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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, 1999
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 audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-12-00

**TOWN OF WATERPROOF, LOUISIANA
YEAR ENDED JUNE 30, 1999
TABLE OF CONTENTS**

	<u>Page</u>
SECTION I - GENERAL PURPOSE FINANCIAL STATEMENTS	1
Independent Auditors' Report	2-3
Combined balance sheet - all fund types and account groups	4-5
Combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types	6
Combined statement of revenues, expenditures, and changes in fund balances - budget and actual - (GAAP Basis) general and debt service	7
Comparative statement of revenues, expenses and changes in retained earnings - proprietary fund type	8
Comparative statement of cash flows	9
Notes to the financial statements	10-20
 SECTION II - SUPPLEMENTAL INFORMATION SCHEDULES	 21
General Fund:	22
Comparative balance sheet	23
Statement of revenues, expenses and changes in fund balance - budget and actual (GAAP Basis)	24
Statement of expenditures compared to budget (GAAP Basis)	25
 Enterprise Fund:	 26
Comparative balance sheet	27
Comparative statement of revenues, expenses and changes in retained earnings proprietary fund type	28
Comparative statement of operating expenses	29-30
 Schedule of compensation paid aldermen	 31
 SECTION III - COMPLIANCE/INTERNAL CONTROL	 32
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	 33-34
 SECTION IV - SCHEDULE OF FINDINGS AND QUESTIONED COSTS	 35
Schedule of Findings and Questioned Costs	36
Summary of Schedule of Prior Audit Findings	37

SECTION V - RESPONSE	38
Response from Client	39
SECTION VI - SINGLE AUDIT ACT REPORTS	40
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	41-42
Schedule of Expenditures of Federal Awards	43
Schedule of Findings and Questioned Costs - Single Audit	44-45

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 then ended June 30, 1999 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 generally accepted auditing standards; 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, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

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 December 17, 1999 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
Page Two

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
December 17, 1999

Switzer, Hopkins + Mangle

TOWN OF WATERPROOF, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1999

	<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>1999</u>	<u>(Memorandum Only)</u>	<u>1998</u>
ASSETS AND OTHER DEBITS								
Cash	\$ 31,753	\$ -	\$ 14,010	\$ -	\$ -	\$ 45,763	\$ -	\$ 54,587
Certificates of deposit	8,170	-	-	-	-	8,170	-	25,669
Receivables, (net, where applicable, of allowance for uncollectables) - Utility customers (Note 1)	-	-	24,281	-	-	24,281	-	20,435
Others	6,596	-	-	-	-	6,596	-	6,959
Prepaid expenses	-	-	-	-	-	-	-	739
Inventory	-	-	1,900	-	-	1,900	-	600
Restricted assets (Note 1 and 10):								
Cash	-	-	57,321	-	-	57,321	-	55,313
General fixed assets	-	-	-	241,238	-	241,238	-	197,304
Utility plant and equipment (Note 3)	-	-	5,250,584	-	-	5,250,584	-	4,581,092
Accumulated Depreciation (Note 3)	-	-	(1,827,056)	-	-	(1,827,056)	-	(1,674,064)
Total assets	<u>\$ 46,519</u>	<u>\$ -</u>	<u>\$ 3,521,040</u>	<u>\$ 241,238</u>	<u>\$ -</u>	<u>\$ 3,808,797</u>	<u>\$ -</u>	<u>\$ 3,268,634</u>

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, 1999

		<u>General Fund Types</u>	<u>Proprietary Fund Type</u>	<u>Account Groups</u>		<u>Totals</u>
		<u>Capital Projects</u>	<u>Enterprise</u>	<u>General Fixed Assets</u>		<u>(Memorandum Only) 1999 1998</u>
	\$	-	\$ 12,547	-	\$	\$ 20,988
Accounts payable		-	26,588	-	26,588	25,892
Customer deposits		-	1,850	-	1,850	2,215
Interest payable		-	555,744	-	555,744	561,415
Revenue bonds		-	-	-	-	-
Total liabilities	9,853	-	596,729	-	606,582	610,510
Fund equity:						
Contributed capital	-	-	3,588,320	-	3,588,320	2,940,931
Investment in general fixed assets	-	-	-	241,238	241,238	197,304
Retained earnings - Unreserved (deficit)	36,666	-	(664,009)	-	(627,343)	(480,111)
Total fund equity	36,666	-	2,924,311	241,238	3,202,215	2,658,124
Total liabilities and fund equity	\$ 46,519	\$ -	\$ 3,521,040	\$ 241,238	\$ 3,808,797	\$ 3,268,634

