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WATERWORKS DISTRICT #7  
OF EAST FELICIANA PARISH  
CLINTON, LOUISIANA

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GENERAL PURPOSE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
JUNE 30, 1997

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 2/18/98

PHIL T. GRAHAM

CERTIFIED PUBLIC ACCOUNTANT

WATERWORKS DISTRICT #7  
OF EAST FELICIANA PARISH  
CLINTON, LOUISIANA  
GENERAL PURPOSE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 1997

WATERWORKS DISTRICT #7  
OF EAST FELICIANA PARISH  
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**PHIL T. GRAHAM**  
CERTIFIED PUBLIC ACCOUNTANT

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7732 GOODWOOD BOULEVARD, SUITE F • BATON ROUGE, LOUISIANA 70806  
TELEPHONE: 504/928-4865 FAX: 504/928-4866

December 8, 1997

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

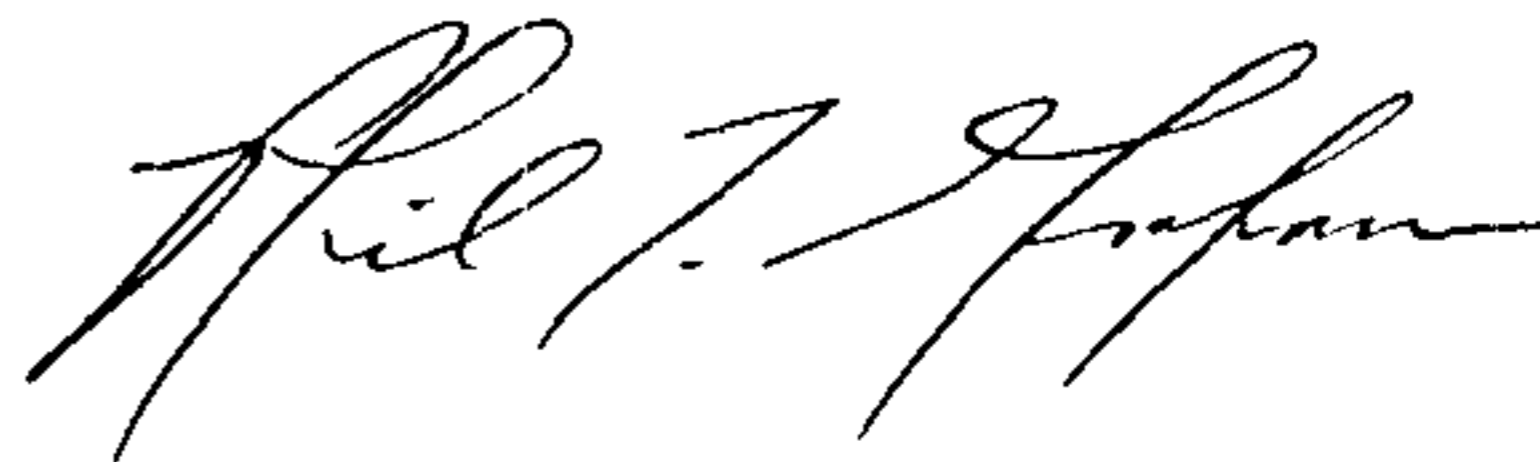
A component unit of East Feliciana Parish Police Jury, as of and for the year ended June 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit. The financial statements of Waterworks District #7 as of and for the year ended June 30, 1996, were audited by other auditors. Their report dated December 6, 1996, expressed an unqualified opinion on those statements.

