

8894

RECEIVED

JAN 02 1997

LEGISLATIVE AUDITOR

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1996

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 FEB 26 1997

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
Comparative Balance Sheet	3
Comparative Statement of Retained Earnings	5
Comparative Statement of Revenues and Expenses	6
Comparative Statement of Cash Flows	7
Notes to Financial Statements	8
Independent Auditor's Report on Supplementary Information	15
Statement of Revenues and Expenses - Percentage of Total Operating Revenue	16
Statistical Data	17
Schedule of Insurance in Force	18
Statistical Data	19
Independent Auditor's Report on Schedule of Federal Financial Assistance	20
Schedule of Federal Assistance	21
Independent Auditor's Report on Internal Control Structure Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	22
Independent Auditor's Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs	25
Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	28
Independent Auditor's Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs	29
Independent Auditor's Report on Compliance with General Requirements Applicable to Federal Financial Assistance Programs	31
Internal Control Structure Reportable Conditions	32

JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
8939 Jefferson Hwy. First Floor, Suites A B C
Baton Rouge, Louisiana 70809

(504) 926-6047
(504) 928-0146
(504) 926-6270 Fax

December 6, 1996

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Waterworks District #7
East Feliciana Parish
Clinton, Louisiana

I have audited the accompanying general purpose financial statements of

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH

a component unit of East Feliciana Parish Police Jury, as of and for the year ended June 30, 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

The financial statements of Waterworks District #7 as of and for the year ended June 30, 1995, were audited by other auditors. Their report dated December 27, 1995, expressed an unqualified opinion on those statements.

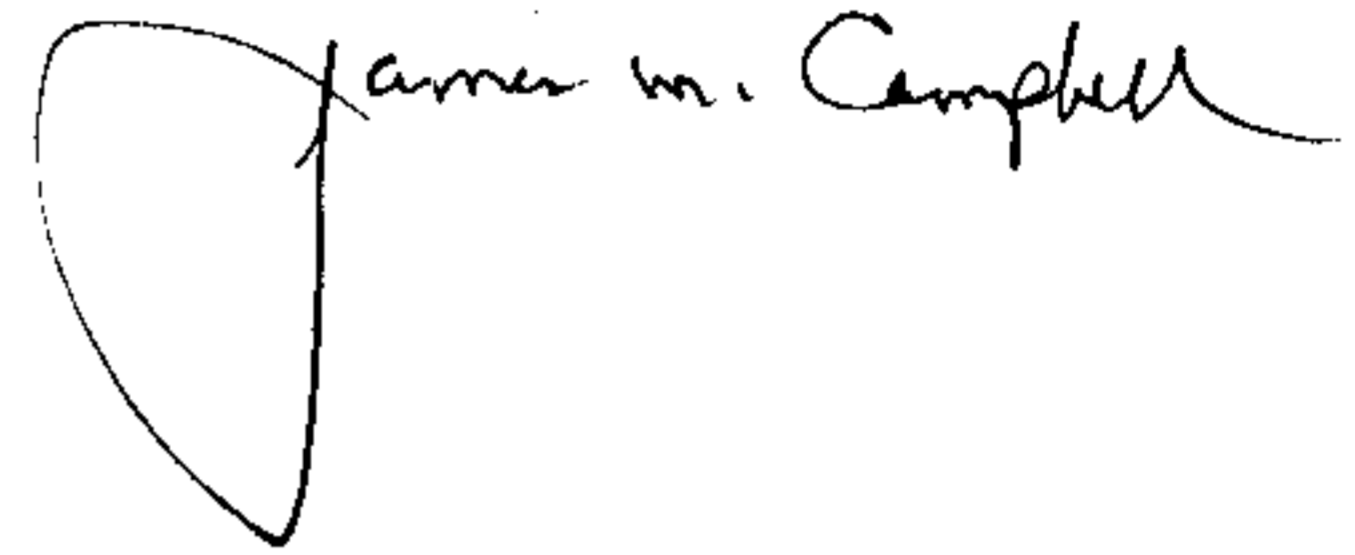
I conducted my audit in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District #7 of East Feliciana Parish as of June 30, 1996, and the results of its operations and

INDEPENDENT AUDITOR'S REPORT
(CONCLUDED)

the statements of cash flow for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 6, 1996 on my consideration of Waterworks District #7's internal control structure and a report dated December 26, 1996, on its compliance with laws and regulations.

James M. Campbell

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
BALANCE SHEET
JUNE 30, 1996
(WITH COMPARATIVE DATA AS OF JUNE 30, 1995)

ASSETS

	<u>1996</u>	<u>1995</u>
<u>CURRENT ASSETS</u>		
Cash - operating	\$ 15,562	\$ 18,881
Less: Restricted cash	<u>(11,890)</u>	<u>(12,313)</u>
	3,672	6,568
Accounts receivable (net of allowance for doubtful accounts of \$14,407 for 1996 and \$11,500 for 1995)	13,240	12,341
Prepaid insurance	2,240	2,199
Accrued interest	70	59
	<u>19,222</u>	<u>21,167</u>
 <u>RESTRICTED ASSETS</u>		
Cash:		
Reserve fund	5,461	4,277
Depreciation fund	11,496	10,193
Restricted portion of current cash accounts	<u>11,890</u>	<u>12,313</u>
	<u>28,847</u>	<u>26,783</u>
 <u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	4,500	4,500
Water utility system	1,048,600	1,038,850
Less: accumulated depreciation	<u>(176,238)</u>	<u>(149,300)</u>
	<u>876,862</u>	<u>894,050</u>
 <u>Total Assets</u>	 <u>\$ 924,931</u>	 <u>\$ 942,000</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES, RESERVES, AND RETAINED EARNINGS

	1996	1995
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 33,368	\$ 17,283
Customer deposits	8,998	9,300
Sales tax payable	368	332
Accrued salaries		100
Accrued payroll taxes		23
	42,734	27,038
 <u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>		
Accrued interest payable		1,895
Current portion of revenue bond payable	4,293	4,356
	4,293	6,251
 <u>NON-CURRENT LIABILITIES</u>		
Revenue bonds payable less current portion	350,654	354,947
	397,681	388,236
 <u>EQUITY</u>		
Contributed capital - governmental grants	673,600	673,600
Contribution in aid of construction	7,180	7,180
	527,250	553,764
 <u>FUND BALANCES</u>		
Reserve for depreciation fund	13,989	13,017
Reserve for revenue note fund	14,858	13,766
Retained earnings (deficit)	(182,377)	(153,799)
	(153,530)	(127,016)
	527,250	553,764
 <u>Total Equity</u>		
	527,250	553,764
 <u>Total Liabilities, Reserves and Equity</u>	\$ 924,931	\$ 942,000