LIABILITIES, EQUITY AND OTHER CREDITS

Liabilities:

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, 1999

	<u>Governmental Fund Types</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u> <u>1999</u>	<u>1998</u>
Revenues:				
Taxes	\$ 27,798	\$ -	\$ 27,798	\$ 22,316
Licenses and permits	15,909	-	15,909	16,184
Intergovernmental	11,294	-	11,294	7,178
Fines	23,921	-	23,921	18,772
Miscellaneous	4,471	-	4,471	6,731
Grants	85,584	647,387	732,971	-
Total revenues	<u>168,977</u>	<u>647,387</u>	<u>816,364</u>	<u>71,181</u>
Expenditures:				
Current -				
General government	55,575	-	55,575	61,311
Public safety-				
Police and fire	58,013	-	58,013	14,888
Capital outlay	43,934	647,387	691,321	18,889
Total expenditures	<u>157,522</u>	<u>647,387</u>	<u>804,909</u>	<u>95,088</u>
Excess of revenues over (under) expenditures	11,455	-	11,455	(23,907)
Other financing sources:				
Operating transfers	(2,000)	-	(2,000)	11,973
Excess of revenues and other sources (under) expenditures and other uses	9,455	-	9,455	(11,934)
Fund balances, beginning	<u>27,211</u>	<u>-</u>	<u>27,211</u>	<u>39,145</u>
Fund balances, ending	<u>\$ 36,666</u>	<u>\$ -</u>	<u>\$ 36,666</u>	<u>\$ 27,211</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)
GENERAL AND DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 1999

	<u>General Fund Type</u>		<u>Capital Projects Fund Type</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:					
Taxes (Note 4)	\$ 22,200	\$ 27,798	\$ -	\$ -	\$ -
Licenses and permits	13,200	15,909	-	-	-
Intergovernmental	10,700	11,294	-	-	-
Fines	26,000	23,921	-	-	-
Miscellaneous	5,100	4,471	-	-	-
Grants	85,584	85,584	647,576	647,387	(189)
Total revenues	162,784	168,977	647,576	647,387	(189)
Expenditures:					
Current -					
General government	48,500	55,575	-	-	(7,075)
Public safety -					
Police and fire	60,340	58,013	-	-	2,327
Capital outlay	43,934	43,934	647,576	647,387	189
Total expenditures	152,774	157,522	647,576	647,387	189
Excess of revenues over (under) expenditures	10,010	11,455	-	-	1,445
Other financial sources:					
Operating transfers in (out)	7,500	(2,000)	-	-	(9,500)
Excess of revenues and other sources over expenditures and other uses	17,510	9,455	-	-	(8,055)
Fund balances, beginning	27,211	27,211	-	-	-
Fund balances, ending	\$ 44,721	\$ 36,666	\$ -	\$ -	\$ (8,055)

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, 1999

	<u>1999</u>	(Memorandum Only) <u>1998</u>
Operating revenues:		
Charges for services -		
Gas sales	\$ 99,010	\$ 142,959
Water sales	87,847	87,812
Sewer sales	25,767	19,927
Garbage sales	50,668	26,855
Backhoe and mowing charges	393	486
Grant income	-	223,426
Miscellaneous revenues	13,728	13,195
Total operating revenues	<u>277,413</u>	<u>514,660</u>
 Operating expenses:		
Gas department expenses	126,102	133,748
Water department expenses	171,860	172,377
Sewer department expenses	63,152	37,840
Garbage department expenses	51,349	44,679
Backhoe and mowing expenses	2,911	1,095
Total operating expenses	<u>415,374</u>	<u>389,739</u>
 Operating income (loss)	 (137,961)	 124,921
 Nonoperating revenues (expenses):		
Interest earned	1,820	3,809
Interest expense	(22,546)	(27,997)
Total nonoperating revenues (expenses):	<u>(20,726)</u>	<u>(24,188)</u>
 Income (loss) before operating transfers	 (158,687)	 100,733
 Operating transfers:		
Transfers from (to) general fund	2,000	(16,257)
Transfers from debt service fund	-	4,284
	<u>2,000</u>	<u>(11,973)</u>
 Net income (loss)	 (156,687)	 88,760
 Retained earnings, beginning (deficit)	 <u>(507,322)</u>	 <u>(596,082)</u>
 Retained earnings, ending (deficit)	 <u>\$ (664,009)</u>	 <u>\$ (507,322)</u>

