

Waterworks District No. 7 Keithville, Louisiana

Financial Statements
Year Ended December 31, 2004

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 8/24/05

**Waterworks District No. 7
Keithville, Louisiana**

Financial Statements
Year Ended December 31, 2004

**Waterworks District No. 7
Keithville, Louisiana**

Contents

Independent Auditors' Report	3-4
Required Supplementary Information	
Management's Discussion and Analysis	5-9
Basic Financial Statements:	
Balance Sheet	10-11
Statement of Revenue, Expenditures and Changes in Net Assets	12-13
Statement of Cash Flows	14-15
Summary of Accounting Policies	16-17
Notes to Financial Statements	18-23
Supplemental Information:	
Compensation Paid to Board Members	25
Prior Audit Findings	26
Current Year Audit Findings	27-28
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30



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Independent Auditors' Report

Board of Commissioners
Waterworks District No. 7
Keithville, Louisiana

We have audited the accompanying basic financial statements of the Waterworks District No. 7, Keithville, Louisiana a component unit of the Shreveport, Louisiana, as of December 31, 2004, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing United States of America 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 7, Keithville, Louisiana as of December 31, 2004, and the results of its operations for the year then ended in conformity with United States of America generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 30, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on page 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement



and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements of the Waterworks District No. 7, Keithville, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waterworks District No. 7, Keithville, Louisiana has not presented a comparison of budgeted to actual expenditures that United States of America generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Handwritten signature: [Illegible]

Certified Public Accountants

Shreveport, Louisiana
June 30, 2005



WATERWORKS DISTRICT #7

6836 COLQUITT ROAD
KEITHVILLE, LOUISIANA 71047

OFFICE HOURS

7:30 to 4:00
Monday-Friday
Phone: 925-6880
Fax: 925-3020

BOARD MEMBERS

David Carroll
6436 Colquitt Rd.
Keithville, LA 71047
925-0986

Mary Collier
11104 Peggy Ln.
Keithville, LA 71047
925-0793

Ann Osment
6151 Colquitt Rd.
Keithville, LA 71047
925-8669

William Leach
5370 Haywood Dr.
Keithville, LA 71047
925-9288

Peggy Matheny
10518 Oakfield Dr.
Keithville, LA 71047
925-2215

OPERATIONS MANAGER

Jerry Taylor
546 Dixon
Shreveport, LA 71106
Phone: 687-3613
Pager: 869-7107

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Waterworks District No. 7, Keithville, Louisiana (District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

For 2004, operating revenue for the District was \$582,240, compared to the six months ended December 31, 2003 annualized for a full year of \$493,144.

During the years ended December 31, 2004 and 2003 (annualized) the District had total operating expenses, excluding depreciation, of \$344,419 and \$306,504, respectively. Net other expense for 2004 and 2003 was \$76,064 and \$77,374.

THE DISTRICT

Waterworks District No. 7, Keithville, Louisiana was created by ordinance on January 8, 1975 as provided under Louisiana Revised Statutes 33:3811. The purpose of the District is to provide water service to the residents of District No. 7. The District is governed by a five person board of commissioners appointed by the Caddo Parish Commission and is considered a component unit of Caddo Parish, Louisiana. Commissioners of the District serve five-year terms and are compensated as provided in Louisiana Revised Statutes 33:3819. The District is comprised of property in southwest Caddo Parish, Louisiana and serves approximately 1,500 customers. Operations consist of seven (7) wells, five treatment plants and approximately 72 miles of water lines. The District employs five full-time employees.

REPORTING ON WATERWORKS DISTRICT NO. 7, KEITHVILLE, LOUISIANA AS A WHOLE

Our analysis of the Waterworks District No. 7, Keithville as a whole begins on page 6. One of the most important questions asked about the District's finances is "Is Waterworks District No. 7 as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is

similar to the accounting method used by most private-sector companies. Accrual of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. You can think of the District's net assets – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base, to assess the overall health of the District.