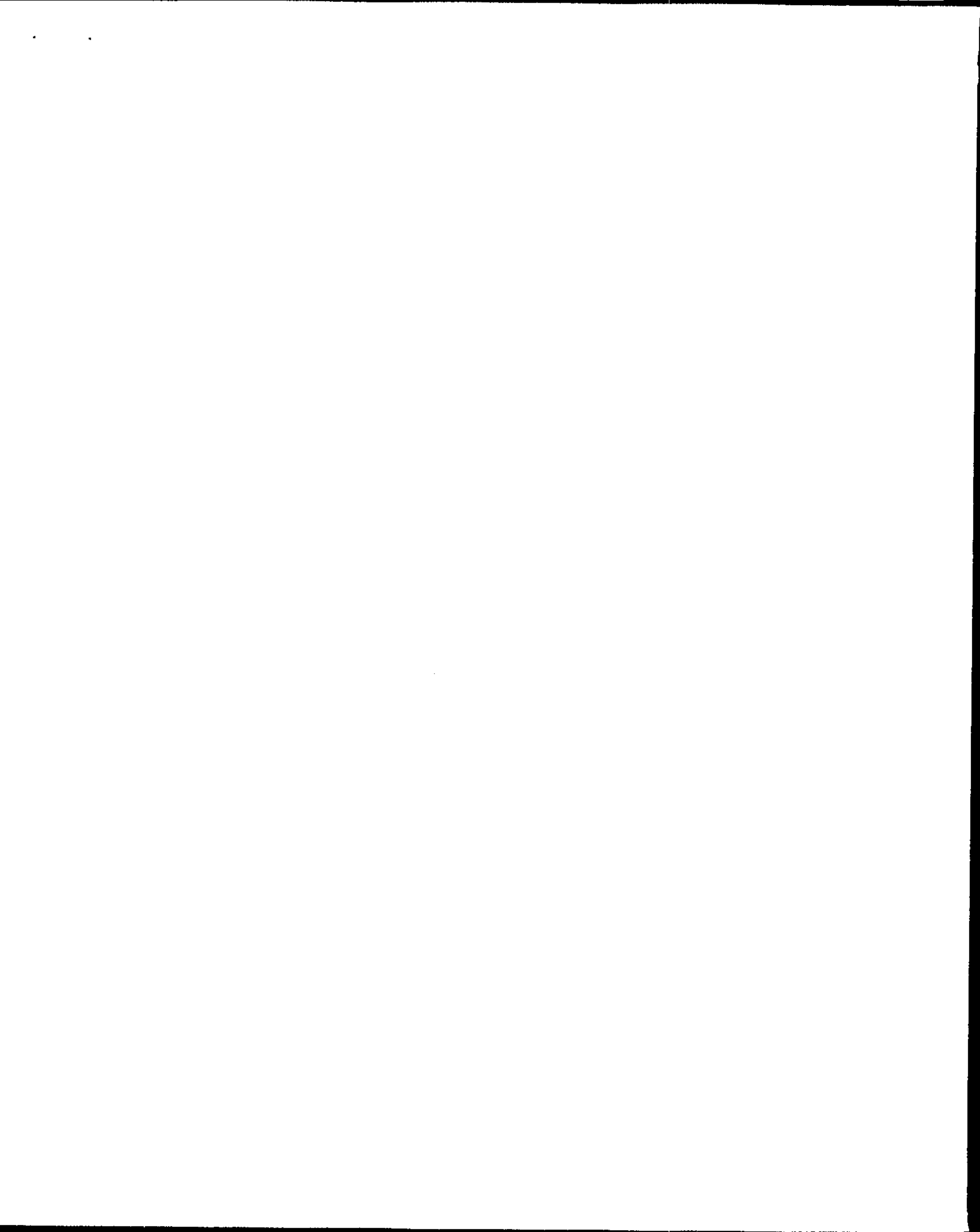
I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable 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, 1997, and the results of its operations and the cash flows for the year ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated December 8, 1997 on my consideration of Waterworks District #7's internal control over financial reporting and my tests of its compliance with laws, regulations, contracts, and grants.

My audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Waterworks District #7 of East Feliciana Parish, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.





