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TOWN OF WATERPROOF, LOUISIANA

**General Purpose Financial Statements
With Independent Auditors' Report
As of and for the Year Ended June 30, 2001
With Supplemental Information Schedules**

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

Release Date 12/5/01

**TOWN OF WATERPROOF, LOUISIANA
YEAR ENDED JUNE 30, 2001
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SECTION I – GENERAL PURPOSE FINANCIAL STATEMENTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT

Honorable Mariah J. Cooper, Mayor
and Members of the Board of Aldermen
Town of Waterproof, Louisiana

We have audited the accompanying general purpose financial statements of the Town of Waterproof, Louisiana, as of and for the year ended June 30, 2001 as listed in the table of contents. These general purpose financial statements are the responsibility of Town of Waterproof, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with standards generally accepted in the United States of America and *Government Auditing 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 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Town of Waterproof, Louisiana, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Waterproof, Louisiana. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued reports dated November 9, 2001 on our consideration of the Town of Waterproof, Louisiana's internal control structure and on its compliance with laws and regulations.

Honorable Mariah Cooper, Mayor
Town of Waterproof, Louisiana
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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Town of Waterproof, Louisiana taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Ferriday, Louisiana
November 9, 2001

Switzer, Hopkins & Manger

TOWN OF WATERPROOF, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2001

	<u>Government Fund Types</u>		<u>Proprietary Fund Type</u>		<u>Account Groups</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>General</u>	<u>Fixed Assets</u>	<u>(Memorandum Only)</u>	<u>2001</u>	<u>2000</u>
	\$	\$	\$	\$	\$	\$	\$	\$
<u>ASSETS AND OTHER DEBITS</u>								
Cash	92,953	6,944	-	-	-	-	99,897	51,848
Receivables, net, where applicable of allowance for uncollectibles (Note 1)	-	-	28,508	-	-	-	28,508	24,978
Utility customers	-	-	-	-	-	-	49,463	29,029
Others	49,463	-	-	-	-	-	-	-
Inventory	-	-	772	-	-	-	772	1,900
Restricted assets (Note 1 and 10):								
Cash	-	-	67,725	-	-	-	67,725	62,796
General fixed assets	-	-	-	541,081	-	-	541,081	435,172
Utility plant and equipment (Note 3)	-	-	5,255,795	-	-	-	5,255,795	5,255,795
Accumulated Depreciation (Note 3)	-	-	(2,130,446)	-	-	-	(2,130,446)	(1,979,065)
Total assets	\$ 142,416	\$ 6,944	\$ 3,222,354	\$ 541,081	\$ -	\$ -	\$ 3,912,795	\$ 3,882,453

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 2001

LIABILITIES, EQUITY
 AND OTHER CREDITS

Liabilities:

Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	11,402	-	13,541	-	24,943	19,227
Accrued compensated absences	5,460	-	-	-	5,460	5,460
Customer deposits	-	-	28,480	-	28,480	28,472
Interest payable	-	-	200	-	200	205
Revenue bonds	-	-	541,821	-	541,821	548,455
Total liabilities	16,862	-	586,462	-	603,324	601,819

Fund equity:

Contributed capital	-	-	3,588,320	-	3,588,320	3,588,320
Investment in general fixed assets	-	-	-	541,081	541,081	435,172
Retained earnings - Unreserved (deficit)	125,554	6,944	(952,428)	-	(819,930)	(742,855)
Total fund equity	125,554	6,944	2,635,892	541,081	3,309,471	3,280,637

Total liabilities and fund equity

\$ 142,416	\$ 6,944	\$ 3,222,354	\$ 541,081	\$ 3,912,795	\$ 3,882,453
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The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Governmental Fund Types</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital</u>	<u>(Memorandum Only)</u>	
			<u>Projects</u>	<u>2000</u>
Revenues:				
Taxes	\$ 55,837	\$ -	\$ 55,837	\$ 98,989
Licenses and permits	15,345	-	15,345	15,320
Intergovernmental	245,507	102,166	347,673	708,318
Fines	207,211	-	207,211	115,064
Miscellaneous	7,715	-	7,715	8,385
Total revenues	<u>531,615</u>	<u>102,166</u>	<u>633,781</u>	<u>946,076</u>
Expenditures:				
Current -				
General government	111,794	-	111,794	90,624
Public safety-				
Police and fire	188,257	-	188,257	153,533
Capital outlay	125,791	95,237	221,028	670,253
Total expenditures	<u>425,842</u>	<u>95,237</u>	<u>521,079</u>	<u>914,410</u>
Excess of revenues over				
(under) expenditures	105,773	6,929	112,702	31,666
Other financing sources:				
Transfers (out)	<u>(48,536)</u>	<u>-</u>	<u>(48,536)</u>	<u>-</u>
Excess of revenues and other				
sources over expenditures				
and other uses	57,237	6,929	64,166	31,666
Fund balances, beginning	<u>68,317</u>	<u>15</u>	<u>68,332</u>	<u>36,666</u>
Fund balances, ending	<u>\$ 125,554</u>	<u>\$ 6,944</u>	<u>\$ 132,498</u>	<u>\$ 68,332</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2001