WATERWORKS DISTRICT NO. 7, KEITHVILLE, LOUISIANA AS A WHOLE

Following is the summary information from the statement of net assets (Table 1) and the statement of activities (Table 2) comparing amounts as of December 31, 2004:

Table 1

	2004
Current and other assets, including investments	\$ 269,618
Restricted assets	403,532
Capital assets	1,887,098
Total assets	2,560,248
Current liabilities	170,153
Long-term liabilities	1,536,065
Total Liabilities	1,706,218
Net assets:	
Reserve for debt service and capital asset purchases	403,532
Unrestricted	450,498
Total net assets	854,030
Total net assets & liabilities	\$2,560,248

Net assets of the District governmental activities increased by \$114,028 or 15.4%. Unrestricted net assets, the part of net assets that can be used to finance the District expenses without constraints or other legal requirements, increased from a year ago, from \$370,049 at December 31, 2003 to \$450,498 at December 31, 2004.

Table 2

	2004
Revenue:	
Water sales	\$510,683
Finance charges on late payment of bills	11,813
New meter installation, membership and reconnect fees	22,763
Ad valorem tax	31,313
Miscellaneous	5,668
Operating revenue	582,240
Operating expenses	392,148
Operating income	190,092
Other expense, net	(76,064)
Increase in net assets	\$114,028

Operating revenue increased \$89,096 from annualized operating revenue in the six months ended December 31, 2003 of \$493,144 to total revenues of \$582,240 in the year ended December 31, 2004, primarily as a result of system extension. Ad valorem taxes increased due to higher property values. The bonds backed by Ad valorem taxes were fully paid in early 2005; accordingly, taxes will not be collected for 2005 .

THE DISTRICT'S NET ASSETS

As the District completed the year, its net assets totaled \$854,030, which is higher than last year's fund balance of \$740,002. The reason for the excess is 2004 net income.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2004, the District had invested \$2,546,247 in capital assets. (See table 3 below)

Table 3

	2004
Distribution and treatment systems	\$2,418,177
Equipment	108,504
Vehicle	19,566
Total	\$2,546,247
Major additions include:	
Distribution and treatment systems	\$492,030
Equipment	48,292
Vehicles	19,566
Total additions	\$559,888

More detail information about capital assets is presented in Note 2 to the financial statements.

DEBT

As of December 31, 2004, the District's debt totaled \$1,594,813, including \$409,796 issued in 2004.

More detailed information about the debt is presented in Note 4 to the financial statements.

FUTURE ECONOMIC PLANS

In connection with the District's system extension during 2004 and into 2005, the Caddo Parish Commission executed a Cooperative Agreement with the District and completed the addition of water lines that will be maintained by and served by the District. The District does not expect to receive title to the assets constructed by the Caddo Parish Commission. The completion of the extension

program will, however, require additional funds to be provided by the District in the amount of \$273,000 in 2005. These funds will be provided by additional borrowings under its \$643,000 bond issue to the United States Department of Agriculture of which only \$370,000 had been drawn as of December 31, 2004. Of the remaining \$273,000, \$71,000 is included in the balance sheet as property and equipment at December 31, 2004 and the liability is shown as an account payable.

The District is also the beneficiary of a Louisiana Community Development Block Grant through the Caddo Parish Commission. The grant totals approximately \$310,000 and was completed and closed out in 2005. The water lines constructed by Caddo Parish will be reflected on the 2005 financial statements, the period when the District became liable for all maintenance on the lines.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Waterworks District No. 7, Keithville and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Waterworks District No. 7, Keithville, at 3836 Colquitt Road, Keithville, Louisiana 71047.

David Carroll
President

**Waterworks District No. 7
Keithville, Louisiana**

Balance Sheet

<i>December 31,</i>	<i>2004</i>
Assets:	
Cash and cash equivalents (Note 3)	\$ 121,428
Accounts receivable, net of \$6,000 allowance for bad debts (Notes 1, 3 and 4)	49,361
Property taxes receivable (Note 1)	29,106
Due from other governments	1,615
<hr/>	
Total current assets	201,510
Investments (Note 5)	66,615
Restricted cash accounts (Notes 7 and 8)	403,532
Property and equipment, net (Note 2)	1,887,098
Lease deposits	1,493
<hr/>	
Total assets	\$2,560,248
<hr/>	
Liabilities:	
Accounts payable	\$ 70,846
Accrued wages and expenses	40,559
Current portion of bonds and certificate of indebtedness (Note 4)	58,748
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Total current liabilities	170,153
Long-term debt, less current maturities (Note 4)	1,536,065
<hr/>	
Total liabilities	1,706,218

(Continued)

**Waterworks District No. 7
Keithville, Louisiana**

Balance Sheet

December 31, 2004

Net Assets:

Restricted for debt service	403,532
Unrestricted	450,498

Total net assets 854,030

Total net assets and liabilities \$2,560,248

See accompanying summary of accounting policies and notes to financial statements.