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

TOWN OF WATERPROOF, LOUISIANA

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1999

	<u>1999</u>	(Memorandum Only) <u>1998</u>
Cash flows from operating activities:		
Cash received from customers	\$ 273,567	\$ 513,689
Cash payments to suppliers for goods and services	(185,419)	(179,317)
Cash payments to employees for services	(79,730)	(79,501)
Net cash provided by operating activities	<u>8,418</u>	<u>254,871</u>
 Cash flows from non-capital financing activities:		
Operating transfers (to) from other funds	2,000	(11,973)
Increase (decrease) in consumer deposits	696	(1,510)
Net cash provided (used) by non-capital financing activities	<u>2,696</u>	<u>(13,483)</u>
 Cash flows from capital and related financing activities:		
Principal paid on notes	(5,671)	(4,685)
Interest paid on notes	(22,911)	(49,372)
Acquisition of fixed assets	(22,103)	(201,300)
Net cash (used) by capital and related financing activities	<u>(50,685)</u>	<u>(255,357)</u>
 Cash flows from investing activities:		
Investment income	<u>1,820</u>	<u>3,809</u>
 Net (decrease) in cash and cash equivalents	 (37,751)	 (10,160)
 Cash and cash equivalents at July 1, 1998	 <u>109,082</u>	 <u>119,242</u>
 Cash and cash equivalents at June 30, 1999	 <u>\$ 71,331</u>	 <u>\$ 109,082</u>
 Reconciliation of operating (loss) income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (137,961)	\$ 124,921
 Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation	152,992	134,119
Changes in assets and liabilities:		
(Increase) in accounts receivable	(3,846)	(971)
(Increase) decrease in other assets	(561)	1,737
(Decrease) in accounts payable	(2,206)	(4,935)
 Net cash provided by operating activities	 <u>\$ 8,418</u>	 <u>\$ 254,871</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, 1999**

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 532 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 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, 1999**

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, 1999**

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, 1999**

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, 1999**

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, 1999**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS

Allowance for uncollectable accounts receivable at June 30, 1999 was \$8,271.

H. RESTRICTED ASSETS

Certain assets of the Town of Waterproof, Louisiana have been restricted for debt service and customers' deposits and these assets total \$57,321.

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, 1999**

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 – CHANGES IN GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in general fixed assets follows:

	<u>Balance 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/99</u>
Land and Buildings	\$ 46,140	\$ -	\$ -	\$ 46,140
Equipment	<u>151,164</u>	<u>43,934</u>	<u>-</u>	<u>195,098</u>
Total	<u>\$197,304</u>	<u>\$ 43,934</u>	<u>\$ -</u>	<u>\$241,238</u>

NOTE 3 – PROPRIETARY FUND PROPERTY, PLANT AND EQUIPMENT

A summary of proprietary fund's plant and equipment at June 30, 1999 follows:

Water	\$ 3,004,854
Sewer	1,321,287
Gas	803,896
Garbage	117,755
Backhoe and Mowing	<u>2,792</u>
Total plant and equipment	5,250,584
Less accumulated depreciation	<u>(1,827,056)</u>
Net	<u>\$ 3,423,528</u>

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 4 – 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.

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, 1999 taxes of 7.27 mills were levied on property with assessed valuations totaling \$1,344,257 and were dedicated to general corporate purposes.

Total taxes levied were \$9,773.

NOTE 5 – 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 6 – 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, 1999, the Town had cash and cash equivalents according to the bank's balances totaling \$136,344 as follows:

Demand deposits	\$ 103,537
Time deposits	<u>32,807</u>
Total	<u>\$ 136,344</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, 1999 of \$100,000 were secured by Federal deposit insurance and \$36,344 was secured by securities pledged.

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 7 – 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, 1999 was \$2,940. 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 8 – CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions of the Town of Waterproof for the year ended June 30, 1999:

Proprietary Fund

The following is a summary of bond transactions of the Town of Waterproof for the year ended June 30, 1999:

Bonds payable at June 30, 1998	\$ 561,415
Bonds retired	<u>5,671</u>
Bonds payable at June 30, 1999	<u>\$ 555,744</u>

Bonds payable at June 30, 1999 are comprised of the following issues:

Water Revenue Bonds:

\$ 566,415 in revenue bonds due in annual installments of \$31,180 through July of 2035; interest at 4.5%.

