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WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

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 0 9 2000~~

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
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October 21, 1999

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, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of Waterworks District #7 of East Feliciana Parish'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 and the standards applicable to financial statements 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 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.

INDEPENDENT AUDITOR'S REPORT
(CONCLUDED)

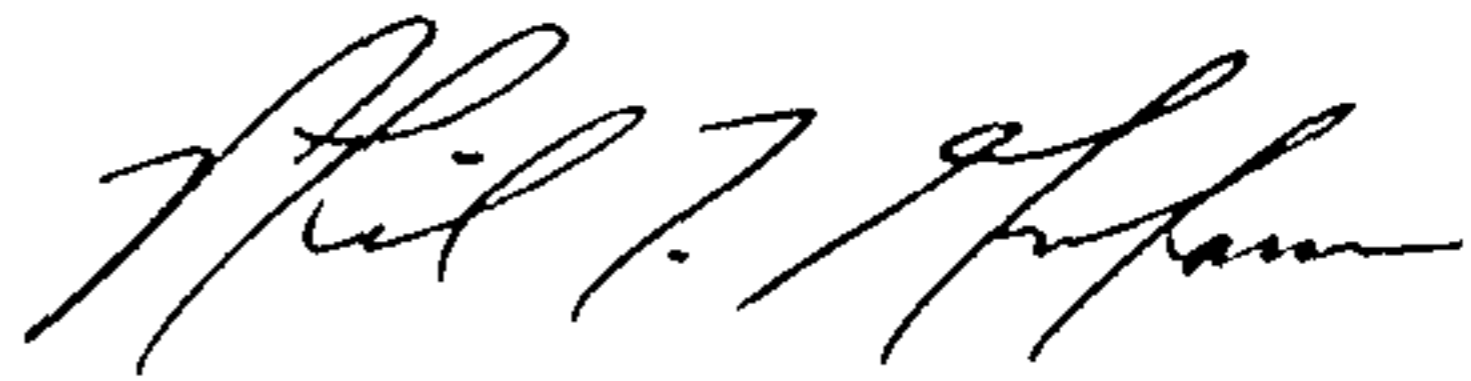
In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District #7 of East Feliciana Parish as of June 30, 1999, and the results of its operations and the cash flows for the year ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 21, 1999 on my consideration of Waterworks District #7 of East Feliciana Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of Waterworks District #7 of East Feliciana Parish. Such 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.

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 of Waterworks District #7 of East Feliciana Parish. 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.

The year 2000 information on page 17 is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Year 2000 supplementary information. However, I did not audit the information and do not express an opinion on it. In addition, I do not provide assurance that the Waterworks District #7 of East Feliciana Parish's remediation efforts will be successful in whole or in part, or that parties with which the Waterworks District #7 of East Feliciana Parish's office does business are or will become year 2000 compliant.



WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
BALANCE SHEET
JUNE 30, 1999
(WITH COMPARATIVE DATA AS OF JUNE 30, 1998)

ASSETS

	<u>1999</u>	<u>1998</u>
<u>CURRENT ASSETS</u>		
Cash - operating	\$ 68,947	\$ 18,900
Less: restricted cash	(6,991)	(10,538)
Accounts receivable (net of allowance for doubtful accounts of \$17,100 for 1999 and \$14,657 for 1998)	19,426	15,263
Prepaid insurance	2,569	2,338
Accrued interest	<u>135</u>	<u>71</u>
	<u>84,086</u>	<u>26,034</u>
 <u>RESTRICTED ASSETS</u>		
Cash:		
Reserve fund	12,313	8,912
Depreciation fund	16,694	14,013
Restricted portion of current cash accounts	<u>6,991</u>	<u>10,538</u>
	<u>35,998</u>	<u>33,463</u>
 <u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	4,500	4,500
Water utility system	1,554,165	1,125,390
Less: accumulated depreciation	<u>(271,160)</u>	<u>(234,311)</u>
	<u>1,287,505</u>	<u>895,579</u>
 <u>Total Assets</u>	 <u>\$1,407,589</u>	 <u>\$ 955,076</u>