	<u>General Fund Type</u>		<u>Capital Projects Fund Type</u>		Variance - Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	
Revenues:					
Taxes	\$ 51,000	\$ 55,837	\$ 4,837	\$ -	\$ -
Licenses and permits	13,000	15,345	2,345	-	-
Intergovernmental	237,862	245,507	7,645	102,166	-
Fines	113,000	207,211	94,211	-	-
Miscellaneous	6,100	7,715	1,615	-	-
Total revenues	<u>420,962</u>	<u>531,615</u>	<u>110,653</u>	<u>102,166</u>	<u>-</u>
Expenditures:					
Current -					
General government	88,800	111,794	(22,994)	-	-
Public safety -					
Police and fire	138,750	188,257	(49,507)	-	-
Capital outlay	181,881	125,791	56,090	95,237	-
Total expenditures	<u>409,431</u>	<u>425,842</u>	<u>(16,411)</u>	<u>95,237</u>	<u>-</u>
Excess of revenues over (under) expenditures	11,531	105,773	94,242	6,929	-
Other financing (uses) Transfers (out)	-	(48,536)	(48,536)	-	-
Excess of revenues and other sources over expenditures and other uses	11,531	57,237	45,706	6,929	-
Fund balances, beginning	<u>68,317</u>	<u>68,317</u>	-	<u>15</u>	<u>-</u>
Fund balances, ending	<u>\$ 79,848</u>	<u>\$ 125,554</u>	<u>\$ 45,706</u>	<u>\$ 6,944</u>	<u>\$ -</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS-PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	<u>2001</u>	(Memorandum Only) <u>2000</u>
Operating revenues:		
Charges for services -		
Gas sales	\$ 242,792	\$ 131,422
Water sales	90,072	91,948
Sewer sales	55,548	57,133
Garbage sales	39,610	47,692
Backhoe and mowing charges	782	1,918
Miscellaneous revenues	24,848	3,583
Total operating revenues	<u>453,652</u>	<u>333,696</u>
 Operating expenses:		
Gas department expenses	283,389	140,265
Water department expenses	197,852	187,945
Sewer department expenses	79,516	81,278
Garbage department expenses	57,077	46,374
Backhoe and mowing expenses	3,632	2,255
Total operating expenses	<u>621,466</u>	<u>458,117</u>
 Operating (loss)	 (167,814)	 (124,421)
 Nonoperating revenues (expenses):		
Interest earned	2,580	2,086
Interest expense	(24,542)	(24,844)
Total nonoperating revenues (expenses):	<u>(21,962)</u>	<u>(22,758)</u>
 (Loss) before operating transfers	 (189,776)	 (147,179)
 Operating transfers:		
Transfers in	<u>48,536</u>	<u>-</u>
 Net (loss)	 (141,240)	 (147,179)
 Retained earnings, beginning (deficit)	 <u>(811,188)</u>	 <u>(664,009)</u>
 Retained earnings, ending (deficit)	 <u>\$ (952,428)</u>	 <u>\$ (811,188)</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	<u>2001</u>	(Memorandum Only) <u>2000</u>
Cash flows from operating activities:		
Cash received from customers	\$ 450,120	\$ 332,999
Cash payments to suppliers for goods and services	(380,600)	(217,817)
Cash payments to employees for services	(86,976)	(86,257)
Net cash provided by operating activities	<u>(17,456)</u>	<u>28,925</u>
Cash flows from non-capital financing activities:		
Operating transfers from other funds	48,536	-
Increase in consumer deposits	<u>8</u>	<u>1,884</u>
Net cash provided by non-capital financing activities	<u>48,544</u>	<u>1,884</u>
Cash flows from capital and related financing activities:		
Principal paid on notes	(6,634)	(7,289)
Interest paid on notes	(24,544)	(26,492)
Acquisition of fixed assets	<u>-</u>	<u>(5,211)</u>
Net cash (used) by capital and related financing activities	<u>(31,178)</u>	<u>(38,992)</u>
Cash flows from investing activities:		
Interest earned	<u>2,580</u>	<u>2,087</u>
Net increase (decrease) in cash and cash equivalents	2,490	(6,096)
Cash and cash equivalents at July 1, 2000	<u>65,235</u>	<u>71,331</u>
Cash and cash equivalents at June 30, 2001	<u>\$ 67,725</u>	<u>\$ 65,235</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:		
Operating (loss)	\$ (167,814)	\$ (124,421)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	151,381	152,009
Changes in assets and liabilities:		
(Increase) in accounts receivable	(3,530)	(697)
Decrease in inventories	1,128	
Increase in cash overdraft	2,420	-
Increase (decrease) in accounts payable	<u>(1,041)</u>	<u>2,034</u>
Net cash provided by operating activities	<u>\$ (17,456)</u>	<u>\$ 28,925</u>

The following notes are an integral part of these financial statements.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

INTRODUCTION

1. The Town of Waterproof, Louisiana was incorporated under provisions of the Lawrason Act as a Town in 1862.
2. The purpose of the municipality is to provide utility services, public safety (police and fire), streets, sanitation and general administrative services.
3. The Board of Aldermen consists of five elective members and they are paid \$125 per month.
4. The Town is located in the southern portion of Tensas Parish, Louisiana. Tensas Parish is located in Northeast Louisiana.
5. The population of Waterproof, Louisiana is 1,082 persons.
6. The Town of Waterproof, Louisiana has eight full time employees and two part time employees.
7. The Town of Waterproof, Louisiana has approximately 421 utility customers.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Town of Waterproof, Louisiana 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 municipal governing authority, for reporting purposes, the Town of Waterproof, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (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.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of Waterproof, Louisiana 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
 - a) The ability of the municipality to impose its will on that organization and/or**
 - b) The potentials for the organization to provide specific financial benefit to or impose specific financial burdens on the municipality.****
- 2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.**
- 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.**

As required by generally accepted accounting principles, these financial statements present the Town of Waterproof, Louisiana (the primary government) and its component units. There are no component units included in the accompanying financial statements as either blended with the municipality funds or discretely presented.