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR JUNE 30, 1996
(WITH COMPARATIVE DATA AS OF JUNE 30, 1995)

	<u>UNRESERVED RETAINED EARNINGS</u>	<u>RESERVED RETAINED EARNINGS FOR BOND SERVICE AND CONSTRUCTION</u>	<u>TOTAL RETAINED EARNINGS</u>
Balances June 30, 1994	\$ (122,283)	\$ 24,719	\$ (97,564)
Net income (loss)	(29,452)		(29,452)
Transfer (to) from restricted assets	<u>(2,064)</u>	<u>2,064</u>	<u> </u>
Balances June 30, 1995	<u>(153,799)</u>	<u>26,783</u>	<u>(127,016)</u>
Net income (loss)	(26,514)		(26,514)
Transfer (to) from restricted assets	<u>(2,064)</u>	<u>2,064</u>	<u>0</u>
Balances June 30, 1996	<u>\$ (182,377)</u>	<u>\$ 28,847</u>	<u>\$ (153,530)</u>

The accompanying notes are an integral part of the financial statements.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 1996
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 1995)

	<u>1996</u>	<u>1995</u>
<u>OPERATING REVENUES</u>		
Water sales	\$ 96,927	\$ 87,377
Late fees	3,681	3,919
	<u>100,608</u>	<u>91,296</u>
 <u>OPERATING EXPENSES</u>		
Advertising	302	
Bank charges	141	252
Bill processing and management fees	26,559	28,381
Board fees	3,360	3,240
Depreciation	26,938	26,815
Dues and subscriptions	342	221
Insurance	3,141	3,280
Legal and professional	10,150	5,612
Miscellaneous	24	
Office expenses	56	27
Penalties	20	
Repairs and maintenance	14,755	15,771
Salaries	1,200	1,200
Taxes and licenses	242	208
Travel	57	238
Utilities	15,156	13,204
	<u>102,443</u>	<u>98,449</u>
 <u>OPERATING INCOME (LOSS)</u>	 <u>(1,835)</u>	 <u>(7,153)</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	836	845
Bad debts	(2,907)	(2,340)
Interest expense	(22,608)	(20,804)
	<u>(24,679)</u>	<u>(22,299)</u>
 <u>NET INCOME (LOSS)</u>	 <u>\$(26,514)</u>	 <u>\$(29,452)</u>

The accompanying notes are an integral part of the financial statements.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
STATEMENT OF CASH FLOWS
JUNE 30, 1996

(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 1995)

	<u>1996</u>	<u>1995</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income (loss)	\$(26,514)	\$(29,452)
Noncash items included in net income (loss):		
Depreciation and amortization	26,938	26,815
Bad debt provision	2,907	11,500
(Increase) decrease in:		
Accounts receivable	(3,806)	(2,604)
Prepaid expenses	(41)	(142)
Accrued interest	(11)	(31)
Restricted assets	(2,064)	(2,064)
Increase (decrease) in:		
Accounts payable	16,085	1,323
Customer deposits	(302)	490
Sales tax payable	36	(103)
Accrued salaries	(100)	100
Accrued payroll tax	(23)	23
Accrued interest	(1,895)	1,895
<u>NET CASH PROVIDED (USED)</u> <u>BY OPERATING ACTIVITIES</u>	<u>11,210</u>	<u>7,750</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	<u>(9,750)</u>	<u> </u>
<u>NET CASH PROVIDED (USED)</u> <u>BY INVESTING ACTIVITIES</u>	<u>(9,750)</u>	<u> </u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Retirement of long-term debt	<u>(4,356)</u>	<u>(5,511)</u>
<u>NET CASH PROVIDED (USED)</u> <u>BY FINANCING ACTIVITIES</u>	<u>(4,356)</u>	<u>(5,511)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>(2,896)</u>	<u>2,239</u>
<u>CASH AND CASH EQUIVALENTS AT</u> <u>BEGINNING OF YEAR</u>	<u>6,568</u>	<u>4,329</u>
<u>CASH AND CASH EQUIVALENTS AT</u> <u>END OF YEAR</u>	<u>\$ 3,672</u>	<u>\$ 6,568</u>
 <u>SUPPLEMENTAL DISCLOSURES</u> <u>OF CASH FLOW INFORMATION:</u>		
Interest expense	<u>\$ 22,608</u>	<u>\$ 20,958</u>

The accompanying notes are an integral part of the financial statements.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

authority of East Feliciana Parish, Louisiana. The governing authority appoints members of the Water District's Board of Directors. The Board exercised all administrative functions with respect to the operation and management of the Water District.

F. Plant and Equipment

Plant and equipment are stated at cost and do not purport to represent replacement or realizable values. The cost of depreciable property, plant and equipment is charged to earnings over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expenses as incurred; expenditures for renewals and betterments are generally capitalized. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in revenue. Depreciation of all depreciable property, plant and equipment is computed using the straight-line method over the following lives:

<u>ASSET</u>	<u>ESTIMATED USEFUL LIFE</u>
Water System	10-40 years
Land	N/A

G. Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents are defined as unrestricted demand deposits and highly liquid investments available for current use with an initial maturity of three months or less.

H. Comparative Data

Comparative data for the prior period has been presented in the accompanying financial statements to provide an understanding of the changes in the District's financial position and operations.

I. Interest Capitalization

Interest costs are capitalized when incurred on debt where proceeds were used to finance construction costs. There was no interest which was capitalized during the year ending June 30, 1996.

J. Concentration of Credit Risk

In the normal course of business, the District extends

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

unsecured credit to its customers in East Feliciana Parish, Louisiana.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ materially from those estimates.

L. Reclassification

Certain 1995 amounts have been reclassified to conform with 1996 classifications. Such reclassification had no effect on reported net income.

