

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Farmerville, Louisiana

Financial Statements

For the Year Ended December 31, 2012

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 OCT 30 2013



Douglas A. Brewer, LLC
Certified Public Accountant

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
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Douglas A. Brewer, LLC

Certified Public Accountant

500 North Trenton

P.O. Box 1250

Ruston, LA 71273-1250

Phone: (318) 255-8244 Fax: (318) 255-8245

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Union Parish Waterworks District No. 1
Farmerville, Louisiana

I have audited the accompanying basic financial statements of Union Parish Waterworks District No. 1, a component-unit of the Union Parish Police Jury as of and for the year ended December 31, 2012, as listed in the table of contents, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Parish Waterworks District No. 1, as of December 31, 2012, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 27-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during our audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standard's

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2013, on my consideration of Union Parish Waterworks District No. 1's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union Parish Waterworks District No. 1's internal control over financial reporting and compliance.

Douglas A. Brennan, LLC

Ruston, Louisiana
June 27, 2013

Management's Discussion and Analysis

**Waterworks District No. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

Our discussion and analysis of Waterworks District No. 1 (the District), provides an overview of the District activities for the year ended December 31, 2012. Please read it in conjunction with the basic financial statements. The intent of this discussion and analysis is to look at the District's financial performance as a whole.

FINANCIAL HIGHLIGHTS

- The assets of the District, exceeded its liabilities at the end of the 2012 year by \$691,012. Of this amount, \$116,175 is unrestricted. For the 2011 year, the assets of the District, exceeded its liabilities \$653,764. Of this amount, \$14,024 is unrestricted.
- The District's total net assets decreased by \$37,247 for the year ended December 31, 2012. The District's total net assets decreased by \$10,276 for the year ended December 31, 2011.
- Net Capital assets increased by \$417,385 and \$24,573 for the years ended December 31, 2012 and 2011, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District operates as an enterprise fund, presenting its financial statements using the accrual basis of accounting. The basic financial statements comprise three components:

- *Government-Wide Financial Statements*
- *Fund Financial Statements.*
- *Notes to the financial statements.*

The *Statement of Net Position* includes all of the District's assets and liabilities, with the difference between them reported as net assets. Net assets are reported in three categories: Invested in Capital Assets, Restricted for Debt Service, and Unrestricted. The increases and decreases in net assets are an indicator of whether the District's financial position is improving or deteriorating.

The *Statement of Activities* shows how the District's net position changed during the year, as well as whether it recovered its cost through fees and other revenues. All of the current year revenues and expenses are recorded when the underlying economic transaction has taken place. The *Statement of Cash Flows* provides information

**Waterworks District No. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

regarding cash receipts and disbursements during the current year. Activity is reported in four categories: Cash flows from operating activities, cash flows from non-capital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities.

The *Notes to the Financial Statements* provide a description of the accounting policies used to prepare the financial statements and presents material disclosures as required by generally accepted accounting principles.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets increased by \$37,247 and \$10,276 the years ended December 31, 2012 and 2011, respectively.

Statement of Net Position

The following table reflects the condensed net assets:

	2012	2011
Assets:		
Current and Restricted Assets	\$ 206,341	\$ 142,094
Capital Assets	1,087,549	645,591
Other Assets	20,571	10,000
Total Assets	\$ 1,314,461	\$ 822,258
 Liabilities:		
Current Liabilities	\$ 47,218	\$ 50,089
Long-Term Liabilities	576,231	118,405
Total Liabilities	623,449	193,570
 Net Assets:		
Invested in Capital Assets Net of Debt	487,549	525,527
Unrestricted Net Assets	116,175	14,024
Restricted Net Assets	87,288	114,213
Total Net Position	691,012	653,764
Total Liabilities and Net Position	\$ 1,314,461	\$ 822,258

Net position (assets less liabilities) may serve over time as a useful indicator of financial position. The District's assets exceeded liabilities by \$691,012 and \$653,764 for the years ended December 31, 2012 and 2011, respectively.

**Waterworks District No. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

Statement of Activities

The following table shows the revenues and expenses of the governmental and business type activities.