C. FUND ACCOUNTING

The municipality uses funds and account groups 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 relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the municipality are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental Funds

Governmental funds are used to account for all or most of the municipality's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long term debt. Governmental funds include:

1. **General Fund** - the general operating fund of the municipality and accounts for all financial resources, except those required to be accounted for in other funds.
2. **Capital Projects** – account for transactions relating to proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

1. **Enterprise funds**—account for operations (a) 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, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

General Fixed Assets and Long Term Debt

The accounting and reporting treatment applied to the property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or “financial flow” measurement focus and only current assets and current liabilities are generally included on their balance sheets.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group and are recorded as expenditures in the governmental fund types when purchased. The Town has elected to not capitalize public domain (“infrastructure”) fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks and drainage improvements. No depreciation has been provided on general fixed assets.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Depreciation of all exhaustible fixed assets used in the proprietary fund is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Gas lines, Sewer lines and plant	50 years
Vehicles and equipment	3 to 10 years

All fixed assets are stated a historical cost.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered “measurable” when in the hands of collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when earned and their expenses are recognized when incurred. Bad debts are recognized when they become uncollectable.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Town prepares a proposed budget and submits it to the Mayor and Board of Aldermen *no later than fifteen days prior to the beginning of each fiscal year*. The Town approves a budget for the general fund only.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through the passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer to funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

F. INVENTORIES

Inventories or material and supplies are valued at lower of cost or market.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Allowance for uncollectible accounts receivable at June 30, 2001 was \$15,000 in the general fund for fines and \$15,000 in the proprietary fund for utilities.

H. RESTRICTED ASSETS

Certain assets of the Town of Waterproof, Louisiana have been restricted for debt service and customers' deposits and these assets total \$67,725.

I. COMPARATIVE DATE

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been represented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

J. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements – overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

K. CASH AND CASH EQUIVALENTS

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 municipality 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.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. FUND EQUITY

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

M. ENCUMBRANCES

The Town of Waterproof does not use encumbrance accounting.

NOTE 2 – CASH AND CASH EQUIVALENTS

Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At June 30, 2001, the Town had cash and cash equivalents according to the bank's balances totaling \$183,328 as follows:

Demand deposits	\$ 124,094
Time deposits	<u>59,234</u>
Total	<u><u>\$ 183,328</u></u>

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 cash equivalents (bank balances) at June 30, 2001 of \$179,590 were secured by Federal deposit insurance and \$12,738 was secured by securities pledged.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 3 – RECEIVABLES

Receivables at June 30, 2001 consist of the following:

	General Fund	Utility Fund
Fines	\$ 64,463	\$ -
Utility fees	-	43,508
Less allowance for uncollectables	<u>(15,000)</u>	<u>(15,000)</u>
Total accounts receivable	<u>\$ 49,463</u>	<u>\$ 28,508</u>

NOTE 4 – RESTRICTED ASSETS PROPRIETARY FUND TYPE

Certain assets were restricted for debt service and customer deposits. These assets consisted of the following:

Sinking fund	\$ 24,467
Customer deposits	28,480
Bond reserve fund	6,482
Bond contingency fund	<u>8,296</u>
	<u>\$ 67,725</u>

NOTE 5 – CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in general fixed assets follows:

	Balance <u>6/30/2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2001</u>
Land and Buildings	\$204,862	\$123,490	\$ -	\$328,352
Equipment	<u>230,310</u>	<u>2,300</u>	<u>19,881</u>	<u>212,729</u>
Total	<u>\$435,172</u>	<u>\$125,790</u>	<u>\$ 19,881</u>	<u>\$541,081</u>

**TOWN OF WATERPROOF, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 6 – PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund's plant and equipment at June 30, 2001 follows:

Water	\$ 3,004,854
Sewer	1,321,287
Gas	809,107
Garbage	117,755
Backhoe and Mowing	<u>2,792</u>
Total plant and equipment	5,255,795
Less accumulated depreciation	<u>(2,130,446)</u>
Net	<u><u>\$ 3,125,349</u></u>

NOTE 7 – CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions of the Town of Waterproof for the year ended June 30, 2001:

Proprietary Fund

The following is a summary of bond transactions of the Town of Waterproof for the year ended June 30, 2001:

Bonds payable at June 30, 2000	\$ 548,455
Bonds retired	<u>(6,634)</u>
Bonds payable at June 30, 2001	<u><u>\$ 541,821</u></u>

Bonds payable at June 30, 2001 are comprised of the following issues:

Water Revenue Bonds:

\$ 566,415 in revenue bonds due in annual installments of \$31,181 through July of 2035; interest at 4.5%.