NOTE #2: RESTRICTED ASSETS

The Revenue Bond Resolution, Section 8, adopted the 5th day of September 1985, amended on the 19th day of February, 1987, provides for all income and revenue derived from the operation of the District to be pledged for the security and payment of Series A Bond.

All income and revenues derived from the operation or ownership of the System shall be deposited periodically as the same may be collected in a separate and special bank account to be established with the regularly designated fiscal agent bank of the District and to be known as the Waterworks System Revenue Fund (the "Revenue Fund"). Said fund shall be established, maintained and administered and the money deposited therein shall be expended for the following expenses payable in the following order of priority:

- (A) The payment of current expenses of the System from month to month as the same become due and payable. Current expenses will not exceed the reasonable and necessary costs of operating, repairing, maintaining and insuring the System.
- (B) The establishment and maintenance of a Waterworks System Revenue Bond and Interest Sinking Fund (the "A Bond Sinking Fund"), sufficient in amount to pay promptly and fully the principal of and interest on the Bond, including any pari passu bonds issued hereafter in the manner provided in the resolution, as they severally become due and payable, by depositing with the depository bank by transferring from said Revenue Fund to the Bond Sinking Fund before the 20th day of each month of each year beginning on the first day of the month following delivery of this bond, a sum equal to one-twelfth (1/12) of the interest falling due on the Bond on the next interest payment date and, in addition, a sum equal to one-

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE #2: RESTRICTED ASSETS, CONTINUED

twelfth (1/12) of the principal on the Bond falling due on the next principal payment date, together with such additional proportionate sum as may be required as the same shall respectively become due. Money in the Sinking Fund shall be deposited as trust funds and shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal and interest on the Bond and parity bonds. The payment is now being remitted monthly to Farmer's Home Administration, the current bond holder. As of June 30, 1996, Waterworks District #7 had made the payments as required by the agreement.

Following the required payments to the Bond Sinking Fund, the moneys remaining in the Revenue Fund shall be distributed in accordance with the following paragraphs:

- (C) The establishment and maintenance of a Waterworks System Revenue Bond Reserve Fund (hereinafter called the "Reserve Fund"), by transferring to the depository bank (a member of the Federal Deposit Insurance Corporation) monthly, in advance, on or before the 20th day of each month of each year, beginning not later than the first full month in which the System becomes revenue-producing, a sum equal to five percent (5%) of the sum required to be transferred in each month into the Bond Sinking Fund, the payments to continue until such time as there has been accumulated therein a sum equal to the highest annual debt service, including both principal and interest payable in any future fiscal year on the outstanding principal of the Bond. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and the interest on all bonds payable from the Bond Sinking Fund as to which there would otherwise be default. As of June 30, 1996, Waterworks District #7 had remitted monthly payments for \$91 rather than \$111. See Internal Control Structure Reportable Conditions.
- (D) The establishment and maintenance of a "Depreciation and Contingency Fund" by transferring from the said Revenue Fund on or before the 20th day of each month commencing with the first full month in which the complete System becomes revenue-producing, to the depository bank, the sum of Eighty-One dollars (\$81). All moneys in the Depreciation and Contingency Fund may be drawn on and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions; and the costs of improvements to the System which will either enhance its revenue-producing capacity or provide a higher degree of

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE #2: RESTRICTED ASSETS, CONTINUED

service. In the event the available balances in the Bond Sinking Fund and/or Reserve Fund shall at any principal or interest payment date be insufficient to pay the next installment of principal and/or interest and to maintain the required debt service, reserve funds on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Bond Sinking Fund and the Reserve Fund. As of June 30, 1996, Waterworks District #7 had remitted the required payments to this fund.

NOTE #3: BONDS PAYABLE

The following is a summary of bond transactions of the Water District for the year ended June 30, 1996:

Revenue bonds issued July 8, 1987	\$289,448
Revenue bonds retired, during the year	<u>3,413</u>
Revenue bonds payable, end of year	<u>286,035</u>
Revenue bonds issued July 29, 1993	69,855
Revenue bonds retired, during the year	<u>943</u>
Revenue bonds payable, end of year	<u>\$ 68,912</u>
Total revenue bonds payable, end of year	<u>\$354,947</u>

Bonds payable are comprised of the following individual issues.

\$305,600 - Waterworks Revenue Bonds, Series 1987 dated July 8, 1987; due in annual installments of \$21,863, including interest at 6.5%, beginning with the third anniversary date of the bond and thereafter for a period of forty years. The first two payments were for interest only in the amount of \$19,900.

\$74,800 - Waterworks Revenue Bonds, Series 1991 dated July 29, 1993; due in monthly installments of \$397.94, including interest at 5.625%, beginning on August 8, 1995 and thereafter for a period of 38 years. A payment for interest only was due July 8, 1994 and was paid as of that date.

The annual requirements to amortize all debt outstanding as of June 30, 1996, including interest payments are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
1997	\$ 22,346	\$ 4,293	\$ 26,639
1998	22,067	4,572	26,639
1999	21,770	4,869	26,639
2000	21,453	5,185	26,639
2001	21,116	5,523	26,639
2002	20,757	5,882	26,639
Thereafter	<u>298,329</u>	<u>324,623</u>	<u>622,952</u>
	<u>\$427,838</u>	<u>\$354,947</u>	<u>\$782,786</u>

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE #4: PROPERTY, PLANT AND EQUIPMENT

The following is a summary of changes in property, plant and equipment for the fiscal year:

Property, Plant and Equipment:

	<u>BALANCE</u> <u>6/30/95</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/96</u>
Land	\$ 4,500			\$ 4,500
Water System	1,038,850	9,750		1,048,600
	<u>\$ 1,043,350</u>	<u>9,750</u>		<u>\$ 1,053,100</u>
 <u>Accumulated</u>				
<u>Depreciation :</u>				
Water System	<u>\$ 149,300</u>	<u>\$ 26,938</u>		<u>\$ 176,238</u>

NOTE #5: RELATED PARTY TRANSACTIONS

The Water District obtains water under the terms of a local service agreement entered into with East Feliciana Parish Police Jury. The water is obtained from a well which was constructed with proceeds from a H.U.D. grant (\$155,000) to East Feliciana Parish Police Jury. The well is located on property owned by Waterworks District #7.

