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WATERWORKS DISTRICT NO. 7

KEITHVILLE, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2003

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 5.19.04

Marsha O. Millican  
Certified Public Accountant  
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Financial Statements  
June 30, 2003

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# Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

## Independent Auditor's Report

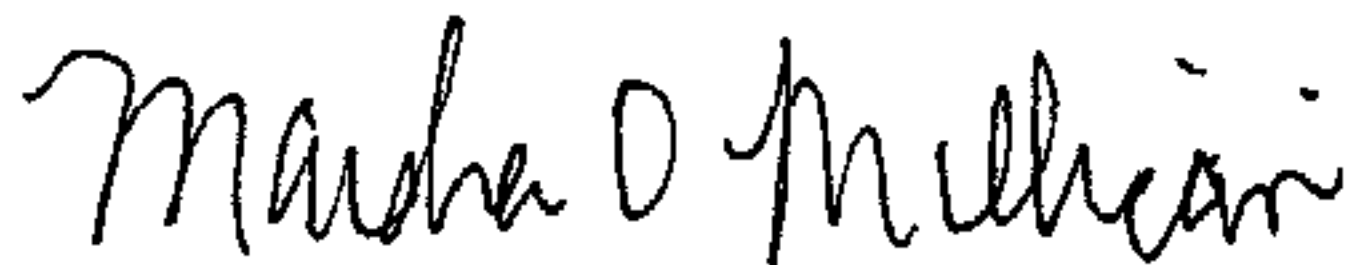
Board of Commissioners  
Waterworks District No. 7  
Keithville, Louisiana

I have audited the accompanying component unit financial statements of Waterworks District No. 7, Keithville, Louisiana, a component unit of Caddo Parish, Louisiana, as of and for the year ended June 30, 2003. These component unit financial statements are the responsibility of Waterworks District No. 7, Keithville, Louisiana's, management. My responsibility is to express an opinion on these component unit financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 7, Keithville, Louisiana, as of June 30, 2003, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated May 11, 2004, on my consideration of Waterworks District No. 7, Keithville, Louisiana's internal control structure and its compliance with laws and regulations.



Certified Public Accountant  
May 11, 2004

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Balance Sheet

June 30, 2003

Assets

<u>Current Assets</u>	
Cash	\$ 105,893
Accounts Receivable	35,649
Total Current Assets	<u>141,542</u>
 <u>Investments</u>	
	49,883
<u>Restricted Assets</u>	
Cash	454,506
<u>Fixed Assets (Net)</u>	1,395,399
<u>Other Assets</u>	<u>8,651</u>
 Total Assets	 <u>\$ 2,049,981</u>

Liabilities and Equity

<u>Current Liabilities</u>	
Accounts Payable	\$ 13,383
Accrued Expenses	4,565
Current Portion of Bonds and Certificates Payable	42,926
Accrued Interest Payable	<u>61,387</u>
Total Current Liabilities	<u>122,261</u>
 <u>Long-Term Liabilities</u>	
Bonds and Certificates Payable	<u>1,232,107</u>
 <u>Equity</u>	
Contributed Capital	19,736
Retained Earnings:	
Reserved for Bond Indentures	454,506
Unreserved	<u>221,371</u>
Total Retained Earnings	<u>675,877</u>
 Total Equity	 <u>695,613</u>
 Total Liabilities and Equity	 <u>\$ 2,049,981</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Statement of Revenues and Expenses

Year Ended June 30, 2003

Revenues:	
Water Sales	\$ 394,568
Meter Fees and Connection Charges	28,309
Ad Valorem Taxes	27,189
Developers Fee	<u>7,858</u>
Total revenues	<u>457,924</u>
Operating expenses:	
Accounting and Legal	16,012
Auto Expense	3,267
Board Member Fees	7,802
Chemicals and Chlorine	17,456
Contract Labor	76,525
Dues and Subscriptions	758
Depreciation	40,922
Insurance	7,626
Lease Expense	5,600
Miscellaneous	1,011
Office	15,215
Payroll Taxes	8,491
Permits and Fees	250
Postage	6,131
Repair and Maintenance	31,746
Salaries	91,746
Telephone	5,390
Utilities	<u>24,374</u>
Total expenses	<u>360,319</u>
Operating income	97,605
Non-operating revenues (expenses):	
Interest and Investment Income	7,647
Interest Expense	<u>( 77,084)</u>
Total non-operating revenues (expenses)	<u>( 69,437)</u>
Net income	<u>\$ 28,168</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

## Statement of Changes in Retained Earnings

Year Ended June 30, 2003

Balance, July 1, 2001	\$ 647,709
Add: Net income for year	<u>28,168</u>
Balance, June 30, 2002	<u>\$ 675,877</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Statement of Cash Flows  
Year Ended June 30, 2003