The annual requirements to amortize the bonds as of June 30, 2001 are as follows:

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 7 – CHANGES IN LONG-TERM DEBT – CONTINUED

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 6,753	\$ 24,428	\$ 31,181
2003	7,057	24,124	31,181
2004	7,374	23,807	31,181
2005	7,706	23,475	31,181
2006	8,053	23,128	31,181
Thereafter	<u>504,878</u>	<u>411,616</u>	<u>916,494</u>
TOTAL	<u><u>\$541,821</u></u>	<u><u>\$530,578</u></u>	<u><u>\$1,072,399</u></u>

NOTE 8 – PROPRIETARY FUND BOND INDENTURE RESTRICTIONS

The Town's proprietary fund bonds are governed by bond indenture, the terms of which are summarized as follows:

1. Commencing with the month following completion of improvements financed with the proceeds of the bonds, a reserve fund shall be maintained. For the period August 20, 1997 through July 20, 2035, \$130 must be deposited into this fund monthly until \$31,180 has been accumulated.
2. Commencing with the month following completion of improvements financed with the proceeds of the bonds, a contingency fund shall be maintained. For the period August 20, 1995 through July 20, 2035, \$129 must be deposited monthly.

The Town is in compliance with these restrictions.

NOTE 9 – DEFICIT RETAINED EARNINGS

The enterprise fund deficit in retained earnings of \$952,428 is the result of revenues inadequate to cover expenses including depreciation for several years.

NOTE 10 – AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied by the Town in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1, of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 10 – AD VALOREM TAXES – CONTINUED

The Town bills and collects its own property taxes using the assessed values determined by the tax assessor of Tensas Parish.

For the year ended June 30, 2001 taxes of 7.39 mills were levied on property with assessed valuations totaling \$1,439,039 and were dedicated to general corporate purposes.

Total taxes levied were \$10,793.

NOTE 11 – RETIREMENT COMMITMENTS

The Town of Waterproof employees are all members of the social security system and are members of no other retirement plan. The expense of the social security is reflected in payroll taxes in the various statements of income.

NOTE 12 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The Town grants one week vacation after one year of service and two weeks vacation after two years of service. Each employee is entitled to ten sick days per year. Vacation or sick pay does not accumulate. The cost of accrued absences at June 30, 2001 was \$5,460. The Town's policy concerning compensation for unpaid vacation pay or sick pay is that upon termination of an employee, vacation days and sick days not previously used by the employee are not reimbursed.

NOTE 13 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	Gas Fund	Water Fund	Sewer Fund	Garbage Fund	Backhoe Mowing Fund	Total
Operating Revenues	\$ 243,939	\$ 107,393	\$ 55,548	\$ 45,990	\$ 782	\$ 453,652
Depreciation	30,458	7,388	33,535	-	-	71,381
Operating (loss)	(39,450)	(90,459)	(23,968)	(11,087)	(2,850)	(167,814)
Net Income (loss)	(39,450)	(63,885)	(23,968)	(11,087)	(2,850)	(141,240)
Plant, property & equipment, net additions	-	-	-	-	-	-
Net working capital	(4,319)	17,638	-	-	-	13,319
Total assets	334,528	1,998,785	889,041	-	-	3,222,354
Long-term liabilities payable from operating revenues	-	535,068	-	-	-	535,068
Total equity	\$ 330,209	\$ 1,416,642	\$ 889,041	\$ -	\$ -	\$ 2,635,892

**TOWN OF WATERPROOF, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 14 – SUMMARY OF GRANTS

Funding from the following Federal and State grants was received during the year ended June 30, 2001:

<u>Funding Source and Program</u>	<u>CFDA Number</u>	<u>Revenue Amount</u>
Federal Grants:		
HUD-LCDBG Street Improvements	14.225	\$ 52,466
Department of Justice -COPS	16.710	90,000
USDA - Community Facilities Grant	14.225	49,700
USDA - Rural Development Grant-Police Station	107.69	38,000
Department of Justice-Law Enforcement Block Grant	16.592	3,760
Total - Federal		<u><u>\$ 233,926</u></u>
Other Grants:		
State of Louisiana - Office of Rural Development	9900-TNS-0301	25,000
State of Louisiana - Division of Administration (Town Hall Renovations)	P011598531240	75,702
Total - Other Grants		<u><u>\$ 100,702</u></u>
Total Federal and Other Grants		<u><u>\$ 334,628</u></u>

SECTION II – SUPPLEMENTAL INFORMATION SCHEDULES

GENERAL FUND

**To account for resources traditionally associated with governments which
are not required to be accounted for in another fund.**

TOWN OF WATERPROOF, LOUISIANA
GENERAL FUND

COMPARATIVE BALANCE SHEET
YEAR ENDED JUNE 30, 2001

	<u>2001</u>	(Memorandum Only) <u>2000</u>
<u>ASSETS</u>		
Cash	\$ 92,953	\$ 49,394
Accounts receivable	49,463	29,029
Total assets	<u>142,416</u>	<u>78,423</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	11,402	4,646
Accrued compensated absences	5,460	5,460
Total liabilities	<u>16,862</u>	<u>10,106</u>
Fund balance - unreserved	<u>125,554</u>	<u>68,317</u>
Total liabilities and fund balance	<u>\$ 142,416</u>	<u>\$ 78,423</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
YEAR ENDED JUNE 30, 2001