The service agreement provides for a 50 year lease commencing on the date the well is first placed into service. The District is to operate and maintain the water well. The Parish has granted to the District a franchise to operate a waterworks utility system.

The sole consideration obligated to be paid by the District is to issue waterworks revenue bonds to place into operation a waterworks utility system for use and benefit of customers in East Feliciana Parish.

The District has the option to purchase the water well from the Parish at any time by paying to the Parish a sum equal to the original cost of the well less depreciation as may be certified by the District's Consulting Engineer.

The District and the Parish covenant and agree that no action will ever be taken by the Parish or District which would have the effect of impairing the security for or the payment of the Waterworks revenue bond.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1996

NOTE #6: CERTIFICATES OF DEPOSIT

The District has the following certificate of deposit with Feliciana Bank & Trust Company:

	<u>MATURITY DATE</u>	<u>ANNUAL INTEREST RATE</u>	<u>AMOUNT</u>
Depreciation and Reserve Fund Accounts	November 2, 1996	4.25	\$ 10,000

NOTE #7: COMPENSATION PAID TO BOARD MEMBERS

<u>BOARD MEMBER</u>	<u>TERM EXPIRES</u>	<u>AMOUNT</u>
Mary Dunn	August 1998	\$ 720
Samuel Brown	August 1998	720
Cheryl Jackson	August 1998	660
Larry Granier	July 1997	540
Roger Hurst	October 1997	720
		<u>\$3,360</u>

NOTE #9: AGING OF ACCOUNTS RECEIVABLE

Aging of accounts receivable is as follows:

	<u>CURRENT</u>	<u>30 DAYS</u>	<u>60 DAYS</u>	<u>90 DAYS</u>	<u>TOTAL</u>
6/30/96	\$12,438	\$1,257	\$ 697	\$13,255	\$27,647

Provision for uncollectible accounts receivable amounted to \$14,407 at June 30, 1996.

JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
8939 Jefferson Hwy. First Floor, Suites A B C
Baton Rouge, Louisiana 70809

(504) 926-6047
(504) 928-0146
(504) 926-6270 Fax

December 6, 1996

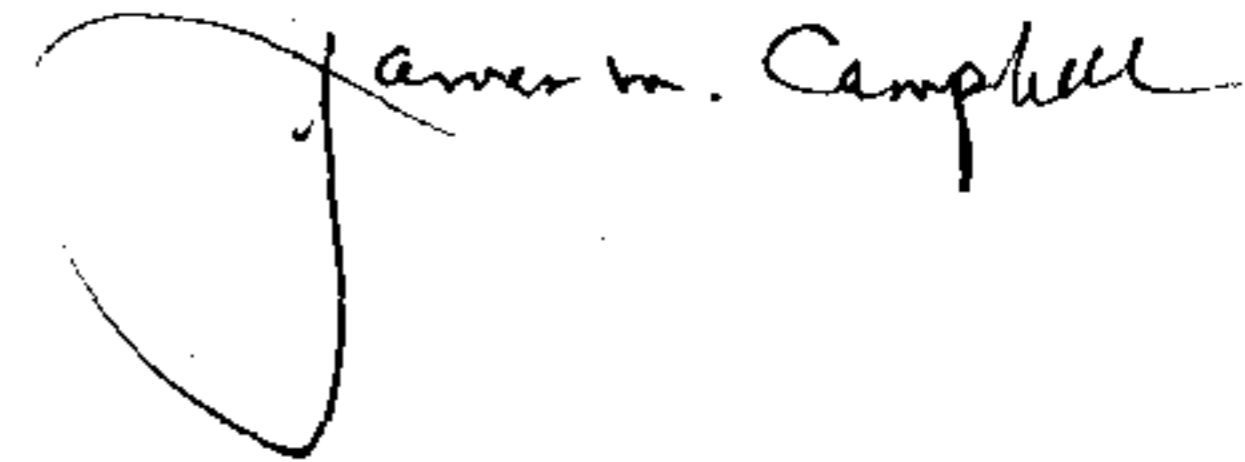
INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Waterworks District #7 of
East Feliciana Parish
Clinton, Louisiana 70722

My report on my audit of the general purpose financial statements of

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH

as of and for the year ended June 30, 1996, appears on Page 1. That audit was made for the purpose of forming an opinion on the basic general purpose financial statements taken as a whole. The supplementary information and statistical data on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Waterworks District #7 of East Feliciana Parish. This information has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and accordingly, I express no opinion on it.



WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES AND EXPENSES
PERCENTAGE OF TOTAL OPERATING REVENUE
FOR THE YEAR ENDED JUNE 30, 1996

	<u>AMOUNT</u>	<u>PERCENTAGE OF TOTAL OPERATING REVENUE</u>
<u>OPERATING REVENUES</u>		
Water sales	\$ 96,927	96.3%
Late fees	<u>3,681</u>	<u>3.7</u>
	<u>100,608</u>	<u>100.0</u>
 <u>OPERATING EXPENSES</u>		
Advertising	302	.3
Bank charges	141	.1
Bill processing and management fees	26,559	26.4
Board fees	3,360	3.3
Depreciation	26,938	26.8
Dues and subscriptions	342	.3
Insurance	3,141	3.1
Legal and professional	10,150	10.1
Office supplies	100	.1
Repairs and maintenance	14,755	14.7
Salaries	1,200	1.2
Taxes and licenses	242	.2
Travel	57	.1
Utilities	<u>15,156</u>	<u>15.1</u>
	<u>102,443</u>	<u>101.8</u>
 <u>NET OPERATING INCOME (LOSS)</u>	 <u>(1,835)</u>	 <u>(1.8)</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	836	.8
Bad debts	(2,907)	(2.9)
Interest expense	<u>(22,608)</u>	<u>(22.5)</u>
	<u>(24,679)</u>	<u>(24.5)</u>
 <u>NET LOSS</u>	 <u>\$(26,514)</u>	 <u>(26.4)</u>