	2012	2011
Charges for services	\$ 248,840	\$ 173,604
Operating Expenses	185,959	156,217
Operating Income/(Loss)	62,881	17,387
Other Income/(Expense)	(25,634)	(7,111)
Net Income/(Loss)	37,247	10,276
Net Position at Beginning of Year	653,764	643,488
Net Position at End of Year	\$ 653,764	\$ 653,764

Revenues by Sources

Operating Revenues

Operating revenues consist of charges for services, penalties and adjustments, and meter installations and connection fees.

Analysis of Significant Budgetary Variations

Actual expenses were \$2,043 higher (1.33%) than budgeted, due primarily to repairs on the water system.

Capital Assets and Debt Administration

The District's investment in Capital assets amounted to \$1,087,549 and \$670,1641 (net of depreciation) as of December 31, 2012 and 2011. This investment includes land, buildings and improvements, equipment, water distribution system and construction in progress. Outstanding debt included \$600,000 and \$144,637 in water revenue bonds and loans.

The District recognized \$56,280 and \$56,280 in depreciation expense for the years ended December 31, 2012 and 2011. The District invested \$485,927 and \$80,823 in its water distribution system for the years ended December 31, 2012 and 2011.

**Waterworks District No. 1
Management's Discussion and Analysis
For the Year Ended December 31, 2012**

Economic Factors and Future Rates

The Board of Commissioners and management are constantly reviewing economic factors within the District and the surrounding area and current financial data in order to make decisions that would be in the best interest of the District. The Board and management are vigilant when considering balancing the District's needs while, at the same time, maintaining costs at levels consistent with the previous year. If management's estimates about future operating results remain consistent, the net asset balance of the District would be expected to remain level or increase modestly over the prior year.

Request for Information

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact the District's Office, P. O. Box 458, 168 Spillway Road, Farmerville, LA 71241.

Basic Financial Statements

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Statement of Net Position
December 31, 2012

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 89,103
Accounts Receivable - Customers	9,740
Accrued Interest Receivable	117
Unbilled Revenues	20,093
Total Current Assets	119,053
 Restricted Assets	
Cash and Cash Equivalents	56,971
Certificates of Deposit	30,317
Total Restricted Assets	87,288
 Property and Equipment, Net	
of accumulated depreciation of \$681,991	1,087,549
 Other Assets	
Pre Paid Loan Costs, Net	20,571
Total Assets	\$ 1,314,461

LIABILITIES AND NET POSITION

Current Liabilities	
Payable from Current Assets	
Accounts Payable and Accrued Liabilities	\$ 4,094
Customer Meter Deposits	19,355
Current Portion of Long-Term Liabilities	23,769
Total Current Liabilities	47,218
 Long Term Liabilities	
Notes Payable	576,231
Total Long-Term Liabilities	576,231
Total Liabilities	623,449
 Net Position	
Invested in Capital Assets, Net of Related Debt	487,549
Unrestricted	116,175
Restricted for:	
Debt Service	87,288
Total Net Position	691,012
Total Liabilities and Net Position	\$ 1,314,461

The accompanying notes are an integral part of this financial statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Statement of Revenues, Expenditures, and Changes in Net Position
For The Year Ended December 31, 2012

Operating Revenues	
Charges for Services	
Water Revenues	\$ 247,090
Meter Installations and Connection Fees	1,750
Total Operating Revenues	<u>248,840</u>
Operating Expenses	
Amortization	1,469
Board of Commissioners' Fees	610
Contract Services	24,457
Depreciation	68,542
Electricity	18,730
Equipment Rental	2,051
Insurance	5,482
Materials, Repairs & Supplies	44,244
Office Supplies	3,671
Other Expenses	10,378
Payroll Taxes	165
Professional Fees	4,000
Salaries	2,160
Total Operating Expenses	<u>185,959</u>
Operating Income	62,881
Other Income/(Expense)	
Interest Earned	145
Interest Expense	(25,779)
Total Other Income/(Expense)	<u>(25,634)</u>
Net Income	<u>\$ 37,247</u>
Net Position at Beginning of Year	653,764
Net Position - End of Year	<u><u>\$ 691,011</u></u>