LIABILITIES, RESERVES, AND RETAINED EARNINGS

	<u>1997</u>	<u>1996</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 29,364	\$ 33,368
Customer deposits	9,572	8,998
Sales tax payable	251	368
	<u>39,187</u>	<u>42,734</u>
 <u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>		
Current portion of bond payable	<u>4,572</u>	<u>4,293</u>
	<u>4,572</u>	<u>4,293</u>
 <u>NON-CURRENT LIABILITIES</u>		
Revenue bonds payable less current portion	<u>346,083</u>	<u>350,654</u>
<u>Total Liabilities</u>	<u>389,842</u>	<u>397,681</u>
 <u>EQUITY</u>		
Contributed capital - governmental grants	673,600	673,600
Contribution in aid of construction	<u>7,180</u>	<u>7,180</u>
 <u>FUND BALANCES</u>		
Reserve for depreciation fund	14,960	13,989
Reserve for revenue note fund	16,190	14,858
Retained earnings (deficit)	<u>(188,333)</u>	<u>(182,377)</u>
	<u>(157,183)</u>	<u>(153,530)</u>
<u>Total Equity</u>	<u>523,597</u>	<u>527,250</u>
<u>Total Liabilities, Reserves and Equity</u>	<u>\$ 913,439</u>	<u>\$ 924,931</u>

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
STATEMENT OF RETAINED EARNINGS  
FOR THE YEAR JUNE 30, 1997  
(WITH COMPARATIVE DATA AS OF JUNE 30, 1996)

	<u>UNRESERVED RETAINED EARNINGS</u>	<u>RESERVED RETAINED EARNINGS FOR BOND SERVICE AND CONSTRUCTION</u>	<u>TOTAL RETAINED EARNINGS</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>
Net income (loss)	(3,653)		(3,653)
Transfer (to) from restricted assets	<u>(2,303)</u>	<u>2,303</u>	<u>0</u>
Balances June 30, 1997	<u>\$ (188,333)</u>	<u>\$ 31,150</u>	<u>\$ (157,183)</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, 1997  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 1996)

	<u>1997</u>	<u>1996</u>
<u>OPERATING REVENUES</u>		
Water sales	\$101,802	\$ 96,927
Late fees	<u>4,687</u>	<u>3,681</u>
	<u>106,489</u>	<u>100,608</u>
 <u>OPERATING EXPENSES</u>		
Advertising	950	302
Bank charges	84	141
Bill processing and management fees	26,937	26,559
Board fees	3,480	3,360
Depreciation	28,024	26,938
Dues and subscriptions	39	342
Insurance	3,397	3,141
Legal and professional	5,000	10,150
Miscellaneous	0	24
Office expenses	42	56
Penalties	0	20
Repairs and maintenance	7,227	14,755
Salaries	1,200	1,200
Taxes and licenses	205	242
Travel	82	57
Utilities	<u>11,903</u>	<u>15,156</u>
	<u>88,570</u>	<u>102,443</u>
 <u>OPERATING INCOME (LOSS)</u>	 <u>17,919</u>	 <u>(1,835)</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	824	836
Bad debts	(50)	(2,907)
Interest expense	<u>(22,346)</u>	<u>(22,608)</u>
	<u>(21,572)</u>	<u>(24,679)</u>
 <u>NET INCOME (LOSS)</u>	 <u>\$ (3,653)</u>	 <u>\$ (26,514)</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, 1997

(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 1996)

	1997	1996
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income (loss)	\$ (3,653)	\$ (26,514)
Noncash items included in net income (loss):		
Depreciation and amortization	28,024	26,938
Bad debt provision	50	2,907
(Increase) decrease in:		
Accounts receivable	(13)	(3,806)
Prepaid expenses	1,497	(41)
Accrued interest	0	(11)
Restricted assets	(2,304)	(2,064)
Increase (decrease) in:		
Accounts payable	(4,004)	16,085
Customer deposits	573	(302)
Sales tax payable	(117)	36
Accrued salaries	0	(100)
Accrued payroll tax	0	(23)
Accrued interest	0	(1,895)
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>20,053</u>	<u>11,210</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of property, plant, and equipment	(15,635)	(9,750)
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>(15,635)</u>	<u>(9,750)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Retirement of long-term debt	(4,292)	(4,356)
<u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>	<u>(4,292)</u>	<u>(4,356)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>126</u>	<u>(2,896)</u>
<u>CASH AT BEGINNING OF YEAR</u>	<u>3,672</u>	<u>6,568</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 3,798</u>	<u>\$ 3,672</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid for interest	<u>\$ (22,346)</u>	<u>\$ 22,608</u>

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

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Waterworks District #7 of East Feliciana Parish is a component unit of East Feliciana Parish Police Jury and was organized to provide water distribution services to residents of East Feliciana Parish.