**Waterworks District No. 7
Keithville, Louisiana**

Statement of Revenue, Expenditures and Changes in Net Assets

December 31, 2004

Revenue:

Water sales	\$510,683
Finance charges on late payment of bills	11,813
New meter installation, membership fees and reconnect charges	22,763
Ad valorem tax income	31,313
Due from other governments	5,668

Total revenue 582,240

Expenditures:

Salaries and wages	108,741
Contract labor	85,346
Depreciation	47,729
Utilities	25,579
Accounting and legal	20,591
Repairs and maintenance	23,704
Chemicals and chlorine	12,611
Board member fees	9,240
Payroll tax expense	9,562
Office supplies and expense	16,925
Telephone and communications	5,165
Lease expense	6,000

(Continued)

**Waterworks District No. 7
Keithville, Louisiana**

**Statement of Revenue, Expenditures and Changes in Net Assets
(Concluded)**

<i>December 31,</i>	2004
Bad debts	5,670
Fees and permits	4,553
Bank charges	3,677
Insurance	2,823
Worker' compensation	2,197
Miscellaneous	1,605
Equipment lease expense	430
Total expenditures	392,148
Excess (deficiency) of revenue over expenditures from operations	190,092
Other income (expense):	
Interest and dividend income	4,585
Interest expense	(80,649)
Other expense	(76,064)
Excess of revenue over expenditures	114,028
Net Assets, beginning of year	740,002
Net Assets, end of year	\$854,030

See accompanying summary of accounting policies and notes to financial statements.

**Waterworks District No. 7
Keithville, Louisiana**

Statement of Cash Flows

<i>Year Ended December 31,</i>	2004
Cash Flows From Operating Activities:	
Received from customers	\$ 526,831
Received for ad valorem taxes	22,518
Received from other governments	5,668
Paid for operations	(233,009)
Paid to employees	(108,741)
<hr/>	
Net cash flows from operating activities	213,267
Cash Flows From Capital and Related Financing Activities:	
Proceeds from issuance of Bond Anticipation Notes	352,369
Payment of Bond Anticipation Notes	(352,369)
Proceeds from Issuance of Revenue Bonds	370,000
Proceeds from bank financing	39,796
Paid for capital acquisitions	(488,668)
Principal payments – long-term debt	(47,411)
Interest payments – long-term debt	(80,090)
<hr/>	
Net cash flows from capital and related financing activities	(206,373)
Cash Flows From Investing Activities –	
Receipt of interest and dividends	3,388
<hr/>	
Net cash flows from investment activities	3,388
Net Change in Cash and Cash Equivalents	10,282
Cash and Cash Equivalents – Beginning of Year	514,678
<hr/>	
Cash and Cash Equivalents – End of Year	\$524,960

(Continued)

**Waterworks District No. 7
Keithville, Louisiana**

**Statement of Cash Flows
(Concluded)**

<i>Year Ended December 31,</i>	<i>2004</i>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Cash	\$121,428
Restricted Assets – Cash	403,532
<hr/>	
Total Cash	\$524,960
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Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$190,092
Depreciation expense	47,729
Change in operating assets and liabilities:	
Increase in accounts receivable	(18,428)
Increase in taxes receivable	(8,795)
Increase in due from other governments	(1,615)
Increase in accounts payable and accrued expenses	4,284
<hr/>	
Net cash provided by operating activities	\$213,267

See accompanying summary of accounting policies and notes to financial statements

Waterworks District No. 7 Keithville, Louisiana

Summary of Accounting Policies

Business	Waterworks District No. 7, Keithville, Louisiana (a component unit of Caddo Parish, Louisiana) was created by ordinance on January 8, 1975 as provided under Louisiana Revised Statutes 33:3811. The purpose of the District is to provide water service to the residents of District No. 7. The District is governed by a five person board of commissioners appointed by the Caddo Parish Commission. Commissioners of the District serve five-year terms and are compensated as provided in Louisiana Revised Statutes 33:3819. The District is comprised of property in southwest Caddo Parish, Louisiana and serves approximately 1,500 customers. Operations consist of seven (7) wells, five treatment plants and approximately 72 miles of water lines. The District employs five full-time employees.
Basis of Presentation	The financial statements of the Waterworks District No. 7, Keithville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.
Basis of Accounting	The District utilizes the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time the liabilities are created.
Investments	Investments are stated at the lower of cost or market.
Revenue	Ad valorem taxes are levied on January 1 and due on December 31. Unpaid taxes attach as an enforceable lien on the associated property. Fees for water, meters and connection charges are recognized when earned.
Compensated Absences	Compensated absences for vacation and other paid time off do not accrue past the calendar year.