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

LIABILITIES, RESERVES, AND RETAINED EARNINGS

	<u>1999</u>	<u>1998</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 46,910	\$ 72,922
Customer deposits	16,725	10,975
Accrued interest payable	9,778	0
Sales tax payable	<u>386</u>	<u>330</u>
	<u>73,799</u>	<u>84,227</u>
 <u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>		
Current portion of bond payable	<u>7,323</u>	<u>4,785</u>
	<u>7,323</u>	<u>4,785</u>
 <u>NON-CURRENT LIABILITIES</u>		
Revenue bonds payable less current portion	<u>630,260</u>	<u>342,582</u>
<u>Total Liabilities</u>	<u>711,382</u>	<u>431,594</u>
 <u>EQUITY</u>		
Contributed capital - governmental grants	836,600	673,600
Contribution in aid of construction	<u>7,180</u>	<u>7,180</u>
	<u>843,780</u>	<u>680,780</u>
 <u>FUND BALANCES</u>		
Reserve for depreciation fund	17,136	15,933
Reserve for revenue note fund	18,862	17,530
Retained earnings (deficit)	<u>(183,571)</u>	<u>(190,761)</u>
	<u>(147,573)</u>	<u>(157,298)</u>
<u>Total Equity</u>	<u>696,207</u>	<u>523,482</u>
<u>Total Liabilities, Reserves and Equity</u>	<u>\$1,407,589</u>	<u>\$ 955,076</u>

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR JUNE 30, 1999
(WITH COMPARATIVE DATA AS OF JUNE 30, 1998)

	UNRESERVED RETAINED EARNINGS <u>(DEFICIT)</u>	RESERVED RETAINED EARNINGS FOR BOND SERVICE AND <u>CONSTRUCTION</u>	TOTAL RETAINED EARNINGS <u>(DEFICIT)</u>
Balances June 30, 1997	<u>(188,333)</u>	<u>31,150</u>	<u>(157,183)</u>
Net income (loss)	(115)		(115)
Transfer (to) from restricted assets	<u>(2,313)</u>	<u>2,313</u>	<u>0</u>
Balances June 30, 1998	<u>\$ (190,761)</u>	<u>\$ 33,463</u>	<u>\$(157,298)</u>
Net income (loss)	9,725		9,725
Transfer (to) from restricted assets	<u>(2,535)</u>	<u>2,535</u>	<u>0</u>
Balances June 30, 1999	<u>\$ (183,571)</u>	<u>\$ 35,998</u>	<u>\$(147,573)</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, 1999
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 1998)

	<u>1999</u>	<u>1998</u>
<u>OPERATING REVENUES</u>		
Water sales	\$ 143,455	\$ 115,587
Late fees	<u>6,000</u>	<u>5,274</u>
	<u>149,455</u>	<u>120,861</u>
 <u>OPERATING EXPENSES</u>		
Advertising	0	1,008
Bank charges	26	136
Bill processing and management fees	31,081	28,373
Board fees	3,480	3,480
Depreciation	36,849	30,050
Dues and subscriptions	400	306
Insurance	3,298	3,356
Legal and professional	6,895	5,000
Miscellaneous	0	500
Office expenses	36	100
Repairs and maintenance	25,982	11,916
Salaries	1,620	1,510
Taxes and licenses	136	130
Travel	809	263
Utilities	<u>12,659</u>	<u>11,934</u>
	<u>123,271</u>	<u>98,062</u>
 <u>OPERATING INCOME (LOSS)</u>	 <u>26,184</u>	 <u>22,799</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	1,338	639
Miscellaneous income	6,500	0
Bad debts	(2,443)	(200)
Interest expense	<u>(21,854)</u>	<u>(23,353)</u>
	<u>(16,459)</u>	<u>(22,914)</u>
 <u>NET INCOME (LOSS)</u>	 <u>\$ 9,725</u>	 <u>\$ (115)</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, 1999

(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 1998)

	<u>1999</u>	<u>1998</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income (loss)	\$ 9,725	\$ (115)
Noncash items included in net income (loss):		
Depreciation and amortization	36,849	30,050
Bad debt provision	2,443	200
(Increase) decrease in:		
Accounts receivable	(6,606)	(2,260)
Prepaid expenses	(231)	(1,595)
Accrued interest	(64)	(1)
Restricted assets	(2,535)	(2,312)
Increase (decrease) in:		
Accounts payable	(26,012)	43,558
Customer deposits	5,750	1,403
Accrued interest payable	9,778	0
Sales tax payable	56	79
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>29,153</u>	<u>69,007</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisition and construction of capital assets	(428,775)	(61,155)
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>(428,775)</u>	<u>(61,155)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Grants received in aid of construction	163,000	0
Proceeds from issuance of revenue bonds	295,000	0
Retirement of long-term debt	(4,784)	(3,288)
<u>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</u>	<u>453,216</u>	<u>(3,288)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>53,594</u>	<u>4,564</u>
<u>UNRESTRICTED CASH AT BEGINNING OF YEAR</u>	<u>8,362</u>	<u>3,798</u>
<u>UNRESTRICTED CASH AT END OF YEAR</u>	<u>\$ 61,956</u>	<u>\$ 8,362</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Cash paid for interest	<u>\$ 12,067</u>	<u>\$ 23,353</u>