Cash flows from operating activities:	
Cash received from ad valorem taxes	\$ 27,189
Cash received from customers	429,813
Cash payments to suppliers and employees	( 361,107)
Other operating income	<u>7,858</u>
Net cash provided by operating activities	<u>103,753</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds and notes	( 42,101)
Interest paid on bonds and notes	<u>( 80,822)</u>
Net cash used by capital and related financing activities	<u>( 122,923)</u>
Cash flows from investing activities:	
Purchase of investments	( 36,554)
Proceeds from sale of investments	44,633
Interest received on investments	<u>4,395</u>
Net cash provided by investing activities	<u>12,474</u>
Net decrease in cash	( 6,696)
Cash, July 1, 2002 (including \$424,924 in restricted accounts)	<u>567,095</u>
Cash, June 30, 2003 (including \$454,506 in restricted accounts)	<u>\$ 560,399</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 97,605
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	40,922
Changes in assets and liabilities:	
Increase in accounts receivable	( 922)
Decrease in prepaid insurance	822
Increase in other assets	( 7,158)
Increase in accounts payable	8,999
Decrease in legal settlement payable	( 30,000)
Decrease in accrued expenses	<u>( 6,515)</u>
Net cash provided by operating activities	<u>\$ 103,753</u>

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Notes to Financial Statements  
June 30, 2003

Waterworks District No. 1, Keithville, Louisiana, was created by ordinance January 8, 1975, as provided under the Louisiana Revised Statutes 33:3811. The ordinance states that the purpose of the District is to provide water service to the residents of the District. The District is governed by a five member Board of Commissioners appointed by the Caddo Parish Police Jury. The Commissioners serve five-year terms and are compensated under the provisions of Louisiana Revised Statutes 33:3819. The District is comprised of property in southwest Caddo Parish and serves approximately 1,278 people. The District's operations consist of six wells, five treatment plants, and approximately 61 miles of water lines. The District employs three full-time employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Waterworks District No. 1 of the Parish DeSoto have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The following is a summary of the more significant accounting policies:

Basis of Accounting. The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments. Investments are stated at the lower of cost or market.

Cash Flows. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Bad Debts. Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from those results that would have been obtained had the allowance method been followed.

Revenues. Ad valorem taxes are levied on January 1, due on December 31, and attach as an enforceable lien on property as of May 11, 2001. Fees for water, meters, and connection charges are recognized when earned.

(Continued)



WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Notes to Financial Statements  
June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Fixed Assets. Additions to the utility plant in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repair and maintenance are recorded as expenses. Renewal and betterments are capitalized.

Use of Estimates. The preparation of financial statements generally requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Compensated Absences. District employees are entitled to certain compensated absences based on length of employment. Compensated absences either vest or accumulate and are accrued when they are accrued when earned.

2. CASH:

At June 30, 2003, the carrying amount of the District's cash deposits was \$560,399 and the bank's balance was \$568,599. The difference is due to outstanding checks at June 30, 2003. Deposits of \$100,000 were collateralized with FDIC insurance. Deposits of \$468,599 were collateralized by securities held by the financial institution as collateral, but not in the District's name.

3. COMPENSATION PAID TO COMMISSIONERS:

Compensation paid to commissioners for the year ended June 30, 2003 was as follows:

Buddy Meachum	\$ 615
David Carroll	1,873
Mary Collier	1,577
William Leach	660
Ann Osment	1,620
Linda Strickland	960
Jerry Williams	<u>497</u>
Total	<u>\$ 7,801</u>

(Continued)

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Notes to Financial Statements  
June 30, 2003

4. INVESTMENTS:

Investments at June 30, 2003 consist of the following:

Bonds	\$	26,516
Mutual Funds		<u>23,367</u>
Total	\$	<u><u>49,883</u></u>

5. FIXED ASSETS:

A summary of fixed assets follows:

Water Distribution System	\$	1,385,956
Water Treatment Plants		515,018
Meters		16,869
Building		4,890
Furniture and Equipment		38,426
Land		<u>25,200</u>
		1,986,359
Less: Accumulated Depreciation		<u>590,960</u>
Net fixed assets	\$	<u><u>1,395,399</u></u>

6. LONG-TERM DEBT:

The following is a summary of debt transactions of Waterworks District No. 7 for the year ended June 30, 2003:

	<u>General Obligation Bonds</u>	<u>Utility Revenue</u>	<u>Cert of Indebted- ness</u>
Balance, July 1, 2002	\$ 159,000	\$1,045,134	\$ 113,000
Principal Payments	<u>( 5,000)</u>	<u>( 17,101)</u>	<u>( 20,000)</u>
Balance, June 30, 2003	<u>\$ 154,000</u>	<u>\$1,028,033</u>	<u>\$ 93,000</u>