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SUPPLEMENTARY INFORMATION
STATISTICAL DATA
JUNE 30, 1996

<u>MONTH</u>	<u>NUMBER OF CUSTOMERS</u>	<u>GALLONS (THOUSANDS)</u>	<u>AMOUNT</u>
July	499	5,722.1	\$11,084
August	495	3,378.1	8,542
September	499	3,199.7	8,334
October	495	1,595.0	6,009
November	494	3,602.5	8,642
December	495	2,966.3	8,069
January	489	3,073.7	8,160
February	483	4,191.4	9,479
March	489	2,285.5	7,092
April	488	2,033.6	6,732
May	494	4,035.4	9,004
June	<u>494</u>	<u>3,313.3</u>	<u>8,437</u>
<u>Total</u>		<u>39,393.6</u>	<u>\$99,594</u>
<u>AVERAGE</u>	<u>493</u>		

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 1996

<u>NUMBER</u>	<u>EXPIRATION DATE</u>	<u>COMPANY & COVERAGE</u>	<u>AMOUNT</u>
CPP164577	5/5/96- 5/5/97	Galland Insurance Company General Liability Insurance Aggregate Limit Each Occurrence Limit Fire Damage Limit Medical Expense Limit	\$600,000 \$300,000 \$ 50,000 \$ 1,000
400H09211	2/15/97	St. Paul Companies - Fidelity Bond	\$30,000
GCF1216	12/3/95- 12/3/96	Galland General Agency, Inc. Property (Business/Personal) Damage Aggregate Limit	\$ 35,000
22983	5/5/97	Louisiana Workers' Compensation Corp. Workers Compensation	Statutory

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SUPPLEMENTAL INFORMATION
STATISTICAL DATA
JUNE 30, 1996

	<u>JUNE 30,</u>			
	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
Operating Revenues	\$100,608	\$ 91,296	\$ 96,448	\$ 88,233
Operating Expenses	<u>102,443</u>	<u>98,449</u>	<u>81,676</u>	<u>79,382</u>
Operating Income (Loss)	<u>(1,835)</u>	<u>(7,153)</u>	<u>14,772</u>	<u>8,851</u>
Nonoperating Revenues	836	845	794	1,423
Nonoperating Expenses	<u>(25,515)</u>	<u>(23,144)</u>	<u>(26,945)</u>	<u>(23,189)</u>
<u>NET INCOME (LOSS)</u>	<u>(26,514)</u>	<u>(29,452)</u>	<u>(11,379)</u>	<u>(12,915)</u>
<u>OTHER DATA:</u>				
Property, plant and equipment	876,862	894,050	920,865	889,420
Net working capital	(6,622)	(5,871)	(2,446)	(7,187)
Total assets	924,931	942,000	973,235	999,856
Bonds and other long-term liabilities	350,654	354,947	361,250	367,385
Total equity	532,250	553,764	583,216	586,895
Average Number of Customers	493	486	473	401
Total Cubic Feet of Water (MCF)	39,393.6	33,974.2	40,011.6	34,083.0

See auditor's report on supplementary information.

JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT

(504) 926-6047
(504) 928-0146
(504) 926-6270 Fax

A PROFESSIONAL CORPORATION
8939 Jefferson Hwy. First Floor, Suites A B C
Baton Rouge, Louisiana 70809

December 6, 1996

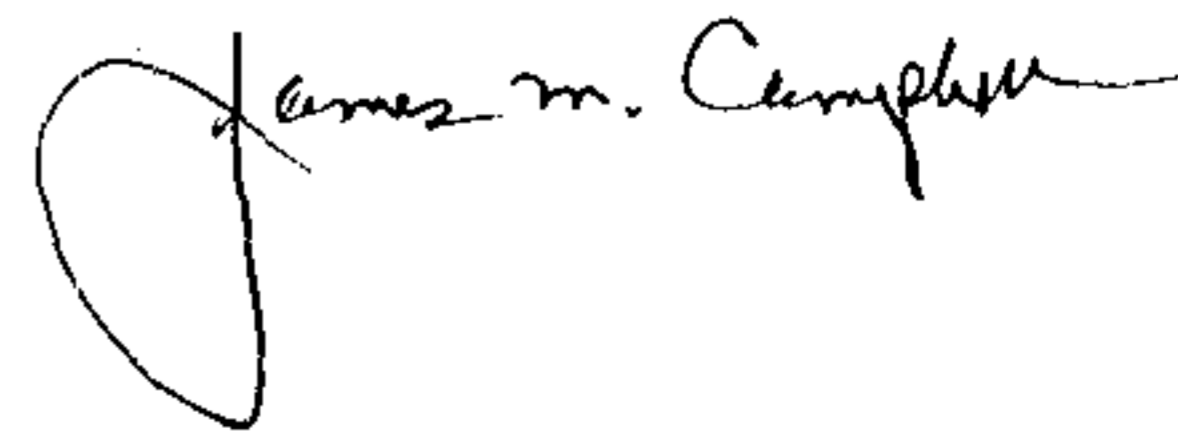
INDEPENDENT AUDITOR'S REPORT ON SCHEDULE
OF FEDERAL FINANCIAL ASSISTANCE

To the Board of Directors
Waterworks District #7 of
East Feliciana Parish
Clinton, Louisiana 70722

I have audited the general purpose financial statements of Waterworks District #7 of East Feliciana Parish, a component unit of East Feliciana Parish Police Jury, as of and for the year ended June 30, 1996, and have issued my report thereon dated December 6, 1996. These general purpose financial statements are the responsibility of the Waterworks District #7's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements of Waterworks District #7, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

James M. Campbell

WATERWORKS District #7
OF EAST FELICIANA PARISH
SCHEDULE OF FEDERAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 1996

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Financial Assistance Expenditures</u>
Farmers Home Administration		
Water and Waste Disposal Systems for Rural Communities	10.418 *	\$354,947

*Major Program as defined by OMB Circular A-128.

JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT

(504) 926-6047
(504) 928-0146
(504) 926-6270 Fax

A PROFESSIONAL CORPORATION
8939 Jefferson Hwy. First Floor, Suites A B C
Baton Rouge, Louisiana 70809

December 6, 1996

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

Waterworks District #7 of
East Feliciana Parish
Clinton, Louisiana 70722

I have audited the general purpose financial statements of

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH

as of and for the years ended June 30, 1996, and have issued my report thereon dated December 6, 1996.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Waterworks District #7 of East Feliciana Parish, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of Waterworks District #7 of East Feliciana Parish, for the year ended June 30, 1996, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

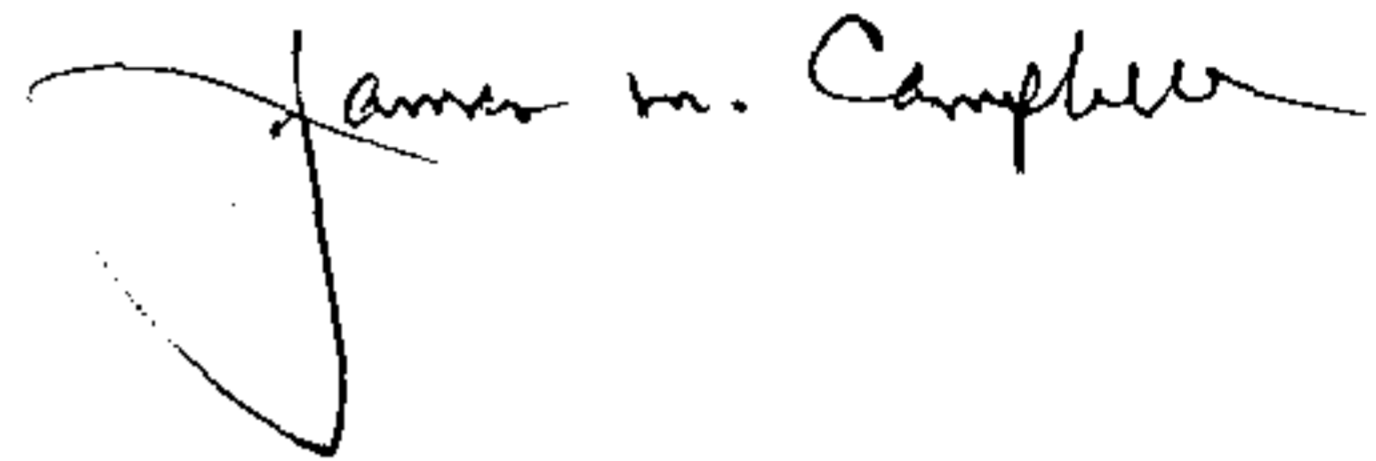
The reportable conditions noted are presented in the accompanying Schedule of Internal Control Structure Reportable Conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described in the accompanying schedule is a material weakness.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONCLUDED)

This report is intended for the information of the Board of Directors of Waterworks District #7 East Feliciana Parish, East Feliciana Parish Police Jury, Farmers Home Administration and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

James M. Campbell

JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT

(504) 926-6047
(504) 928-0146
(504) 926-6270 Fax

A PROFESSIONAL CORPORATION
8939 Jefferson Hwy. First Floor, Suites A B C
Baton Rouge, Louisiana 70809

December 6, 1996

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Waterworks District #7
East Feliciana Parish of
Clinton, Louisiana 70722

I have audited the general purpose financial statements of Waterworks District #7 of East Feliciana Parish as of and for the year ended June 30, 1996, and have issued my report thereon dated December 6, 1996. I have also audited the compliance of Waterworks District #7 with requirements applicable to major federal financial assistance programs and have issued my report thereon dated December 6, 1996.

I conducted my audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement, and about whether Waterworks District #7 of East Feliciana Parish complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing my audit for the year ended June 30, 1996, I considered the internal control structure of Waterworks District #7 in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements of Waterworks District #7 and on the compliance of Waterworks District #7 with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. I have addressed internal control structure policies and procedures relevant to my audit of the general purpose financial statements in a separate report dated December 6, 1996.

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS
(CONTINUED)

The management of Waterworks District #7 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, I have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Cash Receipts and Disbursements
Revenues and Receivables
Property and Equipment
Debt and Other Liabilities

For all of the internal control structure categories listed above, I obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and I assessed control risk.

During the year ended June 30, 1996, Waterworks District #7 expended 100% percent of its total federal financial assistance under major federal financial assistance programs.

I performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS
(CONTINUED)

Waterworks District #7 of East Feliciana Parish's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

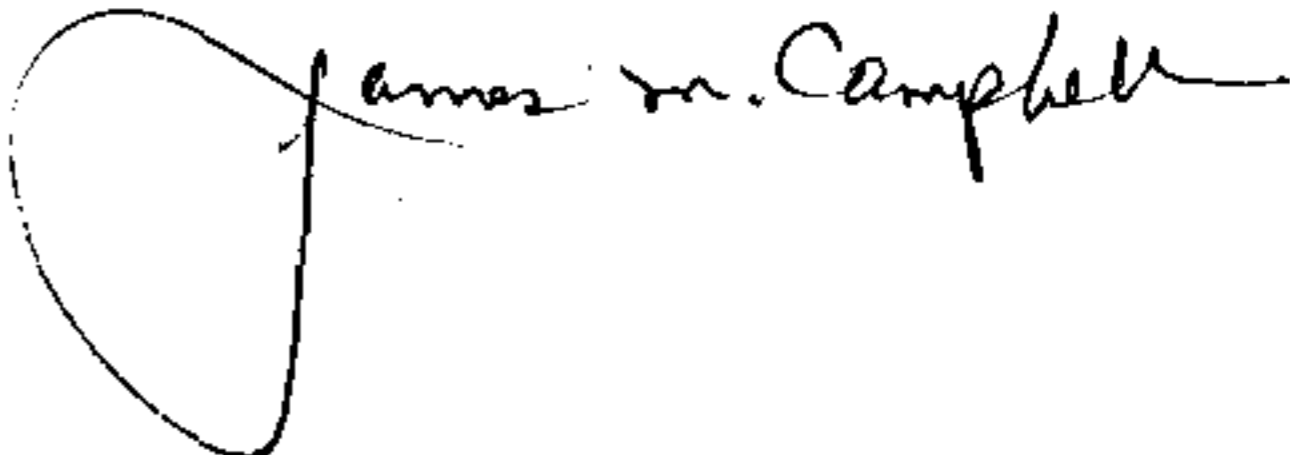
I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the District's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

The reportable conditions noted are presented in the accompanying Schedule of Internal Control Structure Reportable Conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described in the accompanying Schedule of Internal Control Structure Reportable Conditions are material weaknesses.