This fund is a proprietary fund of the East Feliciana Parish Police Jury. A proprietary fund, also known as an enterprise fund, is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A. Basis of Accounting

The financial statements of Waterworks District #7 are maintained on an accrual basis of accounting. This method recognizes revenues when they are earned, and expenses when they are incurred. The District complies with Generally Accepted Accounting Principles.

B. Accounts Receivable

The District's billing cycle may extend into the subsequent year. If that should be the case, accounts receivable at June 30, 1997 have been adjusted to allow for a year end cut-off date.

C. Taxes

Waterworks District #7 is a proprietary fund of East Feliciana Parish Police Jury. Consequently, they are exempt from paying federal and state income tax. All other local, state and federal taxes are paid current.

D. Deposited Funds

Deposits (cash and certificates of deposit) are carried at cost which equals market value. The carrying amount of deposits is separately shown on the balance sheet as "Cash". At June 30, 1997, the cash deposits of the District were covered by federal

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

depository insurance.

E. Reporting Entity

The accompanying financial statements include only the accounts and transactions of Waterworks District #7 of East Feliciana Parish. The Waterworks District is owned and operated by the East Feliciana Parish Police Jury which is the governing 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

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 1997.

J. Concentration of Credit Risk

In the normal course of business, the District extends unsecured credit to its customers in East Feliciana Parish in the state of 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 from those estimates.

L. Reclassification

Certain 1996 amounts have been reclassified to conform with 1997 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

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997

NOTE #2: RESTRICTED ASSETS (CONTINUED)

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-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 Funds 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, 1997 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

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997

NOTE #2: RESTRICTED ASSETS (CONTINUED)

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, 1997, Waterworks District #7 had made the payments as required by the agreement.

- (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 (\$81.00). 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 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, 1997, 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, 1997:

Revenue bonds issued July 8, 1987	\$286,035
Revenue bonds retired, during the year	<u>3,371</u>
Revenue bonds payable, end of year	<u>282,664</u>
Revenue bonds issued July 29, 1993	68,912
Revenue bonds retired, during the year	<u>923</u>
Revenue bonds payable, end of year	<u>\$ 67,989</u>

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997

NOTE #3: BONDS PAYABLE (CONTINUED)

Total revenue bonds payable, end of year \$350,653

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, 1995 and was paid as of that date.

The annual requirements to amortize all debt outstanding as of June 30, 1997, including interest payments are as follows:

YEAR ENDING <u>JUNE 30,</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL REQUIREMENT</u>
1998	\$ 22,066	\$ 4,572	\$ 26,638
1999	21,769	4,869	26,638
2000	21,452	5,186	26,638
2001	21,115	5,523	26,638
2002	20,756	5,882	26,638
2003	20,373	6,265	26,638
Thereafter	<u>277,962</u>	<u>318,356</u>	<u>596,318</u>
	<u>\$405,493</u>	<u>\$350,653</u>	<u>\$756,146</u>

Total requirements for the reserve requirements for the next five years are \$2,304 each year.

NOTE #4: PROPERTY, PLANT AND EQUIPMENT

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

	<u>BALANCE 6/30/96</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE 6/30/97</u>
Land	\$ 4,500			\$ 4,500
Water System	1,048,600	15,635		1,064,235
	<u>\$ 1,053,100</u>	<u>15,635</u>		<u>\$ 1,068,735</u>



WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997

NOTE #4: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Accumulated Depreciation</u>			
Water System	\$ <u>176,237</u>	\$ <u>28,024</u>	<u>\$ 204,261</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.

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, 1997	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	\$ 660

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1997

NOTE #7: COMPENSATION PAID TO BOARD MEMBERS (CONTINUED)

Samuel Brown	August 1998	780
Cheryl Jackson	August 1998	720
Larry Granier	July 1997	540
Roger Hurst	October 1997	780
		<u>\$3,480</u>

NOTE #8: AGING OF ACCOUNTS RECEIVABLE

Aging of accounts receivable as of June 30, 1997 is as follows:

	<u>CURRENT</u>	<u>30 DAYS</u>	<u>60 DAYS</u>	<u>90 DAYS</u>	<u>TOTAL</u>
Active	\$ 7,945	\$ 3,226	\$ 1,149	\$ 888	\$13,208
Inactive	0	28	48	14,376	14,452
Total	<u>\$ 7,945</u>	<u>\$ 3,254</u>	<u>\$ 1,197</u>	<u>\$15,264</u>	<u>\$27,660</u>

Provision for uncollectible accounts receivable amounted to \$14,457 at June 30, 1997.