The accompanying notes are an integral part of this financial statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Statement of Cash Flows
For The Year Ended December 31, 2012

Cash Flows From Operating Activities	
Receipts from Customers and Users	\$ 234,796
Payments to Suppliers for Goods and Services	(116,431)
Payments to Employees	(2,160)
Payment of Taxes	(165)
Net Cash Provided by Operating Activities	<u>116,040</u>
 Cash Flows From Non-Capital Financing Activities	
Net Cash Used by Financing Activities	<u>-</u>
 Cash Flows From Capital and Related Financing Activities	
Capital Expenditures	(485,927)
Prepaid Loan Fees	(12,040)
Increase in Customer Meter Deposits	2,400
Proceeds From New Loan	600,000
Principal Payments on Notes and Bonds	(144,637)
Interest Paid on Notes and Bonds	(25,778)
Net Cash Used by Financing Activities	<u>(65,982)</u>
 Cash Flows From Investing Activities	
Interest Received	145
Net Cash Provided by Investing Activities	<u>145</u>
Net Decrease in Cash and Cash Equivalents	50,203
Cash and Cash Equivalents at Beginning of Year	<u>95,871</u>
Cash and Cash Equivalents at End of Year	<u>\$ 146,074</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	\$ 62,881
Adjustments to Reconcile Net Assets to Net Cash provided by Operating Activities:	
Depreciation & Amortization	70,011
Decrease in Accounts Receivable - Customers	(6,450)
Increase in Unbilled Revenues	(7,594)
Decrease in Accounts Payable and Accrued Liabilities	(2,808)
Net Cash Provided (used) by Operating Activities	<u>\$ 116,040</u>

The accompanying notes are an integral part of this financial statement.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 1 - Summary of Significant Accounting Policies

A. Nature of Activities

Waterworks District No. 1 (the District), a component unit of Union Parish Police Jury, was created by the Union Parish Police Jury as authorized by Chapter 9 of Title 33 of the Louisiana revised Statutes of 1950. The District is governed by a five-member Board of Commissioners. The District is responsible for the maintenance and operation of the water system within the boundaries of the water district.

B. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999 the GASB issued *Statement 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments and Statement 35 Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. These statements establish new financial reporting requirements for state and local governments and public colleges and universities throughout the United States. They require new information and restructure much of the information that government should have presented in the past. Comparability with reports issued in years prior to 2004 is affected.

Other GASB Statements are required to be implemented in conjunction with GASB Statements 34 and 35. Therefore, the District has implemented the following GASB Statements: *Statement 37 – Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and *Statement 38 – Certain Financial Statements Note Disclosures*.

The accompanying financial statements present the financial position of the District, the results operations of the District, and the cash flows of the proprietary fund. The financial statements are presented as of December 31, 2012 and for the year then ended.

C. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the Union Parish Police Jury is the financial reporting entity for Union 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 Statement No. 14 established criteria for determining which component units should be considered part of the Union Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and:
2. The ability of the police jury to impose its will on that organization and/or

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Notes to the Financial Statements
For the Year Ended December 31, 2012

3. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
4. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
5. 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 of the above criteria, the District was determined to be a component unit of the Union 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 reporting entity.

D. Fund Accounting

The Waterworks District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The Waterworks District No. 1 Enterprise Fund is classified in the following category and fund type.

Proprietary Fund

Enterprise Fund

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. 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 uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

E. Budgetary Practices

The Secretary-Treasurer prepares the annual budget and presents it to the Board for adoption by November 30 of the preceding year. Budgeted amounts, including subsequent amendments, have been included in the accompanying financial statements.

F. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Notes to the Financial Statements
For the Year Ended December 31, 2012

G. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits, interest-bearing demand deposits, and investments with original maturities of three months or less from the date of acquisitions. State law and the District's investment policy allow the District to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments for the District are reported at fair value.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructures assets (e.g., waterline distribution system), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical costs 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 donations. 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:

<u>Description</u>	<u>Estimated Lives</u>
Equipment	5-15 Years
Furniture and Fixtures	10-15 Years
Water Plant	50 Years

Property, plant and equipment purchased by the District are recorded at cost. Depreciation of all exhaustible fixed assets used by the District is charged as an expense against operations. Depreciation is computed using the straight-line method. Estimated useful lives are 50 years on the water plant and from 5 to 50 years on equipment.

Expenditures for repairs and maintenance are expensed as incurred; significant betterments are capitalized.

I. Compensated Absences

The District does not have formal vacation, sick leave and retirement plan policies.

J. Bad Debts

Uncollectible amounts for customers' water receivables are generally not significant. As a result, the direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible.

K. Reservations of Retained Earnings

Some portions of retained earnings are reserved to indicate that a portion of retained earnings is legally restricted to a specific future use and is not available for appropriation or expenses.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Notes to the Financial Statements
For the Year Ended December 31, 2012

L. 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, expenditures, and expenses during the reporting period. Accordingly, actual costs could differ from those estimates.

M. Reclassifications

Certain amounts presented in the prior year have been reclassified in order to compare with the current year's presentation.

NOTE 2 - Cash and Cash Equivalents

At December 31, 2012, the District's cash and cash equivalents consisted of checking, savings, and certificate of deposit accounts. The carrying amounts of those accounts totaled \$176,391 and the corresponding bank balances totaled \$177,119. All of the bank balances were covered by federal depository insurance or were adequately collateralized with financial institution assets.

NOTE 3 -Restricted Assets (Cash and Cash Equivalents)

Restricted assets represents funds set aside to cover various things, such as contingencies, repairs, customer deposits, etc. Most of these accounts are the result of prior bond or regulatory requirements. The restricted account balances as of December 31, 2012 are as follows:

Customers' Meter Deposits Account	\$ 19,481
Waterworks Reserve Bond and Interest	
Waterworks Reserve Fund Account – 1997 (#1056)	17,337
Waterworks Depreciation and Contingency	
Fund Account – 1980 (#1058)	13,716
Waterworks Sinking Fund Account – 1997 (#1057)	16,601
Waterworks Construction Account – 2004 (#1048)	20,153
Total	\$ <u>87,288</u>

NOTE 4 - Accounts Receivable

The district provides service to commercial and residential users within the established district. Sales for services for the month December 2012 included 629 users. At December 31, 2012, the District's accounts receivable balance was \$9,740. This balance includes 58 accounts in arrears for a total of \$5,517. The District considers all accounts to be collectible. Unbilled revenues at December 31, 2012 totaled \$20,093.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 5 -Leases

The District has a month-to-month operating lease for computer equipment for \$171 per month. For the year ended December 31, 2012 the District paid \$2,051 in connection with computer equipment and software.

NOTE 6 - Long-Term Debt

Certificates of Indebtedness:

	<u>December 31, 2012</u>
<u>2012 Issue</u>	
\$600,000 – Series 2012 Waterworks District No.1	
Certificates of Indebtedness, in quarterly installments	
Of \$14,362 through February 1, 2027	
Interest rate of 4.350%	\$ <u>600,000</u>
Less: Current Portion	23,769
TOTAL LONG-TERM DEBT	\$ <u><u>576,231</u></u>

The certificates are secured by the revenue earned or derived from operations of the District.

The District received approval from the Louisiana State Bond Commission on January 19, 2012 for the Certificates of Indebtedness not to exceed \$600,000 for the purpose of financing the costs of improvements to the water system, including the construction of a pre-owned water tank, and water line distribution improvements. Existing debt, including the 1980 Issue Bonds and 2004 Note Payable were paid in full as part of the transaction.