The annual requirements to amortize the bonds as of June 30, 1999 are as follows:

Year Ended	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2000	\$ 6,184	\$ 24,997	\$ 31,181
2001	6,462	24,719	31,181
2002	6,753	24,428	31,181
2003	7,057	24,124	31,181
2004	7,374	23,807	31,181
Thereafter	<u>521,914</u>	<u>457,904</u>	<u>979,818</u>
TOTAL	<u><u>\$555,744</u></u>	<u><u>\$579,979</u></u>	<u><u>\$1,135,723</u></u>

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 9 – 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 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 10 – RESTRICTED ASSETS PROPRIETARY FUND TYPE

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

Sinking fund	\$ 22,861
Customer deposits	26,588
Bond reserve fund	3,232
Bond contingency fund	<u>4,680</u>
	<u>\$ 57,321</u>

NOTE 11 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Garbage Fund</u>	<u>Backhoe Mowing Fund</u>	<u>Total</u>
Operating Revenues	\$ 105,874	\$ 94,711	\$ 25,767	\$ 50,668	\$ 393	\$ 277,413
Depreciation	30,516	88,800	33,326	350	-	152,992
Operating income (loss)	(20,228)	(77,149)	(37,385)	(681)	(2,518)	(137,961)
Net income (loss)	(16,408)	(99,695)	(37,385)	(681)	(2,518)	(156,687)
Plant, property & equipment, net additions	-	-	669,492	-	-	669,492
Net working capital	794	-	-	-	-	794
Total assets	1,785,981	883,323	848,818	2,918	-	3,521,040
Long-term liabilities payable from operating revenues	-	555,744	-	-	-	555,744
Total equity	\$ 1,815,196	\$ 254,379	\$ 848,818	\$ 2,918	\$ -	\$ 2,924,311

**TOWN OF WATERPROOF, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 12 – SUMMARY OF GRANTS

Funding from the following Federal and State grants was received during the year ended June 30, 1999:

<u>Funding Source and Program</u>	<u>CFDA Number</u>	<u>Revenue Amount</u>
Federal:		
HUD-LCDBG Wastewater Improvements	14.219	\$ 647,387
Department of Justice -COPS	16.710	38,531
USDA Rural Development - Police Car	10.733	16,500
Department of Justice - Law Enforcement Equipment	16.592	<u>3,693</u>
Total - Federal		<u><u>\$ 706,111</u></u>
State:		
Office of Rural Development - Police Car		\$ 10,000
State of Louisiana - Division of Administration		<u>16,860</u>
Total - State		<u><u>\$ 26,860</u></u>
Total Federal and State Grants		<u><u>\$ 732,971</u></u>

NOTE 13 – THE YEAR 2000 ISSUE

The Year 2000 Issue is a result of shortcomings in many electronic data processing systems and other equipment that may adversely affect operations in the year 1999 and beyond if date sensitive coding is not corrected. The Town is aware of the year 2000 issue and is currently assessing all of its systems.

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, 1999

	<u>1999</u>	(Memorandum Only) <u>1998</u>
<u>ASSETS</u>		
Cash	\$ 39,923	\$ 26,487
Accounts receivable	<u>6,596</u>	<u>6,959</u>
Total assets	<u>46,519</u>	<u>33,446</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	<u>9,853</u>	<u>6,235</u>
 Fund balance - unreserved	 <u>36,666</u>	 <u>27,211</u>
 Total liabilities and fund balance	 <u>\$ 46,519</u>	 <u>\$ 33,446</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, 1999