With Comparative Actual Amounts for Year Ended June 30, 2000

	<u>Budget</u>	<u>2001 Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>(Memorandum Only) 2000 Actual</u>
Revenues:				
Taxes	\$ 51,000	\$ 55,837	\$ 4,837	\$ 98,989
Licenses and permits				
Occupational licenses	13,000	15,345	2,345	15,320
Intergovernmental				
Grants	226,462	233,712	7,250	258,144
Tobacco tax	5,500	5,619	119	5,619
Fire insurance tax	4,100	4,213	113	4,109
Beer tax	1,800	1,963	163	1,310
Fines	113,000	207,211	94,211	115,064
Miscellaneous	6,100	7,715	1,615	8,310
Total revenues	<u>420,962</u>	<u>531,615</u>	<u>110,653</u>	<u>506,865</u>
Expenditures:				
General government	88,800	111,794	(22,994)	90,624
Public safety -				
Police and fire	138,750	188,257	(49,507)	153,533
Capital outlay	181,881	125,791	56,090	231,057
Total expenditures	<u>409,431</u>	<u>425,842</u>	<u>(16,411)</u>	<u>475,214</u>
Excess of revenues over expenditures	11,531	105,773	94,242	31,651
Other financing sources (uses):				
Transfers (out)	<u>-</u>	<u>(48,536)</u>	<u>(48,536)</u>	<u>-</u>
Excess of revenues and other sources over expenditures	11,531	57,237	45,706	31,651
Fund balance, beginning	<u>68,317</u>	<u>68,317</u>	<u>-</u>	<u>36,666</u>
Fund balance, ending	<u>\$ 79,848</u>	<u>\$ 125,554</u>	<u>\$ 45,706</u>	<u>\$ 68,317</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
GENERAL FUND
STATEMENT OF EXPENDITURES COMPARED TO BUDGET (GAAP BASIS)
YEAR ENDED JUNE 30, 2001

With Comparative Actual Amounts for the Year Ended June 30, 2000

	<u>Budget</u>	<u>2001 Actual</u>	Variance - Favorable <u>(Unfavorable)</u>	(Memorandum Only) 2000 <u>Actual</u>
General government:				
Salaries	\$ 25,400	\$ 26,868	\$ (1,468)	\$ 28,719
Aldermen fees	7,500	6,900	600	6,550
Legal and accounting	10,000	19,683	(9,683)	12,687
Insurance	5,500	13,003	(7,503)	4,966
Utilities and telephone	20,450	27,170	(6,720)	17,569
Publishing	2,500	2,425	75	2,491
Office supplies	200	739	(539)	174
Dues and subscriptions	1,600	560	1,040	1,673
Repairs	300	867	(567)	-
Supplies	600	3,008	(2,408)	548
Payroll taxes	4,500	3,383	1,117	4,581
Miscellaneous	9,900	6,726	3,174	10,328
Drug testing	350	462	(112)	338
Total general government	<u>88,800</u>	<u>111,794</u>	<u>(22,994)</u>	<u>90,624</u>
Public safety - police and fire:				
Salaries	81,000	116,152	(35,152)	83,202
Payroll taxes	4,000	8,821	(4,821)	3,431
Supplies	16,500	10,868	5,632	15,842
Bad debts - fines	500	15,000	(14,500)	-
Law enforcement equipment	14,000	4,281	9,719	18,287
Gas and oil	7,300	10,333	(3,033)	7,337
Repairs	6,700	6,591	109	9,551
Insurance	4,900	6,670	(1,770)	5,072
Miscellaneous	3,850	9,541	(5,691)	10,811
Total public safety	<u>138,750</u>	<u>188,257</u>	<u>(49,507)</u>	<u>153,533</u>
Capital outlay	<u>12,000</u>	<u>125,791</u>	<u>(113,791)</u>	<u>231,057</u>
Total expenditures	<u>\$ 239,550</u>	<u>\$ 425,842</u>	<u>\$ (186,292)</u>	<u>\$ 475,214</u>

The following notes are an integral part of these financial statements.

ENTERPRISE FUND

Utility Fund – To account for the provision of water, gas, sewer and sanitation services to residents of the Town and some residents of the Parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administrative, maintenance, financing and related debt service, and billings and collection.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE BALANCE SHEET
 June 30, 2001