**Waterworks District No. 7
Keithville, Louisiana**

**Summary of Accounting Policies
(Concluded)**

Cash and Cash Equivalents Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity of three months or less. For purposes of the statement of cash flows, cash also includes amounts on deposit that are restricted by the related bond indentures.

Accounts Receivable Uncollectible amounts due for accounts receivable are recognized using the allowance method. The allowance for uncollectible accounts at December 31, 2004, was \$6,000.

Capital Assets Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Distribution and treatment systems	15-50 years
Building, equipment and vehicles	5-15 years

**Waterworks District No. 7
Keithville, Louisiana**

Notes to Financial Statements

1. Ad Valorem Taxes Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien. Property taxes are dedicated to the repayment of general obligation bonds.

2. Plant, Property and Equipment At December 31, 2004, plant, property and equipment is comprised of the following:

Water distribution system	\$1,877,960
Water treatment plants	515,018
Meters	16,896
Office furniture, fixtures and equipment	36,410
Transportation equipment	19,566
Buildings	12,516
Land	25,200
Equipment	42,681
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Plant, property and equipment	2,546,247
Less - Accumulated Depreciation	(659,149)
<hr/>	
Plant, property and equipment, net	\$1,887,098

3. Cash and Cash Equivalents At December 31, 2004, all cash and cash equivalents (book balances) were held in demand deposit accounts.

Deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2004, the district has \$536,809 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,036,237 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

**Waterworks District No. 7
Keithville, Louisiana**

**Notes to Financial Statements
(Continued)**

4. Long-Term Debt The following is a summary of bond transactions of the District for the year ended December 31, 2004:

	Purchase Money Mortgages	General Obligation Bonds	Utility Revenue Bonds	Certificate Of Indebtedness
Balance, January 1, 2004	\$ -	\$149,000	\$1,011,054	\$ 72,000
Proceeds from issuance of new debt	39,796	-	370,000	-
Principal payments	(1,335)	(5,000)	(17,703)	(23,000)
Balance, December 31, 2004	\$38,461	\$144,000	\$1,363,351	\$ 49,000

Bonds payable at December 31, 2004, is comprised of the following issue:

General Obligation Bonds:

\$213,000 Public Improvement Bonds dated August, 1981; due in annual installments ranging from \$2,000 to \$12,000, plus interest at 5%, through August, 2021; collateralized by a levy and collection of ad valorem taxes	\$ 144,000
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(Continued)

**Waterworks District No. 7
Keithville, Louisiana**

**Notes to Financial Statements
(Continued)**

**4. Long-Term Debt
– (continued)**

Utilities Revenue Bonds:

\$142,000 Revenue Bonds dated August, 1981; due in annual installments ranging from \$2,000 to \$8,000, plus interest at 5%, through August 2001	\$ 92,000
\$700,000 Water Revenue Bonds dated November 1986; due in annual installments ranging from \$2,000 to \$59,000, plus interest at 6.75% through August 2025	596,000
\$340,000 Water Revenue Bonds dated March, 1992; due in annual installments of \$23,100, including interest at 6.1252%, through August 2033	305,351
\$643,000 Water Revenue Bonds (initial funding in 2004 totaled \$370,000) dated December, 2004; interest only due December 1, 2005, then due in annual installments of \$20,467, including interest, through December 2045	370,000
Total Utilities Revenue	\$1,363,351

Certificate of Indebtedness

\$200,000 Certificate of Indebtedness dated February, 1997; due in annual installments ranging from \$17,000 to \$25,000, plus interest at 5.5%	\$49,000
	<i>(Continued)</i>

**Waterworks District No. 7
Keithville, Louisiana**

**Notes to Financial Statements
(Continued)**

**4. Long-Term Debt
- (continued)**

Purchase Money Mortgages

\$20,230 note payable to bank dated December, 2004; payable in monthly installments of \$466, including interest at 5%, through November 2008; collateralized by equipment	\$19,848
\$19,566 note payable to bank dated September, 2004; payable in monthly installments of \$450, including interest at 4.5%, through September 2008; collateralized by truck	18,613
Total Purchase Money Mortgages	\$38,461