NOTE #9: COMMITMENTS AND CONTINGENCIES

The District has been approved by the State Bond Commission to issue \$300,000 of water revenue bonds for the purpose of acquiring and constructing improvements and extensions to the waterworks system. These bonds have not been issued nor has construction begun as of the date of this report. The bonds, when issued, will have a maturity date not to exceed forty years and an interest rate not to exceed six percent per annum.

**PHIL T. GRAHAM**  
CERTIFIED PUBLIC ACCOUNTANT

7732 GOODWOOD BOULEVARD, SUITE F • BATON ROUGE, LOUISIANA 70806  
TELEPHONE: 504/928-4865 FAX: 504/928-4866

December 8, 1997

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  
statement of

WATERWORKS DISTRICT #7  
OF EAST FELICIANA PARISH

As of and for the year ended June 30, 1997, appears on Page 1.  
That audit was made for the purpose of forming an opinion on the  
basic general purpose financial statement 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, 1997

	<u>AMOUNT</u>	<u>PERCENTAGE OF TOTAL OPERATING REVENUE</u>
<u>OPERATING REVENUE</u>		
Water Sales	\$ 101,802	95.6
Late fees	4,687	4.3
Total	<u>106,489</u>	<u>100.0</u>
 <u>OPERATING EXPENSES</u>		
Advertising	950	.9
Bank charges	84	.1
Bill processing and management fees	26,937	25.3
Board fees	3,480	3.3
Depreciation	28,024	26.3
Dues and subscriptions	39	.0
Insurance	3,397	3.2
Legal and professional	5,000	4.7
Office supplies	42	.0
Repairs and Maintenance	7,227	6.8
Salaries	1,200	1.1
Taxes and licenses	205	.2
Travel	82	.1
Utilities	<u>11,903</u>	<u>11.2</u>
	<u>88,570</u>	<u>83.2</u>
 <u>NET OPERATING INCOME (LOSS)</u>	 <u>17,919</u>	 <u>16.8</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	824	.8
Bad debts	(50)	.0
Interest expense	<u>(22,346)</u>	<u>(21.0)</u>
	<u>(21,572)</u>	<u>(20.2)</u>
 <u>NET LOSS</u>	 <u>(3,653)</u>	 <u>(3.4)</u>

See auditor's report on supplementary information.  
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WATERWORKS DISTRICT #7  
OF EAST FELICIANA PARISH  
SUPPLEMENTARY INFORMATION  
STATISTICAL DATA  
JUNE 30, 1997

<u>MONTH</u>	<u>NUMBER OF CUSTOMERS</u>	<u>GALLONS (THOUSANDS)</u>	<u>AMOUNT</u>
July	493	3,288.8	\$ 8,408
August	487	3,690.9	8,928
September	494	3,168.7	8,355
October	495	2,735.6	7,699
November	498	4,029.1	9,088
December	496	4,380.2	9,674
January	494	3,795.6	8,960
February	494	2,448.9	7,376
March	502	2,107.9	7,012
April	506	3,598.4	8,708
May	511	1,809.0	6,316
June	<u>511</u>	<u>1,262.2</u>	<u>5,432</u>
<u>Total</u>		<u>36,315.3</u>	<u>\$ 95,956</u>
 <u>AVERAGE</u>	 <u>498</u>		

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7  
OF EAST FELICIANA PARISH  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF INSURANCE IN FORCE  
JUNE 30, 1997

