Decrease in Accrued Interest Receivable | 345 | 262 |
| Decrease (Increase) in Restricted Assets | (495) | (678) |
| Increase (Decrease) in Accounts Payable | 1,561 | (1,100) |
| Increase (Decrease) in Accrued Expenses Payable and Interest Payable | 1,211 | (747) |
| Increase (Decrease) in Meter Deposits | <u>580</u> | <u>465</u> |
| Net Cash Provided by Operations | <u>52,263</u> | <u>21,929</u> |
| Cash Flows from Investing Activities | | |
| Acquisition of Property and Equipment | (37,871) | (10,387) |
| Proceeds from Sale of Assets | <u>-0-</u> | <u>-0-</u> |
| Net Cash Used by Investing Activities | <u>(37,871)</u> | <u>(10,387)</u> |
| Cash Flows from Financing Activities | | |
| Payments on Loan | <u>(16,000)</u> | <u>(16,000)</u> |
| Net Cash Provided by Financing Activities | <u>(16,000)</u> | <u>(16,000)</u> |
| Net Increase (Decrease) in Cash | (1,608) | (4,458) |
| Cash at Beginning of Year | <u>10,005</u> | <u>14,463</u> |
| Cash at End of Year | <u>\$ 8,397</u> | <u>\$ 10,005</u> |
| Supplemental Disclosures of Cash Flows | | |
| Non-Cash Investing and Financial Transactions | | |
| Purchase of Assets | \$ 37,871 | \$ 10,387 |
| Amount Financed | <u>-0-</u> | <u>-0-</u> |
| Net Cash Flow to Purchase assets | <u>\$ 37,871</u> | <u>\$ 10,387</u> |
| Interest Paid | <u>\$ 7,830</u> | <u>\$ 8,759</u> |

See Notes to Financial Statements

WATER WORKS DISTRICT NO. 1 OF PARISH OF
EVANGELINE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 1998 AND 1997

Introduction

The Water District is governed by eight commissioners who are resident property taxpayers of the district. These eight commissioners are collectively referred to as the board of commissioners and are appointed by the Evangeline Parish Police Jury and the City of Pine Prairie. Vacancies are filled by the bodies making the original appointments. The water district was created to provide water within the district. The water district is a component unit of the Evangeline Parish Police Jury. The system has approximately 650 customers and employs 4 people.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of the Evangeline Parish 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 establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Evangeline Parish Police Jury is the financial reporting entity for Evangeline Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and 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 Statement No. 14 established criteria for determining which component units should be considered part of the Evangeline Parish Police Jury for financial reporting purposes. The basis criterion for including a potential component unit

EVANGELINE PARISH WATER DISTRICT NO. 1
EVANGELINE PARISH
NOTES TO FINANCIAL STATEMENTS (Continued)

within the reporting entity is financial accountability. The GASB 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 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 a majority of the districts governing body, the district was determined to be a component unit of the Evangeline 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 governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Evangeline Parish 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.

EVANGELINE PARISH WATER DISTRICT NO. 1
EVANGELINE PARISH
NOTES TO FINANCIAL STATEMENTS (Continued)

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 is included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

REVENUES

Revenues are recorded on the accrual basis of accounting

EXPENSES

Expenses are recorded on the accrual basis of accounting

E. CASH AND SAVINGS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the district may invest in United States bonds, treasury notes or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost, all amounts are insured by the FDIC or collateralized by security agreements.

EVANGELINE PARISH WATER DISTRICT NO. 1
EVANGELINE PARISH
NOTES TO FINANCIAL STATEMENTS (Continued)

F. PREPAID ITEMS

Payments made to insurance companies for insurance that will benefit future periods beyond October 31, 1998, are recorded as prepaid insurance.

G. RESTRICTED ASSETS

Customer Security Deposits are recorded as restricted assets and the accompanying liability as a payable from restricted assets.

H. PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Depreciation expense totaled \$21,459 and \$25,868 for the years ended October 31, 1998 and 1997, respectively. The cost of maintenance and repairs is charged to operations as incurred. Major renewals, betterments, and additions are capitalized. Interest costs during construction periods are capitalized. When capital assets are retired or disposed of, the cost of the asset and accumulated depreciation is eliminated from the accounts and the resulting gain or loss from such disposition is credited or charged to income, except that the gain or loss on assets traded in for new equipment is applied as an adjustment to the cost of the asset acquired. The estimated useful lives of these assets are as follows:

| | |
|--------------------|---------------|
| Equipment | 5-10 years |
| Building | 15-31.5 years |
| Water Works System | 40-50 years |

I. COMPENSATED ABSENCES

Employees of the Water District are entitled to two weeks of vacation. Each full time employee is allocated 5 days of sick leave per year, accumulating to 10 days, however all accrued sick leave is not a vested benefit and accordingly no liability has been recorded. Accrued vacation at October 31, 1998 and 1997 totaled \$1,988 and \$570 and is included in accrued expenses payable.

EVANGELINE PARISH WATER DISTRICT NO. 1
 EVANGELINE PARISH
 NOTES TO FINANCIAL STATEMENTS (Continued)

J. ALLOWANCE FOR DOUBTFUL ACCOUNTS

No allowance for doubtful accounts has been established because management believes all accounts receivable will be collected.

K. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

L. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

2. RESTRICTED ASSETS

Restricted Assets consist of the following:

| | <u>1998</u> | <u>1997</u> |
|-------------------------|-----------------|-----------------|
| Customer Deposits | <u>\$30,348</u> | <u>\$29,853</u> |
| Total Restricted Assets | <u>\$30,348</u> | <u>\$29,853</u> |

3. AD VALOREM TAXES

The Ad valorem tax levied by the Water District is 12.71 mills. They become due December 31, and all property taxes are collected by the Water District's fiscal year end.

4. LONG TERM - DEBT

Long - Term debt consist of the following:

Certificates of indebtedness, series 1994, payable to Citizens Bank, dated July 1994, original amount of \$180,000 payable in 10 years at 5.8% per annum, secured by the Water System pledge and dedication of excess revenues including property tax collections.

EVANGELINE PARISH WATER DISTRICT NO. 1
EVANGELINE PARISH
NOTES TO FINANCIAL STATEMENTS (Continued)

| | <u>1998</u> | <u>1997</u> |
|-------------------------|------------------|------------------|
| Long Term Debt | \$119,000 | \$135,000 |
| Less Current Maturities | <u>17,000</u> | <u>16,000</u> |
| Net Long Term Debt | <u>\$102,000</u> | <u>\$119,000</u> |

Principle payments due on Long-term Debt outstanding at October 31, 1998, during the next five years are as follows: 1999 - \$17,000; 2000 - \$18,000; 2001 - \$19,000; 2002 - \$20,000, 2003 - \$22,000.

5. COMPENSATION OF BOARD OF COMMISSIONERS

The board members received the following per diem:

| <u>Members</u> | <u>Meetings Attended</u> | <u>Total</u> |
|--------------------------------|------------------------------|-----------------|
| Roderick Thibodeaux | 24 | \$ 240 |
| L. D. Deshotel | 24 | 1,440 |
| Hazel Ardoin | 24 | 780 |
| George Vidrine, Vice President | 22 | 1,380 |
| Emile West | 23 | 1,260 |
| William West, Jr. President | 24 | 2,160 |
| Louis Johnson | 24 | 1,440 |
| Alfred Olivier | 22 | 1,320 |
| Lura Smith | 22 | 1,200 |
| | | <u>\$11,220</u> |

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P. O. BOX 1006
EUNICE, LOUISIANA 70535

SHIRLEY VIGE, JR., C.P.A.
FRANK G. TUJAGUE, C.P.A.

TELEPHONE:
318-457-9324
FAX:
318-457-8743

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

Water Works District No.1
Of Evangeline Parish
Pine Prairie, Louisiana 70576

We have audited the financial statements of the Water Works District No. 1 of Evangeline Parish as of and for the year ended October 31, 1998, and have issued our report thereon dated December 28, 1998. 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.

Compliance

As part of obtaining reasonable assurance about whether the Water Works District No.1 of Evangeline Parish 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 Water Works District No. 1 of Evangeline Parish internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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 judgement, could adversely affect the organization ability to record, process, summarize and report financial data consistent with the assertions of management

in the financial statements.

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 the following reportable conditions described above is a material weakness.

Finding: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to a limited number of personnel.

Recommendation: No action is recommended.

Management's Response: We concur in the findings.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Vige & Tujague

Vige & Tujague
December 28, 1998