With Comparative Actual Amounts for Year Ended June 30, 1998

	<u>Budget</u>	<u>1999 Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>(Memorandum Only) 1998 Actual</u>
Revenues:				
Taxes	\$ 22,200	\$ 27,798	\$ 5,598	\$ 22,316
Licenses and permits				
Occupational licenses	13,200	15,909	2,709	16,184
Intergovernmental				
Tobacco tax	5,500	5,618	118	5,618
Fire insurance tax	3,800	3,935	135	-
Beer tax	1,400	1,741	341	1,560
Fines	26,000	23,921	(2,079)	18,772
Miscellaneous	5,100	4,471	(629)	6,731
Grants	85,584	85,584	-	-
Total revenues	<u>162,784</u>	<u>168,977</u>	<u>6,193</u>	<u>71,181</u>
Expenditures:				
General government	48,500	55,575	(7,075)	61,311
Public safety -				
Police and fire	60,340	58,013	2,327	14,888
Capital outlay	43,934	43,934	-	18,889
Total expenditures	<u>152,774</u>	<u>157,522</u>	<u>(4,748)</u>	<u>95,088</u>
Excess of revenues over (under) expenditures	10,010	11,455	1,445	(23,907)
Other financing sources in (out):				
Operating transfers	<u>7,500</u>	<u>(2,000)</u>	<u>(9,500)</u>	<u>16,257</u>
Excess of revenues and other sources over (under) expenditures	17,510	9,455	(8,055)	(7,650)
Fund balance, beginning	<u>27,211</u>	<u>27,211</u>	<u>-</u>	<u>34,861</u>
Fund balance, ending	<u>\$ 44,721</u>	<u>\$ 36,666</u>	<u>\$ (8,055)</u>	<u>\$ 27,211</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, 1999

With Comparative Actual Amounts for the Year Ended June 30, 1998

	<u>Budget</u>	<u>1999 Actual</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>(Memorandum Only) 1998 Actual</u>
General government:				
Salaries	\$ 9,900	\$ 6,785	\$ 3,115	\$ 9,337
Aldermen fees	7,500	9,325	(1,825)	8,350
Legal and accounting	3,500	5,672	(2,172)	5,317
Insurance	7,500	4,413	3,087	11,459
Utilities and telephone	13,000	17,437	(4,437)	16,814
Publishing	700	2,034	(1,334)	826
Office supplies	800	934	(134)	780
Dues and subscriptions	400	35	365	383
Repairs	200	397	(197)	257
Supplies	1,500	1,307	193	2,294
Payroll taxes	1,200	983	217	1,154
Miscellaneous	2,100	6,107	(4,007)	3,471
Street repairs	-	-	-	767
Drug testing	200	146	54	102
Total general government	<u>48,500</u>	<u>55,575</u>	<u>(7,075)</u>	<u>61,311</u>
Public safety - police and fire:				
Salaries	25,281	25,281	-	11,350
Payroll taxes	2,045	2,045	-	546
Supplies	1,050	1,160	(110)	-
Grant writing	17,823	17,823	-	-
Bad debts - fines	4,000	4,591	(591)	-
Law enforcement equipment	2,811	2,811	-	-
Gas and oil	1,800	1,071	729	1,368
Repairs	1,300	867	433	579
Insurance	2,500	389	2,111	-
Miscellaneous	1,730	1,975	(245)	1,045
Total public safety	<u>60,340</u>	<u>58,013</u>	<u>2,327</u>	<u>14,888</u>
Capital outlay	<u>43,934</u>	<u>43,934</u>	<u>-</u>	<u>18,889</u>
Total expenditures	<u>\$ 152,774</u>	<u>\$ 157,522</u>	<u>\$ (4,748)</u>	<u>\$ 95,088</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, 1999

	1999	(Memorandum Only) 1998	1999	(Memorandum Only) 1998
ASSETS				
Current assets:				
Cash	\$ 14,010	\$ 28,100		
Certificates of deposit		25,669		
Accounts receivable:	-			
Customers-net of allowance for uncollectables	24,281	20,435		
Prepaid expenses	-	739		
Inventory	1,900	600		
Total current assets	<u>40,191</u>	<u>75,543</u>		
Restricted assets:				
Consumer deposits	26,588	25,892		
Sinking fund	22,861	22,200		
Contingency fund	4,640	4,249		
Reserve fund	3,232	2,972		
Total restricted assets	<u>57,321</u>	<u>55,313</u>		
Plant and equipment, at cost, not of accumulated depreciation (1999 \$1,827,056; 1998 \$1,674,064)	<u>3,423,528</u>	<u>2,907,028</u>		
Total assets	<u>\$ 3,521,040</u>	<u>\$ 3,037,884</u>		
LIABILITIES AND FUND EQUITY				
Liabilities:				
Current liabilities (Payable from current assets):				
Accounts payable			\$ 12,547	\$ 14,753
Current liabilities (payable from restricted assets)	24,281	20,435		
Customer deposits	-	739	26,588	25,892
Accrued interest payable	1,900	600	1,850	2,215
Total current liabilities	<u>40,191</u>	<u>75,543</u>	<u>40,985</u>	<u>42,860</u>
Long-term liabilities:				
Revenue bonds payable	26,588	25,892	555,744	561,415
Total liabilities	<u>22,861</u>	<u>22,200</u>	<u>596,729</u>	<u>604,275</u>
Fund Equity:				
Contributed capital	57,321	55,313	3,588,320	2,940,931
Retained earnings - Unreserved (deficit)			(664,009)	(507,322)
Total fund equity			<u>2,924,311</u>	<u>2,433,609</u>
Total liabilities and fund equity	<u>\$ 3,521,040</u>	<u>\$ 3,037,884</u>	<u>\$ 3,521,040</u>	<u>\$ 3,037,884</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, 1999