The annual requirements to amortize all debts outstanding at December 31, 2004, including \$1,506,246 in interest, are as follows:

Year Ending December 31	Purchase Money Mortgage	General Obligation Bonds	Utility Revenue Bonds	Certificate Of Indebtedness
2005	\$10,993	\$12,200	\$101,787	\$26,695
2006	10,993	12,950	104,117	26,375
2007	10,993	12,650	104,092	-
2008	8,966	12,350	103,998	-
2009	-	13,050	103,835	-
2010-2014	-	63,850	523,758	-
2015-2019	-	64,900	537,340	-
1020-2024	-	25,800	531,883	-
2025-2029	-	-	280,889	-
2030-2034	-	-	171,458	-
2035-2039	-	-	102,335	-
2040-2044	-	-	102,335	-
2045-2049	-	-	20,467	-
Total	\$41,945	\$217,750	\$2,788,294	\$53,070

**Waterworks District No. 7
Keithville, Louisiana**

**Notes to Financial Statements
(Concluded)**

- 5. Investments** Investments are comprised of the following at December 31, 2004:
- | | |
|-------------------------|-----------------|
| Certificates of Deposit | \$52,718 |
| Bonds | 12,107 |
| Mutual funds | 1,790 |
| <hr/> | |
| Total | \$66,615 |
- 6. Operating Leases** The District has entered into four operating leases for plots of land, of which three are for the production of water and one is for stand pipe. Two of the leases originated in 1985 and are for 40-year terms with an option to renew. The other two originated in 1991, one with a 40-year term and the other with a term for as long as the District produces water from the well. The following is a schedule by years of future rental payments required under operating leases having remaining noncancellable lease terms in excess of one year as of December 31, 2003: December 31, 2004 – December 31, 2009 - \$3,100 each year, 2005, thereafter - \$54,300.
- 7. Restricted Cash Accounts** Restricted cash accounts of December 31, 2004:
- | | |
|-------------------------|------------------|
| Reserve Fund | \$ 41,013 |
| Ad Valorem Tax Fund | 119,328 |
| Note Revenue Fund | 65,966 |
| New Well Fund | 12,475 |
| NW Well Fund-Keith Road | 80,104 |
| Depreciation Food | 84,646 |
| <hr/> | |
| | \$403,532 |
- 8. Subsequent Events** Subsequent to December 1, 2004 the general obligation bonds were fully paid from funds in the Ad Valorem Tax Fund. Accordingly, the District will not collect ad valorem taxes for 2005.

**Waterworks District No. 7
Keithville, Louisiana**

Notes to Financial Statements
(Concluded)

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- 9. Commitments and Contingencies** The District is currently expanding its water distribution system to meet anticipated future needs. In connection therewith, the District arranged a bond issue through the United States Department of Agriculture, Rural Utilities program for a total of \$643,000. At December 31, 2004, the available funds from the bond issue are \$273,000, of which approximately \$71,000 will be used to pay December 31, 2004 accounts payable and the remainder will be used on system construction in 2005. The Caddo Parish Commission is in the process of closing a block grant it used to add piping to be used by the District. The grant of approximately \$310,000 will be closed in 2005. Upon completion of the grant, the District will assume maintenance responsibility for the lines and the cost of \$310,000 will be recorded as an asset of the District.

Supplemental Material



Waterworks District No. 7
Keithville, Louisiana
Compensation Paid to Board Members
Year Ended December 31, 2004
Schedule 1

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the Louisiana Legislature.

Commissioner	Term Expires	Amount
David Carroll, President	January 8, 2010	\$1,860
Mary Collier	January 8, 2006	1,860
William Leach	January 8, 2007	1,860
Buddy Matheny	January 8, 2008	1,860
Ann Osment	January 8, 2009	1,800
Total Per Diem Paid		\$9,240

**Waterworks District No. 7
Keithville, Louisiana
Prior Audit Findings
Year Ended December 31, 2004
Schedule 2**

The audit of the District for the six-months ended December 31, 2004 did not report any findings.

**Waterworks District No. 7
Keithville, Louisiana
Current Year Audit Findings
December 31, 2004
Schedule 3**

Finding 2004 – 1 - Failure to comply with State audit law

Instance of noncompliance

The District failed to comply with state law (LA R.S. 24:513) since the annual report for the year ended December 31, 2004 was not submitted to the Louisiana Legislative Auditor's Office until after June 30, 2005, the statutory date.

