

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Sageppa Waterworks District of
Webster Parish

We have audited the accompanying component unit financial statements of Sageppa Waterworks District of Webster Parish, a component unit of the Police Jury of Webster Parish, Louisiana, as of June 30, 1997, and for the years ended June 30, 1997 and 1996. These component unit financial statements are the responsibility of Sageppa Waterworks District of Webster Parish, Louisiana management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit 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 in the first paragraph present fairly, in all material respects, the financial position of Sageppa Waterworks District of Webster Parish, a component unit of the Police Jury of Webster Parish, Louisiana, as of June 30, 1997, and the results of its operations and its cash flows for the years ended June 30, 1997 and 1996, in conformity with generally accepted accounting principles.


Certified Public Accountants

December 4, 1997

SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

Balance Sheet

June 30, 1992

Assets	
Current assets:	
Unrestricted:	
Cash	122,842
Accounts receivable - trade	8,297
Accounts receivable - other	49
Interest receivable	2,444
	133,632
Restricted:	
Cash	11,981
Total current assets	145,614
Property, plant and equipment:	
Land	9,000
Utility plant and improvements	285,282
Equipment	46,271
	340,553
Less: accumulated depreciation	(191,779)
Total property, plant and equipment	148,774
Total assets	294,388
Liabilities and Equity	
Current liabilities:	
Payable from unrestricted assets:	
Accounts payable	1,366
Payroll taxes payable	18
Sales tax payable	268
	1,652
Payable from restricted assets:	
Customer meter deposits	11,981
Total current liabilities	13,634
Fund equity:	
Retained earnings	271,654
Total liabilities and equity	294,388

See accompanying notes to the financial statements.

SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

**Statements of Income and Retained Earnings
For the Years Ended June 30, 1997 and 1996**

	<u>1997</u>	<u>1996</u>
Operating revenues:		
Water sales	79,241	78,794
Tap charges	1,408	1,375
Penalties	1,931	815
Reconnect charges	<u>158</u>	<u>211</u>
Total operating revenues	<u>82,738</u>	<u>81,205</u>
Operating expenses:		
Wages	13,298	13,666
Maintenance & supplies	19,259	12,472
Utilities	6,394	3,962
Transportation	491	585
Office	2,544	1,785
Insurance	3,748	3,145
Legal & auditing	250	2,500
Commissioners expense	3,680	3,540
Payroll taxes	934	1,265
Depreciation	<u>14,719</u>	<u>9,852</u>
Total operating expenses	<u>69,276</u>	<u>59,592</u>
Income (loss) from operations	<u>13,462</u>	<u>21,613</u>
Non-operating revenues:		
Interest income	4,475	4,960
Insurance proceeds	5,188	
Gain on sale of equipment	<u>380</u>	
Total Non-operating revenues	<u>10,043</u>	<u>4,960</u>
Net income	<u>23,505</u>	<u>26,573</u>
Retained earnings, beginning of year	<u>259,242</u>	<u>231,088</u>
Retained earnings, end of year	<u>282,747</u>	<u>257,661</u>

See accompanying notes to the financial statements.

SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

Statements of Cash Flows
For the Years Ended June 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Net income (Loss) from operations	7,489	21,274
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,719	8,354
(Increase) decrease in:		
Accounts receivable - trade	(893)	213
Accounts receivable - other	(88)	
Interest receivable	(110)	34
Increase (decrease) in:		
Accounts payable - trade	307	303
Payroll taxes payable	(3)	5
Sales tax payable	12	(1)
Customers' water deposits	1,253	1,200
Net cash provided by operating activities	<u>22,889</u>	<u>32,419</u>
Cash flows from capital and related financing activities:		
Insurance proceeds	3,394	
Proceeds from sale of assets	308	
Purchases of property, plant and equipment	<u>(17,588)</u>	<u>(29,581)</u>
Net cash (used) by capital and related financing activities	<u>(13,886)</u>	<u>(29,581)</u>
Cash flows from investing activities:		
Interest earned	<u>3,475</u>	<u>4,900</u>
Net cash provided by investing activities	<u>3,475</u>	<u>4,900</u>
Net increase (decrease) in cash	<u>16,478</u>	<u>7,738</u>
Cash and cash equivalents at beginning of year (including \$10,630 and \$8,823 in restricted accounts)	<u>117,863</u>	<u>110,125</u>
Cash and cash equivalents at end of year (including \$11,885 and \$10,638 in restricted accounts)	<u>134,341</u>	<u>117,863</u>

See accompanying notes to the financial statements.

SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

Notes To Financial Statements

June 30, 1997 and 1996

The Sarepta Waterworks District of Webster Parish was created under Revised Statutes 33:3811, by the Webster Parish Police Jury, by Ordinance No. 162, on September 2, 1938. As a result, the District is a component unit of the Police Jury which has the authority to appoint all members of the Board of Waterwork Commissioners.

I. Summary of Significant Accounting Policies:

The component unit financial statements of Sarepta Waterworks District of Webster Parish have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The following is a summary of the more significant accounting policies:

Reporting Entity: These component unit financial statements include only the Sarepta Waterworks District of Webster Parish. The financial statements of all other funds and account groups over which the Police Jury exercises authority, management, influence or accountability, have been omitted from these financial statements.

Fund Accounting: The operations of the Sarepta Waterworks District of Webster Parish are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. The component unit is considered an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis is financed through user charges.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus (All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded as the time liabilities are incurred.

Budgets and Budgetary Accounting: The Sarepta Waterworks District of Webster Parish is not required by state law to formally adopt a budget for proprietary funds and generally accepted accounting procedures do not require budgetary comparison of financial statements.

SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

Notes to Financial Statements

June 30, 1997 and 1996

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents At June 30, 1997, the carrying amount of the District's deposits is \$134,415. All are on deposit at a bank where the first \$100,000 is insured by the FDIC. All deposits are shown as payable to Sarepta Waterworks District or titled as Sarepta Waterworks with designated type of account.

Bad Debts Uncollectible amounts due for customer accounts are recognized as bad debts through the use of the direct write-off method at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Inventories Supplies used to repair water lines, pumps, and meters, are immaterial and are expensed when purchased which is consistent with prior years.

Property, Plant and Equipment Additions to property plant and equipment are recorded at cost. Repairs and maintenance are recorded as expenditures, renewals and betterments are capitalized. The sale or disposal of fixed assets is reconciled by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Depreciation has been calculated on each class of depreciable property using the straight-line method, with a monthly proration in the year of acquisition and disposals. Estimated useful lives are as follows:

Utility plant and additions and Water Wells	40 Years
Transportation equipment	5 Years
Office equipment	8 Years

Pension Plan The district does not participate in a pension plan and therefore has no unfunded liability.

Statement of Cash Flows For the purposes of the Statement of Cash Flows, the Sarepta Waterworks District of Webster Parish considers all highly liquid investments (including restricted assets) to be cash equivalents.

2. Cash:

At June 30, 1997, the carrying amount of the District's deposits was \$134,415 and the bank balance was \$135,168. Of the total bank balance, \$100,000 was covered by Federal depository insurance.

(continued)

SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

Notes To Financial Statements
June 30, 1997 and 1996

2. Cash (continued)

The District's deposits are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes deposits that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name.

Collateral Description	1	2	3	Carrying Value	Market Value
FHC Insurance	100,000			100,000	100,000
Secured by Pledge of U.S. Treasury Note	35,669			35,669	Unknown
Totals	135,669			135,669	100,000

3. Property, Plant, and Equipment:

The following is a summary of proprietary fund fixed assets at June 30, 1997 and 1996:

	1997	1996
Land	9,100	9,100
Utility plant and additions	201,696	199,000
Equipment	39,383	29,534
Office equipment	6,890	6,890
Water (Wol #)	81,598	81,598
	340,667	326,122
Less: accumulated depreciation	194,720	183,035
Net property, plant, and equipment	145,947	143,087

Capital additions for the fiscal years are as follows:

Plant addition	4,685	
Equipment	32,403	25,490
Office equipment		5,180
	37,088	30,670

Equipment disposed of for the years are as follows:

3,026

SAIREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

Notes To Financial Statements June 30, 1997 and 1996

4. Leases:

Sairepta Waterworks District of Webster Parish has a lease with the Webster Parish School Board for 40 years, with the option to renew the lease for six successive ten year periods upon the same terms and conditions set forth in the original agreement dated July 1, 1984, for the sum of \$3 per year. The lease is subject to the following provisions:

- a) The property must be used for the purpose of the operation and maintenance of a well and booster station site and for the operation of the water system by Sairepta Waterworks District of Webster Parish.
- b) The District must maintain liability insurance for operations conducted on the subject property in an amount not less than \$100,000 per accident.

Future payments are as follows:

June 30, 1998	1
June 30, 1999	1
June 30, 2000	1
June 30, 2001	1
June 30, 2002	1
All future years	_____21
	_____20

5. Compensated Absences:

No formal policy exists for vacation pay and sick leave that provide for accumulation of benefits.

SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

Notes To Financial Statements June 30, 1997 and 1996

6. Payments to Board Members:

Because of the constant participation of members of the Board of Commissioners in day to day activities of the District, the members are paid a monthly per diem instead of a per diem based on attendance at board meetings. Payments to the board members are as follows:

	Years Ended			
	June 30, 1997		June 30, 1996	
	Board Fees	Expense Reimbursement	Board Fees	Expense Reimbursement
B. H. Huskaly	720	34	720	5
F. S. Phillips	720		720	12
Denis Rhymes	720		420	
Arnie Trigg	720		720	
Garland Hughes	720		720	
Darrel McAllister	_____	_____	340	_____
	_____ 3,600	_____ 34	_____ 3,580	_____ 17

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners of
Sarepta Waterworks District of
Webster Parish

We have audited the component unit financial statements of Sarepta Waterworks District of Webster Parish as of June 30, 1997, and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated December 4, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require a firm to plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

The management of Sarepta Waterworks District of Webster Parish is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the component unit financial statements of Sarepta Waterworks District of Webster Parish, for the years ended June 30, 1997 and 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Sceptis Waterworks District of Wolcott, Idaho's ability to record, process, summarize and report financial data consistent with the assertions of management in the component unit financial statements.

Finding: Due to economic and space limitations, the segregation of duties is inadequate to provide effective internal control.

Recommendation: No recommendation.

Management's Response: We concur in this finding.

Finding: The finding at June 30, 1995, that cash deposits were unsecured has been corrected.

Recommendation: No recommendation.

Finding: With reference to the finding in the prior report that telephone bills were not taken, we found one instance of non-compliance on a pick-up costing over \$7,300. This truck cost a total of \$91,417 and no record could be found of oral bids being received.

Recommendation: We recommend an internal memo form be established for documenting oral bids and attachment to the invoice.

Management's Response: We concur in this finding.

Finding: Accounts receivable and meter deposits were not being reconciled to the respective general ledger accounts at the end of each month.

Recommendation: We recommend that these reconciliations be made a part of the required monthly bookkeeping procedures.

Management's Response: We concur with the finding. We now have a computerized billing system which details all transactions. We will start reconciling these totals to the general ledger.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that all findings listed above are also material weaknesses.

This report is intended for the information of management, the Wabash Parish Police Jury, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

John H. Stearns, Jr. & Company, L.L.P.
Certified Public Accountants

December 4, 1997

Jim H. Stevens, Jr. & Company, L.L.P.

Certified Public Accountants

289 E. Church Street
Springhill, Louisiana 71075

Jim H. Stevens, Jr., CPA
Bill W. Smith, CPA
Wright L. Pugh, CPA

**REPORT ON COMPLIANCE BASED ON AN AUDIT
OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

To the Board of Commissioners of
Sarpy Waterworks District of
Webster Parish

We have audited the component unit financial statements of Sarpy Waterworks District of Webster Parish, as of June 30, 1997, and for the years ended June 30, 1995 and 1996, and have issued our report thereon dated December 4, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Accounting Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Sarpy Waterworks District of Webster Parish, is the responsibility of Sarpy Waterworks District of Webster Parish's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of Sarpy Waterworks District of Webster Parish's compliance with certain provisions of laws and regulations. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violation of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregate of the misstatements resulting from those failures or violations is material to the component unit financial statements. The results of our tests of compliance disclosed the following instances of noncompliance, that may be material to the component unit financial statements but for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in Sarpy Waterworks District of Webster Parish's component unit financial statements.

Finding:	The finding at June 30, 1985, that cash deposits were unrecorded has been corrected.
Recommendation:	No recommendation.
Finding:	With reference to the finding in the prior report that telephone bids were not taken, we found one instance of non-compliance on a pick-up costing over \$7,500. This truck cost a total of \$11,417 and no record could be found of oral bids being received.
Recommendation:	We recommend an internal memo form be established for documenting oral bids and attachment to the invoice.
Management's Response:	We concur in this finding.
Finding:	We noted advertisements for a model L-10 Kaskota Tractor and Loader. This is a violation of the public bid laws, since the advertisements did not say "or equivalent" in the wording of the bid.
Recommendation:	Change wording on future advertisements for bids, so as not to exclude all but one brand.
Management's Response:	Recommendation is noted for future bids.

We considered these instances of non-compliance in forming our opinion on whether Saegert Watersworks District of Webster Parish's component unit financial statements are prepared fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not reflect our report dated December 4, 1987, on those component unit financial statements.

This report is intended for the information of management, the Webster Parish Police Jury, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

John H. Williams, Jr., C.P.A.
 Certified Public Accountant

December 4, 1987

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SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

SAREPTA, LOUISIANA



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FINANCIAL STATEMENTS

June 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, 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 2-18-98

SAREPTA WATERWORKS DISTRICT OF WEBSTER PARISH

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