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

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SCHEDULE OF EXPENDITURES FOR FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Financial Assistance Expenditures</u>
U.S. Department of Agriculture, Office for Rural Development		
Water and Waste Disposal Systems for Rural Communities	10.418*	\$748,682

* Major Programs as defined by OMB Circular A-133

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, 1999

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, 1999 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

Under state law, Waterworks District #7 of East Feliciana Parish may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes or certificates, and time deposits of state banks organized under

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

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

Louisiana law and national banks having principal offices in Louisiana. Deposits (cash and certificates of deposit) are carried at cost which equals market value. The carrying amount of deposits as of June 30, 1999 was \$97,953. One hundred percent of the cash deposits of the District were covered by federal depository insurance during the year ended June 30, 1999.

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 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.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

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

II. 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. For the year ending June 30, 1999, interest in the amount of \$9,778.00 was capitalized.

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.

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 and on the 3rd day August 1998 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 and Series 1998 Water Revenue Bonds.

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

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE #2: RESTRICTED ASSETS (CONTINUED)

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, 1999 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

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE #2: RESTRICTED ASSETS (CONTINUED)

would otherwise be default. As of June 30, 1999, 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 One Hundred and Two dollars (\$102.00) until the project being funded with the Series 1998 Bonds is completed, and then One Hundred Eighty Five dollars (\$185.00) per month over the life of the bonds. 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, 1999, 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, 1999:

Revenue bonds issued July 8, 1988 (Beginning)	\$ 280,166
Revenue bonds retired, during the year	<u>3,764</u>
Revenue bonds payable, end of year	<u>276,402</u>
Revenue bonds issued July 29, 1993 (Beginning)	67,201
Revenue bonds retired, during the year	<u>1,020</u>
Revenue bonds payable, end of year	<u>\$ 66,181</u>
Revenue bonds issued August 3, 1998	<u>\$ 295,000</u>
Total revenue bonds payable, end of year	<u>\$ 637,583</u>

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE #3: BONDS PAYABLE(CONTINUED)

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.

\$295,000 - Waterworks Revenue Bonds, Series 1998 dated August 3, 1998; due in monthly installments of \$1,386.50, including interest at 4.75%, beginning on September 3, 1999 and thereafter for a period of 40 years. A payment of interest only was due on August 3, 1999 and was paid as of that date.

The annual requirements to amortize all debt outstanding as of June 30, 1999, including interest payments are as follows:

YEAR ENDING	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u> <u>REQUIREMENT</u>
JUNE 30,			
2000	\$ 33,181	\$ 7,323	\$ 40,504
2001	35,058	8,219	43,277
2002	34,570	8,707	43,277
2003	34,052	9,225	43,277
2004	33,502	9,775	43,277
2005	32,919	10,358	43,277
Thereafter	<u>517,463</u>	<u>583,976</u>	<u>1,101,439</u>
	<u>\$720,745</u>	<u>\$637,583</u>	<u>\$1,358,328</u>

Total requirements for the reserve and contingency requirements for the next five years are \$4,392 each year.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE #4: PROPERTY, PLANT AND EQUIPMENT

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

	BALANCE <u>6/30/97</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE <u>6/30/98</u>
Land	\$ 4,500			\$ 4,500
Water System	<u>1,125,390</u>	<u>428,775</u>	_____	<u>1,554,165</u>
	<u>\$ 1,129,890</u>	<u>428,775</u>	=====	<u>\$ 1,558,665</u>
<u>Accumulated Depreciation</u>				
Water System	<u>\$ 234,311</u>	<u>\$ 36,849</u>	=====	<u>\$ 271,160</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 of East Feliciana Parish.