	2001	(Memorandum Only) 2000	2001	(Memorandum Only) 2000
<u>ASSETS</u>				
Current assets:				
Cash	\$ -	\$ 2,439	\$ 2,420	\$ -
Accounts receivable:				
Customers-net of allowance	28,508	24,978	13,541	14,582
for uncollectables	772	1,900		
Inventory				
Total current assets	<u>29,280</u>	<u>31,317</u>		
Restricted assets:				
Consumer deposits	28,480	28,472	28,480	28,472
Sinking fund	24,467	23,659	6,753	6,462
Contingency fund	8,296	6,133	200	202
Reserve fund	6,482	4,532	51,394	49,718
Total restricted assets	<u>67,725</u>	<u>62,796</u>	<u>535,068</u>	<u>541,993</u>
Plant and equipment, at cost, not of accumulated depreciation (2000-\$2,130,447; 2000-\$1,979,066)	<u>3,125,349</u>	<u>3,276,730</u>	<u>3,588,320</u>	<u>3,588,320</u>
Total assets	<u>\$ 3,222,354</u>	<u>\$ 3,341,426</u>	<u>(952,428)</u>	<u>(811,188)</u>
			<u>2,635,892</u>	<u>2,777,132</u>
			<u>\$ 3,222,354</u>	<u>\$ 3,368,843</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Current liabilities				
(Payable from current assets):				
Cash overdraft				
Accounts payable				
Current liabilities (payable from restricted assets)				
Customer deposits			28,480	28,472
Revenue bonds-current portion			6,753	6,462
Accrued interest payable			200	202
Total current liabilities			<u>51,394</u>	<u>49,718</u>
Long-term liabilities:				
Revenue bonds payable			535,068	541,993
Total liabilities			<u>586,462</u>	<u>591,711</u>
Fund Equity:				
Contributed capital			3,588,320	3,588,320
Retained earnings -				
Unreserved (deficit)			(952,428)	(811,188)
Total fund equity			<u>2,635,892</u>	<u>2,777,132</u>
Total liabilities and fund equity			<u>\$ 3,222,354</u>	<u>\$ 3,368,843</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND
UTILITY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	<u>2001</u>	(Memorandum Only) <u>2000</u>
Operating revenues:		
Charges for services -		
Gas sales	\$ 242,792	\$ 131,422
Water sales	90,072	91,948
Sewer sales	55,548	57,133
Garbage sales	39,610	47,692
Backhoe and mowing charges	782	1,918
Miscellaneous revenues	24,848	3,583
Total operating revenues	<u>453,652</u>	<u>333,696</u>
 Operating expenses:		
Gas department expenses	283,389	140,265
Water department expenses	197,852	187,945
Sewer department expenses	79,516	81,278
Garbage department expenses	57,077	46,374
Backhoe and mowing expenses	3,632	2,255
Total operating expenses	<u>621,466</u>	<u>458,117</u>
 Operating (loss)	 (167,814)	 (124,421)
 Nonoperating revenues (expenses):		
Interest earned	2,580	2,086
Interest expense	(24,542)	(24,844)
Total nonoperating revenues (expenses):	<u>(21,962)</u>	<u>(22,758)</u>
 (Loss) before operating transfers	 (189,776)	 (147,179)
 Operating transfers:		
Transfer in	<u>48,536</u>	<u>-</u>
 Net (loss)	 <u>(141,240)</u>	 <u>(147,179)</u>
 Retained earnings, beginning (deficit)	 <u>(811,188)</u>	 <u>(664,009)</u>
 Retained earnings, ending (deficit)	 <u><u>\$ (952,428)</u></u>	 <u><u>\$ (811,188)</u></u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND-UTILITY FUND

COMPARATIVE STATEMENT OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	2001	(Memorandum Only) 2000
Gas department:		
Gas purchases	\$ 199,320	\$ 54,896
Depreciation	30,458	30,041
Salaries	20,126	20,781
Insurance	1,546	3,709
Repairs	167	8,105
Utilities and telephone	1,515	401
Payroll taxes	1,616	1,834
Truck expenses	727	1,161
Office supplies	168	919
Gas leak survey	4,533	1,215
Bad debts	11,170	-
Supplies	1,215	7,612
Legal and accounting	2,138	5,971
Dues	75	62
Miscellaneous	8,615	3,558
Total gas expense	<u>283,389</u>	<u>140,265</u>
 Water department:		
Depreciation	87,388	88,341
Salaries	22,796	24,476
Chemicals	23,980	21,505
Utilities and telephone	15,293	7,255
Repairs	5,674	8,394
Insurance	7,504	4,559
Payroll taxes	2,739	2,140
Supplies	1,366	5,174
Office supplies	253	1,211
Truck expenses	1,125	771
Consulting	21,600	18,580
Drug tests	312	268
Travel	189	479
Legal and accounting	1,351	39
Advertising	130	15
Dues	1,631	500
Miscellaneous	4,521	4,238
Total water expenses	<u>\$ 197,852</u>	<u>\$ 187,945</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
ENTERPRISE FUND-UTILITY FUND

COMPARATIVE STATEMENT OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	2001	(Memorandum Only) 2000
Sewer department		
Depreciation	\$ 33,535	\$ 33,592
Utilities and telephone	13,490	15,819
Repairs	6,950	4,789
Salaries	9,610	9,439
Insurance	567	1,395
Tests	6,060	6,896
Office supplies	200	360
Payroll taxes	683	1,108
Truck expenses	59	55
Supplies	5,431	4,762
Chemicals	723	108
Miscellaneous	2,208	2,940
Advertising	-	15
Total sewer expenses	79,516	81,278
 Garbage department:		
Depreciation	-	35
Salaries	34,443	31,561
Insurance	2,727	4,889
Truck expenses	3,112	27
Payroll taxes	2,669	3,487
Office supplies	37	198
Repairs	7,550	1,957
Supplies	6,418	3,790
Utilities	121	430
Total garbage expenses	57,077	46,374
 Backhoe and mowing department:		
Repairs	2,591	1,185
Supplies	1,041	1,070
Total backhoe and mowing expenses	\$ 3,632	\$ 2,255

The following notes are an integral part of these financial statements.