<u>NUMBER</u>	<u>EXPIRATION DATE</u>	<u>COMPANY AND COVERAGE</u>	<u>AMOUNT</u>
CPP164577	5/5/97- 5/5/98	Galland Insurance Company General Liability Insurance Average Limit Each Occurrence Limit Fire Damage Limit Medical Expense Limit	\$ 600,000 \$ 300,000 \$ 50,000 \$ 1,000
400H09211	2/15/98	St. Paul Companies - Fidelity Bond	\$ 30,000
GCF1216	12/3/97 - 12/3/98	Galland General Agency, Inc. Property (business/personal) Damage Aggregate Limit	\$ 35,000
22983	5/5/98	Louisiana Worker's 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, 1997

	<u>JUNE 30,</u>			
	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Operating Revenues	\$106,489	\$100,608	\$ 91,296	\$ 96,448
Operating Expenses	<u>88,570</u>	<u>102,443</u>	<u>98,449</u>	<u>81,676</u>
Operating Income (Loss)	<u>17,919</u>	<u>(1,835)</u>	<u>(7,153)</u>	<u>14,772</u>
Nonoperating Revenue	824	836	845	794
Nonoperating Expenses	<u>(22,396)</u>	<u>(25,515)</u>	<u>(23,144)</u>	<u>(26,945)</u>
<u>NET INCOME (LOSS)</u>	<u>(3,653)</u>	<u>(26,514)</u>	<u>(29,452)</u>	<u>(11,379)</u>
<u>OTHER DATA:</u>				
Property, plant and equipment	864,474	876,862	894,050	920,865
Net Working Capital	(21,373)	(23,512)	(5,871)	(2,446)
Total Assets	913,439	924,931	924,000	973,235
Bonds and Other long-term liabilities	346,083	350,654	354,947	361,250
Total equity	523,597	527,250	553,764	583,216
Average # of Customers	498	493	486	473
Total Cubic Feet of Water (MCF)	36,315.3	39,393.6	33,974.2	40,011.6
Number of Residential Users:	506			
Number of Commercial Users:	5			
Number of Commercial users With 3/4" Meter:	0			

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7  
OF EAST FELICIANA PARISH  
SCHEDULE OF FEDERAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 1997

<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*	\$350,654

\* Major Programs as defined by OMB Circular A-128

See auditor's report on supplementary information.



# PHIL T. GRAHAM

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

December 8, 1997

Waterworks District #7 of  
East Feliciana Parish  
Clinton, Louisiana

I have audited the financial statements of Waterworks District #7 of East Feliciana Parish's of and for the year ended June 30, 1997, and have issued my report thereon dated December 8, 1997. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Waterworks #7 of East Feliciana Parish'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 test disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as item B and C.

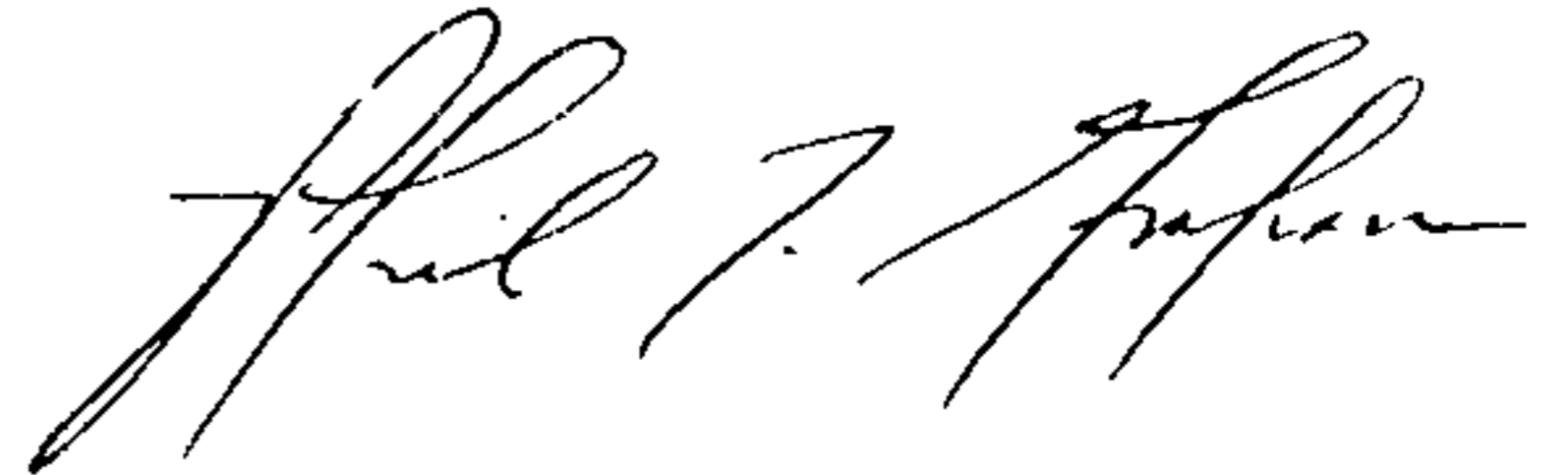
INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing my audit, I considered Waterworks District #7 of East Feliciana Parish'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. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal

control over financial reporting that, in my judgment, could adversely affect Waterworks District #7 of East Feliciana Parish's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weaknesses. I also noted other matters involving the internal control over financial reporting that I have reported to management of the Waterworks District #7 of East Feliciana Parish in a separate letter dated December 8, 1997.

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, United States Department of Agriculture and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



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

December 8, 1997

Waterworks District #7 of  
East Feliciana Parish  
Clinton, Louisiana

## COMPLIANCE

I have audited the compliance of Waterworks District #7 of East Feliciana Parish with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1997. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Waterworks District #7 of East Feliciana Parish's management. My responsibility is to express an opinion on Waterworks District #7 of East Feliciana Parish's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterworks District #7 of East Feliciana Parish's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Waterworks District #7 of East Feliciana Parish's compliance with those requirements.

As described in items B and C in the accompanying schedule of findings and questioned costs, Waterworks District #7 of East

Feliciana Parish did not comply with requirements regarding reporting that are applicable to its loan guarantee program. Compliance with such requirements is necessary, in my opinion, for Waterworks #7 of East Feliciana Parish to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Waterworks District #7 of East Feliciana Parish complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997.

#### INTERNAL CONTROL OVER COMPLIANCE

The management of Waterworks District #7 of East Feliciana Parish is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Waterworks District #7 of East Feliciana Parish's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Waterworks District #7 of East Feliciana Parish's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

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, United States Department of Agriculture and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Phil T. Griffin". The signature is written in dark ink and is positioned to the right of the typed text.

WATERWORKS DISTRICT #7  
OF EAST FELICIANA PARISH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 1997

A. REPORTABLE CONDITIONS:

The management company that the District contracts with to operate the system does not have the number of personnel necessary to have separation of duties in the customer billing process. The same person collects payments, if bills are paid in person, post payments to customers accounts, processes customer bills and makes adjustments to customer bills.

MANAGEMENTS RESPONSE:

We have no control over the internal controls which are practiced by the management company. We have been trying to locate an alternative billing arrangement but have been unable to locate any viable alternative at this time. We are continuing to investigate our options.

CRITERIA :

Good internal control requires separation of duties.

EFFECT:

There was no misstatements that were located.

B. REPORTABLE CONDITIONS:

An audit by a Certified Public Accountant was not obtained within three months after the close of the fiscal year. This was also a reportable condition in the prior years audit.

MANAGEMENTS RESPONSE:

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

CRITERIA:

The United States Department of Agriculture loan agreement requires an annual audit by a Firm of Registered Certified Public Accountants no later than three months after close of the fiscal year.

EFFECT:

There was no material effect to the financial statements.

C. REPORTABLE CONDITIONS:

Quarterly FMHA Forms 442-2 required by the U.S. Department of Agriculture have not been filed. This was also a reportable condition in the prior years audit.

MANAGEMENTS RESPONSE:

Funds were not available to obtain professional services required

to complete the quarterly reports.

CRITERIA:

The U.S. Department of Agriculture loan agreement requires quarterly reports to be filed.

EFFECT:

There was no material effect to the financial statements.

PRIOR YEAR FINDINGS AND RESOLUTIONS:

One invoice could not be located in the test of cash disbursements in the prior years audit. All invoices that were tested in the current years were located.

