

KELLY WATER DISTRICT
Kelly, Louisiana

General Purpose Financial Statements
With Accountant's Compilation Report
and Agreed-Upon Procedures Report
As of and for the Year Ended
October 31, 2001

KELLY WATER DISTRICT
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M. Carleen Dumas
CERTIFIED PUBLIC ACCOUNTANT

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

Accountant's Compilation Report

BOARD OF COMMISSIONERS
KELLY WATER DISTRICT
Kelly, Louisiana

I have compiled the accompanying general purpose financial statements and supplemental information schedules, as listed in the foregoing table of contents, of the Kelly Water District as of October 31, 2001, and for the year then ended, in accordance with standards established by *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and schedules, information that is the representation of management. I have not audited or reviewed the accompanying financial statements and schedules and, accordingly, do not express an opinion or any other form of assurance on them.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, I have issued a report, dated January 28, 2002 on the results of my agreed-upon procedures.



Calhoun, Louisiana
January 28, 2002

**GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)**

KELLY WATER DISTRICT
Kelly, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Balance Sheet, October 31, 2001

ASSETS AND OTHER DEBITS

Current assets:

Cash	\$54,750
Accounts receivable - water sales (net of allowance for doubtful accounts)	<u>8,063</u>
Total current assets	62,813
Investments	95,991
Restricted assets - investments	10,405
Property, plant and equipment (net of accumulated depreciation)	<u>376,059</u>

TOTAL ASSETS AND OTHER DEBITS \$545,268

LIABILITIES AND FUND EQUITY

Current liabilities (payable from current assets) - accounts and taxes payable	\$1,673
Current liabilities (payable from restricted assets) - customer deposits	<u>10,405</u>
Total liabilities	<u>12,078</u>
Fund Equity:	
Contributed capital	292,105
Retained earnings - unreserved - undesignated	<u>241,085</u>
Total Fund Equity	<u>533,190</u>

TOTAL LIABILITIES AND FUND EQUITY \$545,268

See accompanying notes and accountant's compilation report.

KELLY WATER DISTRICT
 Kelly, Louisiana
 PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Revenues, Expenses, and
 Changes in Retained Earnings
 For the Year Ended October 31, 2001

OPERATING REVENUES	
Water sales	\$84,030
Connection and reconnection fees	1,875
Other income	<u>2,312</u>
Total revenues	<u>88,217</u>
OPERATING EXPENSES	
Office expense	5,373
Repairs and maintenance	15,404
Utilities	7,258
Education	150
Insurance	5,542
Salaries	37,576
Payroll taxes	2,875
Depreciation	16,167
Other operating expenses	<u>2,120</u>
Total operating expenses	<u>92,465</u>
OPERATING INCOME (Loss)	<u>(4,248)</u>
NON-OPERATING REVENUES	
Interest earned on deposits	7,946
Ad valorem taxes	9,155
DOTD grant - utilities relocation	134,251
Utilities relocation expenses	<u>(134,287)</u>
Total non-operating revenues	<u>17,065</u>
NET INCOME	12,817
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>228,268</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$241,085</u>

See accompanying notes and accountant's compilation report.

KELLY WATER DISTRICT
Kelly, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Cash Flows
For the Year Ended October 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Operating Loss	<u>(\$4,248)</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	16,167
Increase in accounts receivable	(174)
Increase in customer deposits	290
Increase in accounts payable	<u>711</u>
Total adjustments	16,994
Net cash provided by operating activities	<u>12,746</u>

CASH FLOWS FROM NON-CAPITAL**FINANCING ACTIVITIES**

DOTD grant - utilities relocation	134,251
Utilities relocation	(134,287)
Purchase of fixed assets	(15,953)
Ad valorem taxes	<u>9,155</u>
Net cash provided by non-capital financing activities	<u>(6,834)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earnings on bank deposits	7,946
Purchase of investments	(5,706)
Increase in restricted assets	<u>(290)</u>
Net cash provided by investing activities	<u>1,950</u>

NET INCREASE IN CASH 7,862

CASH AT BEGINNING OF YEAR 46,888

CASH AT END OF YEAR \$54,750

See accountant's compilation report and accompanying notes.