(Continued)

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Notes to Financial Statements  
June 30, 2003

6. LONG-TERM DEBT: (CONTINUED)

Bonds and certificates payable at June 30, 2003 are comprised of the following:

General Obligation Bonds:

\$213,000 Public Improvement Bonds dated August, 1981; due in annual installments of \$2,000 - \$12,000 through August, 2021; interest at 5% (secured by levy and collection of ad valorem taxes)	<u>\$ 154,000</u>
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Utilities Revenue:

\$142,000 Revenue Bonds dated August, 1981; due in annual installments of \$2,000 - 8,000 through August, 2021; interest at 5%	98,000
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\$700,000 Water Revenue Bonds dated November, 1986; due in annual installments of \$2,000 - \$59,000 through August, 2025; interest at 6.75%	617,000
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\$340,000 Water Revenue Bonds dated March, 1992, due in annual installments of \$23,100, including interest at 6.125% through August, 2033	<u>313,033</u>
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Total Utilities Revenue	<u>\$ 1,028,033</u>
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Certificates of Indebtedness:

\$200,000 Certificate of Indebtedness, dated February, 1997; due in annual installments of \$17,000 - \$25,000 through December 2006; interest at 5.50%	<u>\$ 93,000</u>
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(Continued)

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Notes to Financial Statements  
June 30, 2003

6. LONG-TERM DEBT: (CONTINUED)

The annual requirements to amortize all debt outstanding as of June 30, 2003 including interest payments of \$1,190,963 are as follows:

<u>Year Ending December 31</u>	<u>General Obligation</u>	<u>Revenue Bonds</u>	<u>Certificate of Indebtedness</u>	<u>Total</u>
2004	\$ 12,700	\$ 83,418	\$ 25,538	\$ 121,656
2005	12,450	83,581	26,328	122,359
2006	63,200	418,848	26,035	508,083
2007 - 2011	63,850	421,423	25,687	510,960
2012 - 2016	64,900	435,004	-	499,904
2017 - 2021	25,800	429,548	-	455,348
2022 - 2026	-	178,554	-	178,554
2027 - 2031	-	69,132	-	69,132
Total	<u>\$ 242,900</u>	<u>\$ 2,119,508</u>	<u>\$ 103,588</u>	<u>\$ 2,465,996</u>

7. 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 June 30, 2003. June 30, 2004 - \$3,100, June 30, 2005 - \$3,100, June 30, 2006 - \$3,100, June 30, 2007 - \$3,100, June 30, 2008 - \$3,100, Thereafter - \$57,400.

WATERWORKS DISTRICT NO. 7  
Keithville, Louisiana

Corrective Action Taken on Prior Year Findings

For the Year Ended June 30, 2003

There were no findings for the year ended June 30, 2002.

# Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

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

The Board of Commissioners  
Waterworks District No. 7  
Keithville, Louisiana

I have audited the component unit financial statements of Waterworks District No. 7 as of and for the year ended June 30, 2003, and have issued my report thereon dated May 11, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

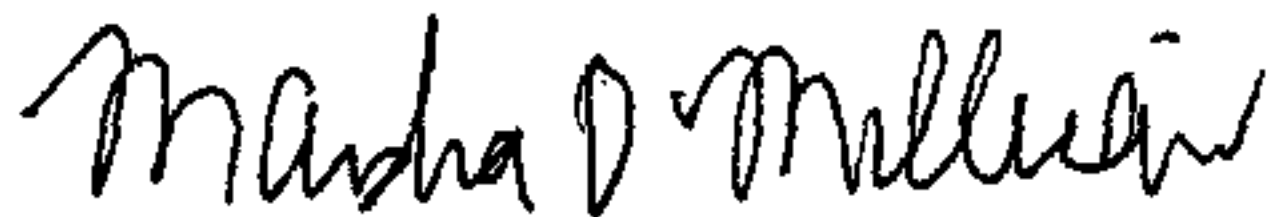
As part of obtaining reasonable assurance about whether Waterworks District No. 7, Keithville, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item #1.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Waterworks District No. 7, Keithville, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, and federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant  
May 11, 2004

WATERWORKS DISTRICT NO. 7

Schedule of Findings

For the Year Ended June 30, 2003

FINDING # 1:

Criteria:

The District did not file its annual financial statements with the Legislative Auditor within the time frame required by State Law.

Condition:

The District is in violation of State Law.

Cause:

The District is in the process of changing its year end from June 30 to December 31. This resulted in a delay in the books and records being ready for the audit to be completed within the time frame required by State Law.

Recommendation:

The District should file its annual financial statements within the time frame required by State Law.

Management's Response:

We will file our annual financial statements within the time frame required by State Law.