	<u>1999</u>	(Memorandum Only) <u>1998</u>
Operating revenues:		
Charges for services -		
Gas sales	\$ 99,010	\$ 142,959
Water sales	87,847	87,812
Sewer sales	25,767	19,927
Garbage sales	50,668	26,855
Backhoe and mowing charges	393	486
Grant income	-	223,426
Miscellaneous revenues	13,728	13,195
Total operating revenues	<u>277,413</u>	<u>514,660</u>
 Operating expenses:		
Gas department expenses	126,102	133,748
Water department expenses	171,860	172,377
Sewer department expenses	63,152	37,840
Garbage department expenses	51,349	44,679
Backhoe and mowing expenses	2,911	1,095
Total operating expenses	<u>415,374</u>	<u>389,739</u>
 Operating income (loss)	 (137,961)	 124,921
 Nonoperating revenues (expenses):		
Interest earned	1,820	3,809
Interest expense	(22,546)	(27,997)
Total nonoperating revenues (expenses):	<u>(20,726)</u>	<u>(24,188)</u>
 Income (loss) before operating transfers	 (158,687)	 100,733
 Operating transfers:		
Transfer from (to) general fund	2,000	(16,257)
Transfer from debt service fund	-	4,284
	<u>2,000</u>	<u>(11,973)</u>
 Net income (loss)	 (156,687)	 88,760
 Retained earnings, beginning (deficit)	 <u>(507,322)</u>	 <u>(596,082)</u>
 Retained earnings, ending (deficit)	 <u>\$ (664,009)</u>	 <u>\$ (507,322)</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, 1999

	<u>1999</u>	<i>(Memorandum Only)</i> <u>1998</u>
Gas department:		
Gas purchases	\$ 49,841	\$ 75,659
Depreciation	30,516	29,636
Salaries	8,199	5,405
Insurance	6,247	3,468
Office salaries	10,449	8,669
Repairs	544	523
Utilities and telephone	1,495	1,376
Payroll taxes	1,888	1,214
Truck expenses	562	420
Office supplies	268	1,188
Gas leak survey	1,963	1,447
Bad debts	5,729	-
Supplies	1,933	1,969
Chemicals	-	451
Legal and accounting	2,895	1,150
Dues	343	487
Permits	-	645
Miscellaneous	3,230	41
Total gas expense	<u>126,102</u>	<u>133,748</u>
Water department:		
Depreciation	88,800	88,676
Salaries	14,233	19,852
Chemicals	7,477	14,343
Utilities and telephone	7,243	10,610
Repairs	1,837	6,526
Office salaries	10,946	8,669
Insurance	4,764	7,473
Payroll taxes	1,545	3,294
Supplies	5,964	4,679
Office supplies	660	1,033
Truck expenses	102	311
Consulting	21,600	-
Bad debts	298	3,239
Drug tests	-	506
Travel	124	512
Legal and accounting	95	1,350
Advertising	506	100
Dues	-	1,204
Miscellaneous	5,666	-
Total water expenses	<u>\$ 171,860</u>	<u>\$ 172,377</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, 1999

	<u>1999</u>	(Memorandum Only) <u>1998</u>
Sewer department		
Depreciation	\$ 33,327	\$ 14,903
Utilities and telephone	6,563	3,725
Repairs	3,913	554
Office salaries	3,902	5,210
Insurance	2,443	1,883
Salaries	5,889	6,232
Tests	2,030	1,864
Office supplies	121	790
Payroll taxes	599	902
Truck expenses	88	91
Supplies	1,398	629
Chemicals	34	371
Miscellaneous	2,322	442
Advertising	523	244
Total sewer expenses	<u>63,152</u>	<u>37,840</u>
Garbage department:		
Depreciation	350	904
Salaries	26,112	20,300
Insurance	7,121	5,094
Truck expenses	-	344
Office salaries	3,663	5,164
Payroll taxes	2,387	2,031
Office supplies	74	1,384
Repairs	2,846	2,564
Supplies	5,923	3,491
Legal and accounting	2,495	2,200
Utilities	378	1,118
Miscellaneous	-	85
Total garbage expenses	<u>51,349</u>	<u>44,679</u>
Backhoe and mowing department:		
Repairs	1,239	479
Supplies	1,672	616
Total backhoe and mowing expenses	<u>\$ 2,911</u>	<u>\$ 1,095</u>