KELLY WATER DISTRICT
Kelly, Louisiana

Notes to the Financial Statements
As of and for the Year Ended October 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kelly Water District was created by the Caldwell Parish Police Jury in 1972, as authorized by Louisiana Revised Statute 33:3811 for the purpose of supplying safe drinking water to the population of the district. The district is governed by a five member board appointed by the police jury who serve for indefinite terms of office without the benefit of compensation. The district serves approximately 355 customers and has two employees.

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of Kelly 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.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Caldwell Parish Police Jury is the financial reporting entity for Caldwell 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 Caldwell 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 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;

See accountant's compilation report.

KELLY WATER DISTRICT

Kelly, Louisiana

Notes to the financial statements (Continued)

- 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 Caldwell 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

Kelly 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.

See accountant's compilation report.

KELLY WATER DISTRICT

Kelly, Louisiana

Notes to the financial statements (Continued)

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 demand deposits and interest-bearing demand deposits. Time deposits with original maturities in excess of 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 banks organized under the laws of the State of Louisiana, the laws of any other state in the union, or 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 October 31, 2001, the district's investments consist of nonnegotiable certificates of deposits with original maturities that exceed 90 days that are reported in the accompanying financial statements at cost.

G. RESTRICTED ASSETS

Certain resources of the Enterprise Fund set aside for the refunding of customer deposits are classified as restricted assets on the balance sheet because their use is limited.

H. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the enterprise fund and are recorded at actual cost. Fixed assets reported on the balance sheet are net of accumulated depreciation. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over

See accountant's compilation report.

KELLY WATER DISTRICT

Kelly, Louisiana

Notes to the financial statements (Continued)

estimated useful lives of 40 years for the water distribution system and 5-10 years for furniture and equipment and buildings.

I. CONTRIBUTED CAPITAL

Contributed capital is recorded in proprietary funds that have received capital grants or contributions when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired from such resources.

J. 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. DEPOSITS IN FINANCIAL INSTITUTIONS

At October 31, 2001, the district has cash and investments (book balances) as follows:

Interest bearing checking account	\$9,424
Interest bearing savings accounts	45,326
Investments - certificates of deposit	<u>106,396</u>
Total	<u>\$161,146</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and investments (bank balances) at October 31, 2001, are secured as follows:

Bank Balances	<u>\$161,324</u>
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See accountant's compilation report.

KELLY WATER DISTRICT

Kelly, Louisiana

Notes to the financial statements (Continued)

Federal deposit insurance	\$100,000
Pledged securities (uncollateralized)	<u>100,000</u>
Total	<u>\$200,000</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

3. LEVIED TAXES

On October 3, 1998, the voters of the district approved a 10 mill ad valorem tax for the purpose of constructing, acquiring, improving, maintaining, and operating the water system. The tax will be levied for a period of ten years beginning with the year 1998 and ending with the year 2007.

4. ACCOUNTS RECEIVABLE

At October 31, 2001, the district has net receivables of \$8,063 as follows:

Water sales	\$9,390
Allowance for uncollectible accounts	<u>(1,327)</u>
Net receivables	<u>\$8,063</u>

The allowance for uncollectible accounts at October 31, 2001 is an estimate based on the amount of past due accounts at October 31, 2001.

5. FIXED ASSETS

A summary of fixed assets at October 31, 2001, follows:

Water system	\$604,971
Office building	15,953
Furniture and equipment	<u>20,416</u>
	641,340
Less accumulated depreciation	<u>(265,281)</u>

See accountant's compilation report.

KELLY WATER DISTRICT

Kelly, Louisiana

Notes to the financial statements (Continued)

Property, plant and equipment, net

\$376,059

6. UTILITIES RELOCATION PROJECT

During the year ended October 31, 2000, Kelly Water District entered into construction and engineering contracts for the second phase of a water line relocation project resulting from the widening of US Highway 165. The first phase of the relocation was completed during the year ended October 31, 2000. Utilities relocation expenses for the year ended October 31, 2001 were \$134,287 and were funded by a grant from the Louisiana Department of Transportation and Development.

7. LITIGATION AND CLAIMS

The district is not involved in any litigation at October 31, 2001, nor is it aware of any unasserted claims. The district maintains insurance coverage to reduce the risk of loss resulting from property damage or liability claims. There were no significant reductions in insurance coverage during the year ended October 31, 2001, nor were there any costs resulting from claims or judgements.

See accountant's compilation report.

SUPPLEMENTAL INFORMATION SCHEDULES

See accountant's compilation report.