CAPITAL PROJECTS FUND

LCDBG Street Contract No. 107-900453

To account for fund for Tensas Avenue street construction

USDA – Rural Housing Service

To account for fund for Tensas Avenue street construction

TOWN OF WATERPROOF, LOUISIANA
CAPITAL PROJECTS FUND

COMPARATIVE STATEMENT OF OPERATING EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	LCDBG 107-900453 Street <u>Improvements</u>	USDA - Rural Housing Service Street <u>Improvements</u>	<u>Total</u>
Cash	\$ <u>15</u>	\$ <u>6,929</u>	\$ <u>6,944</u>
Fund Balance	\$ <u>15</u>	\$ <u>6,929</u>	\$ <u>6,944</u>

The following notes are an integral part of these financial statements.

TOWN OF WATERPROOF, LOUISIANA
CAPITAL PROJECTS FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	LCDBG 107-900453 Street <u>Improvements</u>	USDA - Rural Housing Service Street <u>Improvements</u>	<u>Total</u>
Revenues:			
Intergovernmental	\$ 52,466	\$ 49,700	\$ 102,166
Expenditures:			
Capital Projects	<u>52,466</u>	<u>42,771</u>	<u>95,237</u>
Excess of revenues over expenditures	-	6,929	6,929
Fund Balance - Beginning	<u>15</u>	<u>-</u>	<u>15</u>
Fund Balance - Ending	<u>\$ 15</u>	<u>\$ 6,929</u>	<u>\$ 6,944</u>

The following notes are an integral part of these financial statements.

**TOWN OF WATERPROOF, LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES**

For the Year Ended June 30, 2001

COMPENSATION PAID ALDERMEN

The schedule of compensation paid to aldermen is presented in compliance with House concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the aldermen is included in the Legislative expenditures of the General Fund. In accordance with Louisiana Revised Statute 33:405 (G), the aldermen have passed an ordinance that sets their compensation at \$125 per month.

TOWN OF WATERPROOF, LOUISIANA
SCHEDULE OF COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 2001

<u>NAME</u>	<u>COMPENSATION</u>
Herbert Williams	\$ 1,725
Ervin Sell	1,725
Robert Bethel	1,725
Bertha Brown	1,725
Total	<u>\$ 6,900</u>

SECTION III – COMPLIANCE/INTERNAL CONTROL

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

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

Honorable Mariah J. Cooper, Mayor
and Members of the Board of Aldermen
Town of Waterproof, Louisiana

We have audited the general purpose financial statements of Town of Waterproof, Louisiana as of and for the year ended June 30, 2001, and have issued our report thereon dated November 9, 2001. We have conducted our 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.

Compliance

As part of obtaining reasonable assurance about whether Town of Waterproof, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non compliance 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 object 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 Town of Waterproof, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

**Honorable Mariah J. Cooper, Mayor
and Members of the Board of Aldermen
Page Two**

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 Town of Waterproof, Louisiana's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition we discovered is described in the accompanying schedule of findings and questioned costs as item 2001-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 reportable condition described above is not a material weakness.

This report is intended for the information and use of management of the district and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

**Ferriday, Louisiana
November 9, 2001**

Switzer, Hopkins & Mangle

**SECTION IV – SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

TOWN OF WATERPROOF, LOUISIANA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2000**

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the General Purpose Financial Statements.
2. One reportable condition was disclosed during the audit of the financial statements and is reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards*.
3. No instance of noncompliance certain laws and regulations of the Town of Waterproof, Louisiana were disclosed during the audit.

Findings – Financial Statement Audit

Reportable Conditions

2001-1 Segregation of Duties

We noted that the Town of Waterproof, Louisiana does not have adequate segregation of duties. The Town has only two employees in the Town Hall and they have control over almost all financial transactions and record keeping.

To increase internal controls, we recommend adequate segregation of duties be obtained if possible.

See response attached.

TOWN OF WATERPROOF, LOUISIANA
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2000

INTERNAL CONTROL FINDINGS

2000-1 Segregation of Duties
(For fiscal year ending June 30, 2000)

Condition: **There is an insufficient segregation of duties to have an effective internal control.**

Current status: **This finding still applies and is noted in the current audit for the year ending June 30, 2001. (See current finding noted as 2001-1).**