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

TOWN OF WATERPROOF, LOUISIANA
SCHEDULE OF COMPENSATION PAID ALDERMEN
FOR THE YEAR ENDED JUNE 30, 1999

<u>NAME</u>	<u>COMPENSATION</u>
Albert Brown	\$ 900
Bobby Wilkerson	775
Robert Rushing	825
Carla Robinson	1,050
Herbert Williams	1,875
Mary Favorite	825
Ervin Sell	1,050
Robert Bethel	975
Bertha Brown	1,050
Total	\$ 9,325

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, 1999, and have issued our report thereon dated December 17, 1999. We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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. 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.

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

Finding 99-01 Segregation of Duties

We noted that the Town does not have adequate segregation of duties in accounting in the office. We recommend that an attempt be made to strengthen internal control problems created by having few employees.

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 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
December 17, 1999

Switzer, Hopkins & Marge

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

TOWN OF WATERPROOF, LOUISIANA

**Schedule of Findings and Questioned Costs
Year Ended June 30, 1999**

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 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

99-1 Segregation of Duties

Condition:	We noted that the Town of Waterproof, Louisiana does not have adequate segregation of duties.
Criteria:	To increase internal controls, we recommend adequate segregation of duties.
Effect:	Because of lack of segregation of duties, internal controls are weakened.
Recommendation:	We recommend that an attempt be made to strengthen internal control problems created by having few employees.
Response:	Management indicated that it would not be cost efficient or feasible to increase the number of employees.

TOWN OF WATERPROOF, LOUISIANA
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999

INTERNAL CONTROL FINDINGS

98-1 Segregation of Duties
(For fiscal year ending June 30, 1998)

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, 1999. (See current finding noted as 99-1). Management indicates that no action can be taken at this time.**

98-2 Expenditures in excess of budget
(For fiscal year ending June 30, 1998)

Condition: **During the year the Town of Waterproof had expenditures in excess of 5% over the amount budgeted in the general fund. This was a law violation.**

Current status: **This law violation no longer exists.**

SECTION V -- RESPONSE

**TOWN OF WATERPROOF, LOUISIANA
MANAGEMENT RESPONSE
JUNE 30, 1999**

Reportable Condition 99-1 Segregation of Duties

The Mayor of the Town of Waterproof responded that the Town is aware of the internal control weakness caused by lack of segregation of duties in the accounting department. The Town will continue to have this problem because there are few employees and there are no plans to employ any additional employees in the accounting department.

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, 1999. 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 generally accepted auditing standards; 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, 1999.

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

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, 1999, and have issued our report thereon dated December 17, 1999. 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
December 17, 1999

Switzer, Hopkins & Menge

**TOWN OF WATERPROOF, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 1999**

<u>Federal Grantor Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures/ Loans*</u>
HUD-LCDBG Wastewater Improvements	14.219	\$ 647,387
USDA-Water System Loan	10.770	*566,415
USDA-Rural Development-Police Car	10.766	16,500
Department of Justice-Law Enforcement Equipment	16.592	3,693
Department of Justice-Cops	16.710	<u>38,531</u>
 Total expenditures of Federal awards (includes loan)		 <u><u>\$ 1,272,526</u></u>

TOWN OF WATERPROOF, LOUISIANA
 Schedule of Findings and Question Costs – Single Audit
 FOR THE YEAR ENDED JUNE 30, 1999

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.770
14.219

USDA-Water System Loan
HUD-LCDBG-Wastewater Improvements

Dollar threshold used to distinguish between type A and type B programs: **\$ 300,000**

Auditee qualified as low-risk auditee? Yes No

TOWN OF WATERPROOF, LOUISIANA
Schedule of Findings and Question Costs – Single Audit
FOR THE YEAR ENDED JUNE 30, 1999

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 | HUD-LCDBG-Wastewater Improvements 14.219 |
| ▪ 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 |