Terms of the Certificates include 4 quarterly interest only payments in the amount of \$6,525 commencing May 1, 2012, and then quarterly principal and interest payments of \$14,362 commencing May 1, 2013 and ending February 1, 2027.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Notes to the Financial Statements
For the Year Ended December 31, 2012

The annual requirement to amortize the long-term obligations outstanding at December 31, 2012, is as follows:

<u>Certificates of Indebtedness</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 23,769	\$ 19,318	\$ 43,087
2014	32,915	24,534	57,449
2015	34,371	23,078	57,449
2016	35,890	21,559	57,449
2017	37,477	19,972	57,449
Thereafter	<u>435,578</u>	<u>95,828</u>	<u>531,406</u>
Totals	\$ <u>600,000</u>	\$ <u>204,289</u>	\$ <u>804,289</u>

NOTE 7 - Board of Commissioners – Per Diem Payments

In compliance with Louisiana Revised Statute 33:3819, the commissioners, with the exception of the president, receive a per diem of \$20 for each meeting they attend to a maximum of 12 meetings per year. The President's per diem is \$50 per meeting up to a maximum of 12 meetings per year.

Board of Commissioners fees for 2012 were as follows:

<u>Name</u>	<u>Number of Meetings</u>	<u>Amounts</u>
Steve Brantley	3	\$ 150
Carolyn Thrailkill	3	60
Larry Stewart	1	20
Kim Dumas	4	80
Ron Parker	4	80
Jimmy Pardue	1	20
John Wheeler	1	20
Technical Consultants		
Kathy Doolittle	5	100
Bobby Grier	5	<u>100</u>
 Total		 \$ <u>610</u>

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Notes to the Financial Statements
For the Year Ended December 31, 2012

NOTE 8 - Risk Financing Activities

The District manages its exposure under general liability and property through the purchase of commercial insurance and surety bonds, as follows:

<u>Coverage</u>	<u>Expiration Dates</u>
General Liability Insurance	02/04/13
Commercial Property Insurance	02/04/13
Position Schedule Bond	02/04/13

NOTE 9 -Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through June 27, 2013, the date on which the financial statements were available to be issued.

Supplemental Information

Douglas A. Brewer, LLC

Certified Public Accountant

500 North Trenton

P.O. Box 1250

Ruston, LA 71273-1250

Phone: (318) 255-8244 Fax: (318) 255-8245

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Union Parish Waterworks District No. 1
Farmerville, Louisiana

I have audited, in accordance with the 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, the basic financial statements, as listed in the table of contents, of Union Parish Waterworks District No. 1, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Union Parish Waterworks District No. 1's basic financial statements, and have issued my report thereon dated June 27, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Union Parish Waterworks District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of Union Parish Waterworks District No. 1's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union Parish Waterworks District No. 1's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is to be distributed by the Legislative Auditor as a public document.

Douglas A. Breun, LLC

Ruston, Louisiana
June 27, 2013

**Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Schedule of Findings and Questioned Costs
For The Year Ended December 31, 2012**

I have audited the financial statements of Waterworks District No. 1 as of and for the year ended December 31, 2012, and have issued my report thereon dated June 27, 2013. I conducted my 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. My audit of the financial statements as of December 31, 2012, resulted in an unmodified opinion.

Section I- Summary of Auditors' Reports

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

Internal Control

Material Weaknesses ___ yes X no Significant Deficiencies ___ yes X no

Compliance

Compliance Material to Financial Statements ___ yes X no

B. Federal Awards – N/A

Internal Control

Material Weaknesses ___ yes ___ no Significant Deficiencies ___ yes ___ no

Type of Opinion on Compliance
For Major Programs

Unqualified ___ Qualified ___
Disclaimer ___ Adverse ___

Are their findings required to be reported in accordance with Circular A-133, Section .510 (a)?

C. Identification of Major Programs: N/A

Dollar threshold used to distinguish between Type A and Type B Programs.

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?

Section II- Financial Statement Findings

None

Section III- Federal Award Findings and Question Costs

This section is not applicable for this entity.

Waterworks District No. 1
A Component Unit of Union Parish Police Jury
Schedule of Prior Year Findings
For the Year Ended December 31, 2012

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

No significant deficiencies or compliance issues were disclosed during the audit of the financial statements in the Report On Internal Control Over Financial Reporting And On Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, for the year ended December 31, 2011.

Management Letter

No management letter was issued.