Payments to the Reserve Funds were \$20 less than the required amounts due to an additional loan received in 1993. This amount was paid up to date as of December 19, 1996 and the additional \$20 has been deposited to the reserve fund every month by the due date since then.

In a 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, 1997. 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 and billing process.

**PHIL T. GRAHAM**  
CERTIFIED PUBLIC ACCOUNTANT

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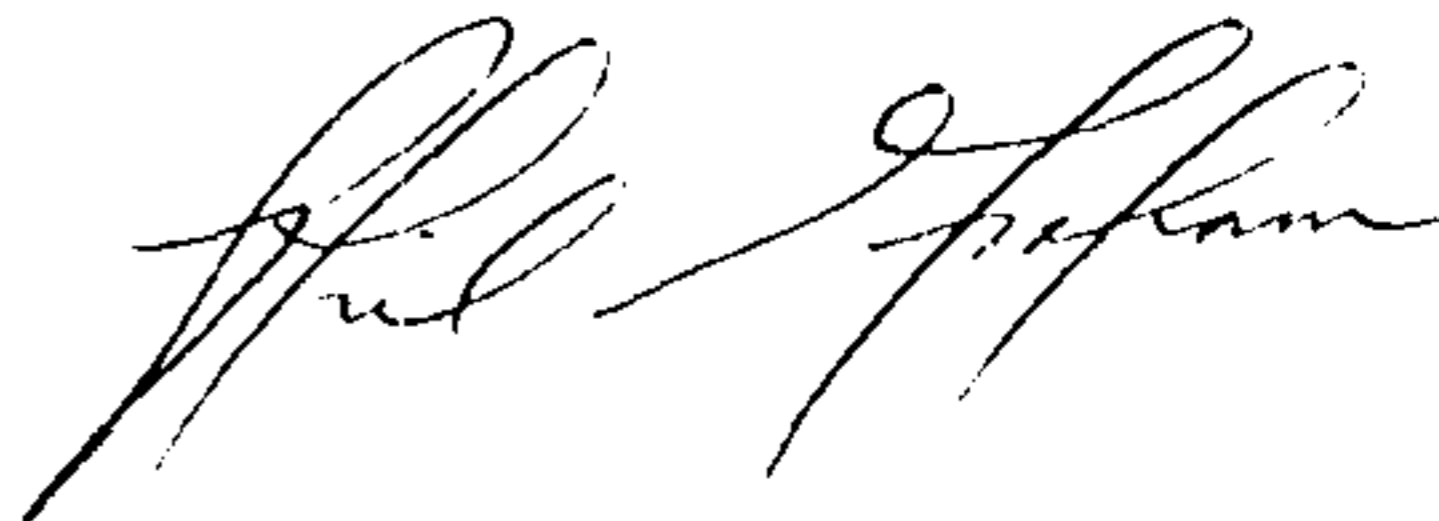
December 8, 1997

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

In planning and performing my audit of the financial statements of Waterworks District #7 for the year ended June 30, 1997, I considered the District's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comment and suggestion regarding this matter. A separate report dated December 8, 1997, contains my report on reportable conditions in the District's internal control. This letter does not affect my report dated December 8, 1997, on the financial statements of Waterworks District #7.

I will review the status of this comment during my next audit engagement. I have already discussed this comment and suggestion with appropriate members of management, and I will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matters, or to assist you in implementing the recommendation.





WATERWORKS DISTRICT #7 EAST FELICIANA PARISH  
MEMORANDUM OF MANAGEMENT LETTER ITEMS  
JUNE 30, 1997

RATE INCREASE

Finding

It appears that the rates being charged to the District's customers are not sufficient to cover the monthly operating expenses. When repairs are required, there is not enough reserves to pay for these items in a timely manner.

Recommendation

I recommend that the Board consider increasing the water rates so that the monthly operating expenses can be in a timely manner and funds can be saved for unexpected costs arising from repairs. This additional revenue may also permit the District to hire their own personnel to process their monthly bills and collect outstanding receivables in a timely manner.

Managements Response

The District is reviewing a new rate structure and will implement this rate upon receipt of approval from the Department of Agriculture, Rural Development office.