Reason for noncompliance

The audit partner for the audit of the District was unable to complete the audit timely due to health problems of his son. The reason for noncompliance was not related to the failure of District personnel to provide appropriate documentation.

Management's plan of corrective action

As stated in the compliance findings, this instance of noncompliance was not caused by any action on the part of the District. We believe this will not happen in future years.

Finding 2004 – 2 – Failure to comply with State debt law

Instance of noncompliance

Pursuant to LSA-RA 39:1410.60, no public body may issue debt without the approval of the Louisiana State Bond Commission (Commission). During 2004, the District purchased two items of equipment and financed those purchases, in whole or in part, through loans from a local bank. The two loans, totaling \$39,796, were not submitted to the Commission.

Reason for noncompliance

The District has never issued debt of this nature. Since the loans were not bonds, nor were they collateralized by revenue or taxes, we were unaware we needed to obtain Commission approval.

Management's plan of corrective action

Pursuant to a conversation with Commission personnel, our auditor has advised us to complete the necessary documents for submission to the Commission. We will complete the documents and forward the same to the Commission for inclusion in its August or September 2005 meeting.

**Waterworks District No. 7
Keithville, Louisiana
Current Year Audit Findings
December 31, 2004
Schedule 3**

Finding 2004 – 3 – Failure to elect a fiscal agent

Instance of noncompliance

State law, LSA-RS33: 3817C(1), requires the District "...on the first Monday in June annually elect a fiscal agent after an advertisement of fifteen days in a newspaper published in the district, and if there be no newspaper within the district, then in the official journal of the parish where the district is located...". Neither the District's banking records nor its directors' minutes reflected adherence to this requirement. The paid invoices of the Official Journal of the District also did not reflect any advertisement for bids from area banks.

Reason for noncompliance

The District has been doing business with one bank for much of its existence and was unaware of the requirements of LSA-RS 33:3817C(1).

Management's plan of corrective action

The District will comply with the requirements of LSA-RS 33:3817C(1) in the future.

Finding 2004 – 4 – Failure to properly establish annual budget

Instance of noncompliance

State law, LSA-RS39: 1302-1303, requires the District to establish an annual budget prior to the close of its fiscal year. The budget is to be made available to the public and the Board of Commissioners is required to approve the budget annually.

Reason for noncompliance

The District was been unaware of this requirement; however, a budget for 2005 was prepared, but not formally adopted. This budget will continue to be utilized until the end of 2005, at which time, all State Budget Laws will be observed.

Management's plan of corrective action

The District will comply with the requirements of LSA-RS 39:1302-1303 will be implemented for all subsequent years.



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Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards

Board of Commissioners
Waterworks District No. 7
Keithville, Louisiana

We have audited the basic financial statements of the Waterworks District No. 7, Keithville, a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 30, 2004. We conducted our audit in accordance with generally accepted auditing 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 the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed four (4) instances of noncompliance that are required to be reported under Government Auditing Standards and are included in Schedule 3 - Schedule of Findings and Questioned Costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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. 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 basic 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the District's management, the Board of Commissioners, the Caddo Parish Commission, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature: [Illegible]

Certified Public Accountants

Shreveport, Louisiana
June 30, 2005



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August 9, 2005

Mr. David Carroll, President
Waterworks District No. 7
Caddo Parish, Louisiana
6836 Colquitt Road
Keithville, Louisiana 71047

Dear Mr. Carroll:

During the course of our audit of Waterworks District No. 7 of Caddo Parish, Louisiana (District) financial statements for the year ended December 31, 2004, we observed the District's significant accounting policies and procedures and certain business, financial, income tax and administrative practices.

In planning and performing our audit of the financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

As a result of our observations, we suggest you consider the following:

Personnel Policies

***The District should review its personnel policies
in light of current overtime law***

The District's personnel manual provides that all personnel will receive compensatory time off for any hours worked in excess of normal hours. Compensatory time off (Comp Time) may be taken any time during the year with the approval of the Board of Commissioners. Substantially all of the personnel of the District are presently designated as hourly with the following work hours and, in general, work from 7:30 am to 4:00 pm with one hour off from 12:00 pm to 1:00 pm. Currently, the Fair Labor Standards Act (FLSA) and associated regulations promulgated by the United States Department of Labor provide that an employee who is not overtime exempt be paid for all time in excess of 40 hours per week. As a practical matter, this means any Comp Time earned must be taken within the 40-hour pay week in which it is earned or be paid to the employee at time and one-half. As a practical matter, it is generally difficult for office employees, except Jerry Taylor, to exceed 40 hours per week when their base time is only 37.5 hours. By the nature of their duties, maintenance personnel can easily work over 40 hours in a given week if major problems occur. If Comp Time is not taken



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Mr. David Carroll, President
August 9, 2005
Page two

prior to the end of the week, overtime pay would be due an employee working over 40 hours.