SECTION V - RESPONSE

**Town of Waterproof
P.O. Box 248
Waterproof, LA 71375
Ph# 318/749/5233
Fax# 318/749/3131**

*Slogan: Alone we can do so little,
Together we can do so much.*

Mayor: Mariah J. Cooper

Clerk: Connie McKeel

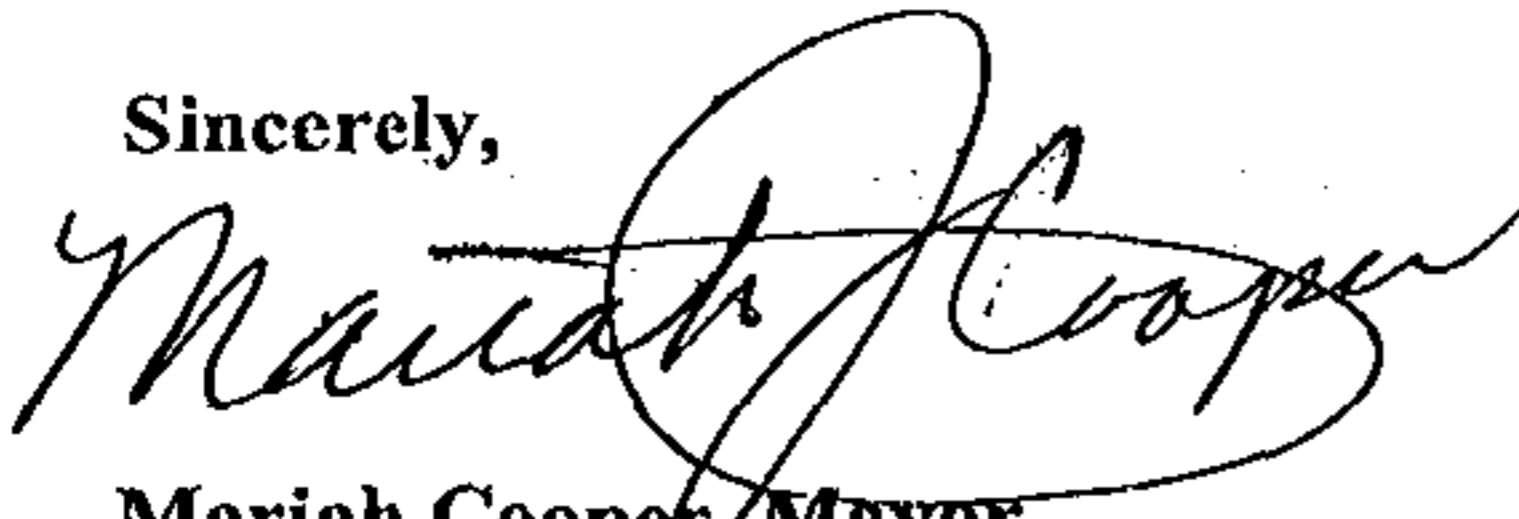
November 13, 2001

Switzer, Hopkins & Mange
P. O. Box 478
Ferriday, LA 71334

Dear Mr. Hopkins:

In regard to the segregation of duties internal control problem discussed in our audit for the year ended June 30, 2001, there is nothing that we plan to do about the problem. We have only one accounting employee and do not plan to hire anyone else. There is not way to segregate duties when you have only one accounting employee.

Sincerely,



Mariah Cooper, Mayor
Town of Waterproof

SECTION VI – SINGLE AUDIT ACT REPORTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

**Honorable Mariah Cooper, Mayor
and Members of the Board of Alderman
Town of Waterproof, Louisiana**

Compliance

We have audited the compliance of the Town of Waterproof, Louisiana with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The Town of Waterproof, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Waterproof Louisiana management. Our responsibility is to express an opinion on the Town of Waterproof, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform that audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Waterproof, Louisiana's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Waterproof, Louisiana's compliance with those requirements.

In our opinion, the Town of Waterproof, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Honorable Mariah Cooper, Mayor
and Members of the Board of Aldermen
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Internal Control Over Compliance

The management of the Town of Waterproof, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Waterproof, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider being material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Town of Waterproof, Louisiana as of and for the year ended June 30, 2001, and have issued our report thereon dated November 9, 2001. Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of management, federal awarding agencies and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Ferriday, Louisiana
November 9, 2001

Switzky, Hopkins & Mangle

**TOWN OF WATERPROOF, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor Pass-through Grantor/ <u>Program or Cluster Title</u>	Federal <u>CFDA Number</u>	Federal <u>Expenditures/ Loans*</u>
HUD-LCDBG Street Improvements	14.225	\$ 52,466
USDA-Water System Loan	10.770	* 548,456
USDA-Community Facilities Grant	14.225	49,700
Department of Justice-Cops	16.710	90,000
Department of Justice-Law Enforcement Block Grant	16.592	3,760
USDA-Rural Development Grant-Police Station	10.769	<u>38,000</u>
Total expenditures of Federal awards (includes loan)		<u><u>\$ 782,382</u></u>

TOWN OF WATERPROOF, LOUISIANA
Schedule of Findings and Question Costs – Single Audit
FOR THE YEAR ENDED JUNE 30, 2001

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness identified? Yes X No
- Reportable condition identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes X No
- Reportable condition identified that are not considered to be material weaknesses? Yes X No

Type of auditor’s report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>
10.770	USDA-Water System Loan
16.710	Department of Justice-COPS
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

TOWN OF WATERPROOF, LOUISIANA
Schedule of Findings and Question Costs – Single Audit
FOR THE YEAR ENDED JUNE 30, 2001

SECTION II – Federal Award Findings and Questioned Costs

Major Program No. 1

- | | |
|--------------------------------------|-------------------------------|
| ▪ Information on the federal program | USDA-Water System Loan 10.770 |
| ▪ Criteria or specific requirement | Circular A-133 |
| ▪ Condition | N/A |
| ▪ Questioned costs | N/A |
| ▪ Context | N/A |
| ▪ Effect | N/A |
| ▪ Cause | N/A |
| ▪ Recommendation | N/A |
| ▪ Management's response | N/A |

Major Program No. 2

- | | |
|--------------------------------------|----------------------------|
| ▪ Information on the federal program | Department of Justice-COPS |
| ▪ Criteria or specific requirement | Circular A-133 |
| ▪ Condition | N/A |
| ▪ Questioned costs | N/A |
| ▪ Context | N/A |
| ▪ Effect | N/A |
| ▪ Cause | N/A |
| ▪ Recommendation | N/A |
| ▪ Management's response | N/A |