This report is intended for the information of the Board of Directors of Waterworks District #7 of East Feliciana Parish, East Feliciana Parish Police Jury, Farmers Home Administration, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT

(504) 926-6047
(504) 928-0146
(504) 926-6270 Fax

A PROFESSIONAL CORPORATION
8939 Jefferson Hwy. First Floor, Suites A B C
Baton Rouge, Louisiana 70809

December 6, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Waterworks District #7 of
East Feliciana Parish
Clinton, Louisiana 70722

I have audited the general purpose financial statements of

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH

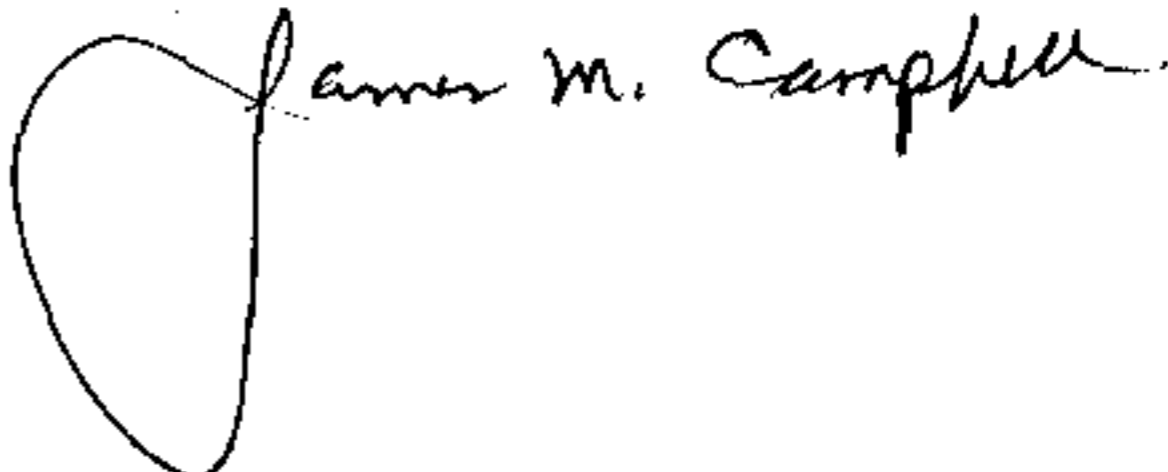
as of and for the year ended June 30, 1996, and have issued my report thereon dated December 6, 1996.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Waterworks District #7 of East Feliciana Parish is the responsibility of Waterworks District #7's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Directors of Waterworks District #7, East Feliciana Parish, East Feliciana Parish Police Jury, Farmers Home Administration, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT

(504) 926-6047
(504) 928-0146
(504) 926-6270 Fax

A PROFESSIONAL CORPORATION
8939 Jefferson Hwy. First Floor, Suites A B C
Baton Rouge, Louisiana 70809

December 6, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE
TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Waterworks District #7 of
East Feliciana Parish
Clinton, Louisiana 70722

I have audited the general purpose financial statements of Waterworks District #7 of East Feliciana Parish as of and for the year ended June 30, 1996, and have issued my report thereon dated December 6, 1996.

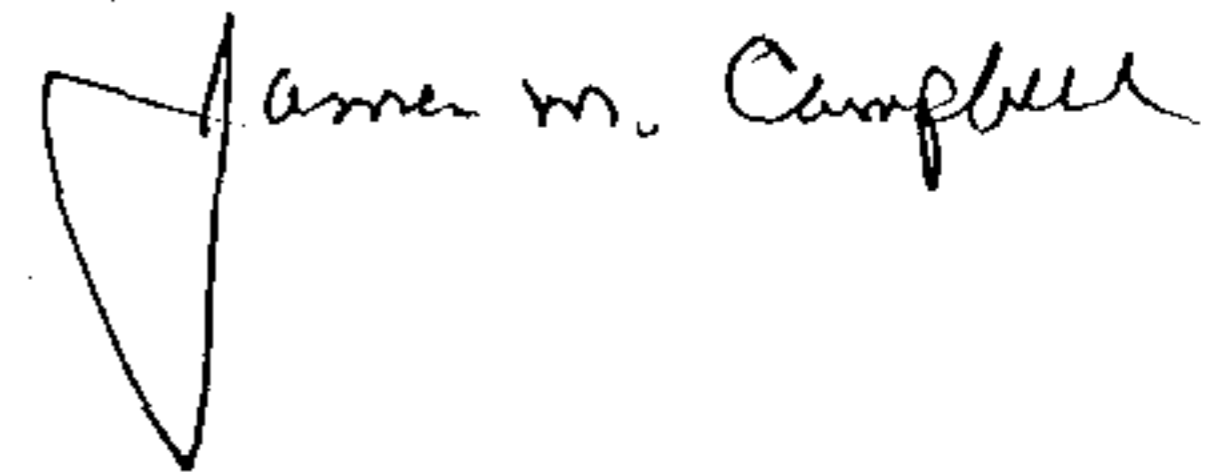
I have also audited Waterworks District #7's compliance with the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort or earmarking; reporting, and special tests and provisions that are applicable to its major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended June 30, 1996. The management of Water Works District #7 is responsible for the District's compliance with those requirements. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the above paragraph occurred. An audit includes examining, on a test basis, evidence about Waterworks District #7's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, Waterworks District #7 complied, in all material respects, with the specific requirements that are applicable to its major federal program for the year ended June 30, 1996.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE
TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS
(CONCLUDED)

This report is intended for the information of the Board of Directors of Waterworks District #7 of East Feliciana Parish, East Feliciana Parish Police Jury, Farmers Home Administration, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

James M. Campbell

JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT

(504) 926-6047
(504) 928-0146
(504) 926-6270 Fax

A PROFESSIONAL CORPORATION
8939 Jefferson Hwy. First Floor, Suites A B C
Baton Rouge, Louisiana 70809

December 6, 1996

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Waterworks District #7 of
East Feliciana Parish
Clinton, Louisiana 70722