We suggest the Board of Commissioners request a review of its policies by a competent labor attorney. It has been our experience that labor laws and regulations are so complex that a lay person, including an attorney not specializing in labor matters, can apply a common sense approach to the Department of Labor regulations and later be found in violation of FSLA standards. Discussing such matters with a labor attorney could yield dividends through cost savings in the future.

Management's Plan of Corrective Action

We agree with your recommendations and will ask a competent labor lawyer to review the policy.

**The District should develop a cellular
telephone usage policy.**

Cellular telephone usage by all segments of our society has brought great benefits and challenges due to its ability to keep us *connected*. From an employer's standpoint, an employee's cell phone usage can be disastrous. In one Virginia case, an employee's use of her cell phone to make a call while driving resulted in a \$30 million lawsuit against her employer. In another case, an employer reportedly paid approximately \$16 million to settle charges resulting from a salesman's use of his cell phone while driving. In each case, the employers had not established a firm policy of non-usage of the cell phone while driving.

We strongly recommend the District adopt a policy regarding the usage of cell phones by employees. Such a policy should, among other things, require that cell phones not be used while operating a vehicle or any other dangerous equipment.

Management's Plan of Corrective Action

We agree with your recommendations and will include this policy in the employee manual.

Mr. David Carroll, President
August 9, 2005
Page three

**Employees and commissioners should be
subject to the same policies as other customers.**

During our testing of related party transactions, we noted that an employee's account had, on several occasions, aged more than two months. The employee's account was subsequently brought up to date and, as of May 25, 2005, was fully paid. While the District was not harmed and was paid for the appropriate late fees each time, allowing the account to go past due two months without cutting the water off violated District's cutoff policy. While it could be argued that the District should have received reconnection fees in each of the instances, the ultimate problem created by this situation is one of perception. This creates the perception that the District applies different standards to employees and could create public distrust in extreme circumstances. Accordingly, we recommend all employees and commissioners be made aware that system policies are to be applied as stringently to their accounts as the policies would to other customers.

Management's Plan of Corrective Action

We agree with the recommendation and will implement it immediately.

Public Records

**Minutes of commissioner meetings should
be available for public inspection.**

As a matter of course, the minutes of the District's Board of Commissioners have been kept confidential and not provided to employees of the District. The reason for this is to prevent the employees from obtaining confidential information on other employees. The employees, however, view such a restriction on the review of the minutes as a conscious attempt by the commissioners to hide information from the employees. This creates an atmosphere of distrust that need not be present, particularly when Louisiana law provides for the right of the employees to attend all public meetings of the commissioners and review the approved minutes thereof. In fact, there is no policy that prevents employees from attending Board meetings.

The commissioners' desire to avoid employee conflict due to misinterpretation of statements in the minutes of the commissioners' meetings, while laudable, is impractical in this instance. Rather than attempt to keep the employees from reviewing minutes of public meetings, we strongly recommend that any discussions regarding employee pay or performance be reserved for executive session only. This will minimize the

Mr. David Carroll, President
August 9, 2005
Page four

distraction to employees who naturally wonder why they are being denied access to board minutes.

Management's Plan of Corrective Action

As stated in the findings, this policy was instituted to protect employee rights, not impede them. We will implement the recommended policy immediately.

* * *

A copy of this letter and the attached memorandum is being sent to all members of the District's Board of Commissioners, the administrator of the Caddo Parish Commission and Louisiana Legislative Auditor.

In the near future Jim McClelland will call to discuss with you the above recommendations and their implementation.

This letter and memorandum are intended solely for the information and use of management, the board of commissioners, the Caddo Parish Commission and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this letter is also considered a matter of public record.

We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the District's financial statements.

Very truly yours,

A handwritten signature in black ink, appearing to read "Robertson, Bailes & McClelland LLP". The signature is written in a cursive, flowing style.

Robertson, Bailes & McClelland LLP