KELLY WATER DISTRICT
Kelly, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULES
As of and For the Year Ended October 31, 2001

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).

CURRENT YEAR FINDINGS

The corrective action plan for current year findings is presented in Schedule 2.

See accountant's compilation report.

KELLY WATER DISTRICT
Kelly, LouisianaSummary Schedule of Prior Year Findings
For the Year Ended October 31, 2001

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Additional Explanation</u>
Note 2	10/31/00	Bank deposits were not fully secured.	Yes	N/A

See accountant's compilation report.

KELLY WATER DISTRICT
Kelly, LouisianaCorrective Action Plan
For Current Year Findings
For the Year Ended October 31, 2001

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
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There are no current year findings.

See accountant's compilation report.

**Independent Accountant's Report on Applying
Agreed-Upon Procedures**

The following independent accountant's report on applying agreed upon procedures is presented in compliance with the requirements of the *Louisiana Governmental Audit Guide* and the *Louisiana Attestation Questionnaire*, 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 Accountant's Report
On Applying Agreed-Upon Procedures**

BOARD OF COMMISSIONERS
KELLY WATER DISTRICT
Kelly, Louisiana

I have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Kelly Water District and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Kelly Water District's compliance with certain laws and regulations during the year ended October 31, 2001, included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for materials and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

There were three public works disbursements that exceeded \$15,000. These expenses were made in accordance with the public bid law.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.
Management provided me with the required list.
4. Determine whether any of the employees included in the listing obtained from management in agreed-upon procedure (3) were also included in the listing obtained from management in agreed-upon procedure (2) as immediate family members.

There were no names on the employee listing that were also included on the listing of immediate family members.

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

The district was not required to adopt a budget for the year ended October 31, 2001.
6. Trace the budget adoption and amendments to the minute book.

See results of procedures listed under agreed-upon procedure (5).
7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5 % or more or if actual expenditures exceed budgeted amounts by 5% or more.

See results of procedures listed under agreed-upon procedure (5).

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and;
 - (a) trace payments to supporting documentation as to correct amount and payee;
 - (b) determine if payments were properly coded to the correct fund and general ledger account;
 - (c) determine whether payments received approval from proper authorities.
An examination of six randomly selected disbursements disclosed the following:

Kelly Water District
Independent Accountant's Report on
Applying Agreed-Upon Procedures
October 31, 2001

- (a) The six selected disbursements were properly supported as to amount and payee.
- (b) The six selected payments were properly coded to the correct fund and general ledger account.
- (c) The six selected payments received approval from the proper authorities.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1-12 (the opening meetings law).

Agendas for board meetings were posted as required by LSA-RS 42:7.

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

I examined all bank deposits for the period under examination and noted no deposits which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the board meetings and an examination of payroll records indicated no payments which may constitute bonuses, advances, or gifts.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

Kelly Water District
Independent Accountant's Report on
Applying Agreed-Upon Procedures
October 31, 2001

This report is intended solely for the information and use of management of the Kelly Water District and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties.



Calhoun, Louisiana

January 28, 2002

Louisiana Attestation Questionnaire

The accompanying *Louisiana Attestation Questionnaire* has been completed by management and is included in this report as required by the *Louisiana Governmental Audit Guide*.

M. Carleen Dumas
Certified Public Accountant
369 Donaldson Rd.
Calhoun, La 71225

Mrs. Dumas,

In connection with your compilation of our financial statements of the Kelly Water District as of October 31, 2001 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on information available to us as of 10-31-01.

PUBLIC BID LAW

1. The provisions of the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.

Yes [] No [] N/A []

CODE OF ETHICS FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

2. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone which would constitute a violation of LSA-RS 42:1101-1124.

Yes [] No [] N/A []

3. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980 under circumstances which would constitute a violation of LSA-RS 42:1119.

Yes [] No [] N/A []

BUDGETING

4. We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:43.

Yes No N/A

ACCOUNTING AND REPORTING

5. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No N/A

6. We have filed our annual financial statements in accordance with LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable.

Yes No N/A

7. We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes No N/A

MEETINGS

8. We have complied with the provisions of the Opening Meetings Law, LSA-RS 42:1-12.

Yes No N/A

DEBT

9. We have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 47:1410.60.

Yes No N/A

ADVANCES AND BONUSES

10. We have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes No N/A

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known non-compliance which may occur subsequent to the issuance of your report.

Linda Kross

12-17-01

Date