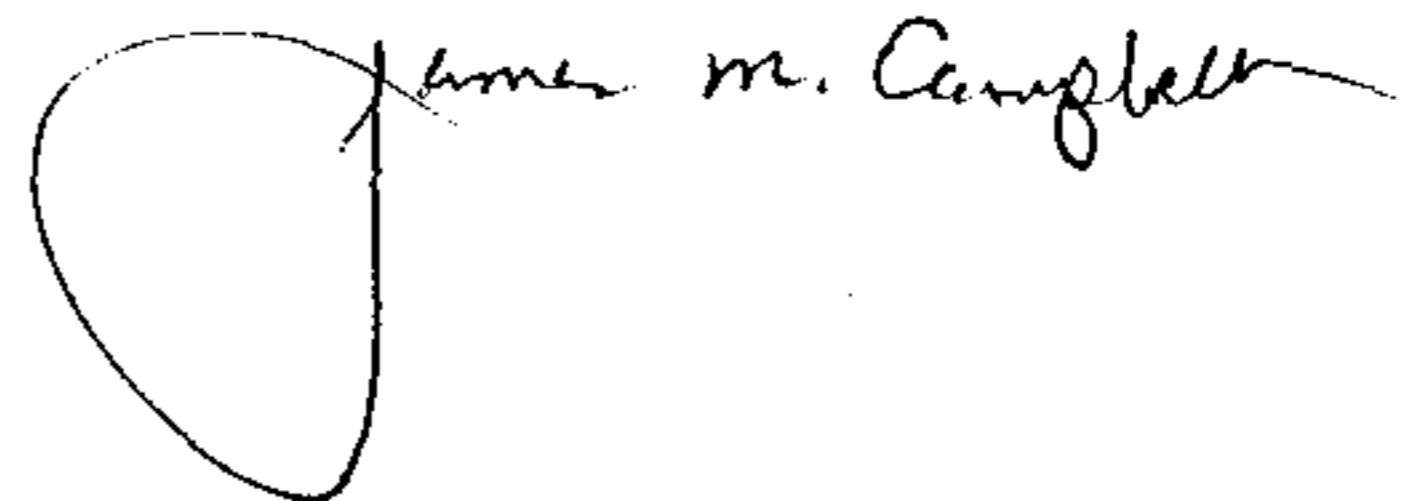
I have audited the general purpose financial statements of Waterworks District #7 of East Feliciana Parish as of and for the year ended June 30, 1996, and have issued my report thereon dated December 6, 1996.

I have applied procedures to test Waterworks District #7's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance for the year ended June 30, 1996: Political Activity, Civil Rights, Federal Financial Reports, Drug-Free Workplace Act, and Administrative Requirements.

My procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Waterworks District #7's compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to my attention that caused me to believe that Waterworks District #7 had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors of Waterworks District #7 of East Feliciana Parish, East Feliciana Parish Police Jury, Farmers Home Administration, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



WATERWORKS DISTRICT 37
OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
INTERNAL CONTROL STRUCTURE REPORTABLE CONDITIONS
YEAR ENDED JUNE 30, 1996

The results of the test of cash disbursements is summarized as follows:

<u>Population</u>		<u>Sample</u>	
<u>Size</u>	<u>Value</u>	<u>Size</u>	<u>Value</u>
204	\$117,054	60	\$30,235

Reportable Condition:

One (1) invoice which totaled \$1,280.36, could not be located.

Management's Response:

This invoice must have been misplaced or misfiled.

Criteria:

Good internal control requires that all payments be adequately documented to substantiate legal compliance.

Effect:

There was no material effect to the financial statements.

Recommendation:

All invoices should be retained to support cash disbursements and document compliance with loan requirements.

Reportable Condition:

An audit by a Certified Public Accountant was not obtained within three months after the close of the fiscal year.

Management's Response:

Funds were not available to obtain the required audit within the three month period after the fiscal year.

Criteria:

The Farmers Home Administration loan agreement requires an

INTERNAL CONTROL STRUCTURE REPORTABLE CONDITIONS
YEAR ENDED JUNE 30, 1996
(CONTINUED)

annual audit by a firm of Registered or Certified Public Accountants not later than three months after the close of the fiscal year.

Effect:

There was no material effect to the financial statements.

Reportable Condition:

Payments were made to the Reserve Fund for \$91 rather than the required monthly payment of \$111.

Management's Response:

The new loan obtained in 1993 with a monthly payment of \$398 required an additional \$20 per month payment. This payment was inadvertently omitted. A deposit of \$840 was made December 19, 1996, to the Reserve Fund to provide for the required past monthly payments.

Effect:

There was no material effect to the financial statements.

Criteria:

The loan agreements require a monthly deposit of 5% of the principal and interest to the Reserve Fund Bank account.

Recommendation:

Management should periodically review Reserve amounts required to be paid to remain in compliance with the loan agreement.

Reportable Condition:

Quarterly FMHA Forms 442-2 required by the Farmers Home Administration have not been filed.

Management Response:

Funds were not available to obtain professional services required to complete the quarterly reports.

Criteria:

The Farmers Home Administration loan agreement requires

INTERNAL CONTROL STRUCTURE CONDITIONS
YEAR ENDED JUNE 30, 1996
(CONTINUED)

quarterly reports to be filed.

Effect:

There was no material effect to the financial statements.

Prior Year Findings and Resolutions:

Accounts receivable at June 30, 1995, had an excessive amount of past due balances. Past due balances over 60 days totaled \$4,139, or 27% of total active customer receivables.

Accounts receivable at June 30, 1996, had past due balances over 60 days of \$2,044, or 13% of total active customer receivables.

In the prior period the management company had agreed to reduce the number of days between bill dates in order to correct for a missed billing period in a prior year. The days between the billing period should average 28 days or less for the year ending June 30, 1996. However, the management company failed to maintain this schedule on a consistent basis. The Board has contacted a water system consultant to determine how to improve the meter reading process.

The audited general purpose financial statements were not issued by the December 31, 1995 due date, because the prior year's audit invoice was not paid in full until December 12, 1995. The audit procedures could not be completed in the remaining two weeks of the year.

Management plans to pay the audit invoice in a timely manner in order to comply with State law regarding annual audited financial statements.

The District has loans with Farmers Home Administration (FHA), which requires monthly reserve and sinking fund payments. In addition, the District is required to make monthly principle and interest payments to FHA by the 20th of each month. The required payments for June, 1995 were not made by June 30, 1995.

All payments for the Depreciation Fund, and monthly principal and interest payments were made for the year ending June 30, 1996. Payments for the Reserve Fund were made for \$91 per month rather than \$111. A deposit for \$840 was made December 19, 1996, to compensate for this shortfall.