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 THE FINANCIAL STATEMENTS
JUNE 30, 1999

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>
November 2, 1999	4.25%	\$ 10,000

NOTE #7: COMPENSATION PAID TO BOARD MEMBERS

<u>BOARD MEMBER</u>	<u>TERM EXPIRES</u>	<u>AMOUNT</u>
Mary Dunn	July 2003	\$ 720
Samuel Brown	July 2003	840
Cheryl Jackson	July 2003	660
Larry Granier	July 2003	540
Roger Hurst	July 2003	<u>720</u>
		<u>\$3,480</u>

NOTE #8: AGING OF ACCOUNTS RECEIVABLE

Aging of accounts receivable as of June 30, 1999 is as follows:

	<u>CURRENT</u>	<u>30 DAYS</u>	<u>60 DAYS</u>	<u>90 DAYS</u>	<u>TOTAL</u>
Active	\$13,548	\$ 3,330	\$ 779	\$ 856	\$18,513
Inactive	<u>0</u>	<u>0</u>	<u>119</u>	<u>16,024</u>	<u>16,143</u>
Total	<u>\$13,548</u>	<u>\$ 3,330</u>	<u>\$ 898</u>	<u>\$16,880</u>	<u>\$34,656</u>

Provision for uncollectible accounts receivable amounted to \$17,100 at June 30, 1999. Included in the accounts receivable balance sheet total is \$1,870 unbilled receivable due to the billing cycle cut off at year end.

NOTE #9: LEASE

The District entered into a sixty year lease for land commencing on August 3, 1998 and terminating on August 2, 2058 after prepaying \$5,000 for the entire term of the lease. This amount has been recorded as a fixed asset and is being amortized over the lease period. Amortization was recorded in the amount of \$76.60 for the current year and is included in the depreciation expense.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SUPPLEMENTARY INFORMATION
YEAR 2000 ISSUE
JUNE 30, 1999
(UNAUDITED)

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the operations of the District as early as fiscal year 1999. The District has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue that are necessary to conduct operations. Management has identified the following systems requiring year 2000 remediation:

The computer billing system that is being used by the company that the District uses to read meters and do the billing has been updated to be year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management can not assume that the District is or will be year 2000 ready, that the remediation efforts of the District will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

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October 21, 1999

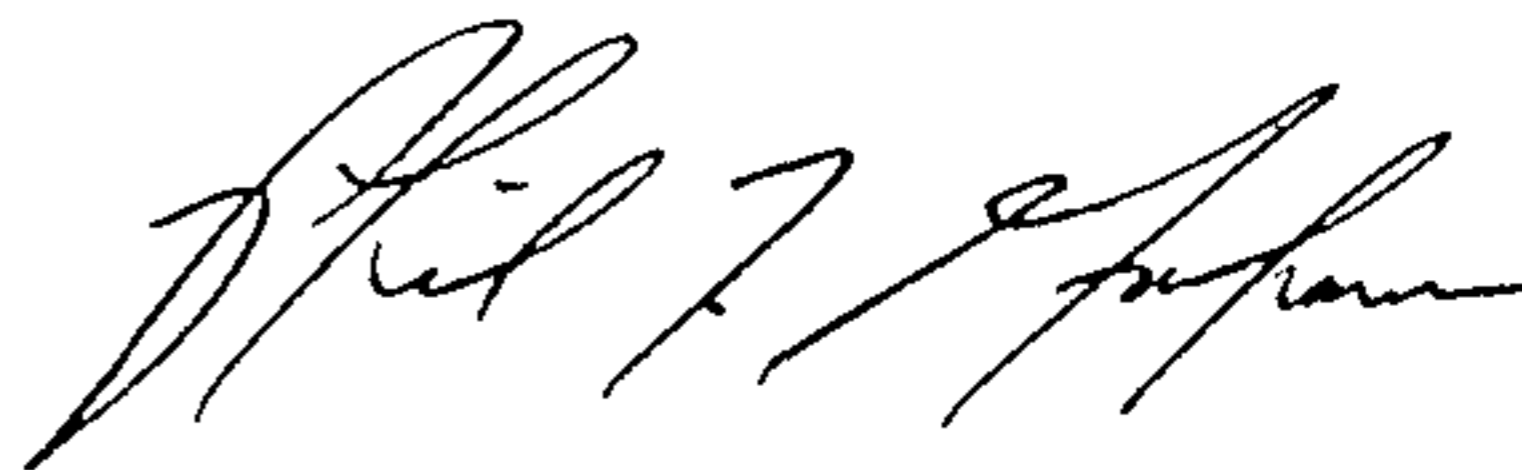
INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

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, 1999, 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 19 through 22 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, 1999

	<u>AMOUNT</u>	<u>PERCENTAGE OF TOTAL OPERATING REVENUE</u>
<u>OPERATING REVENUE</u>		
Water Sales	\$ 143,455	96.0
Late fees	<u>6,000</u>	<u>4.0</u>
Total	<u>149,455</u>	<u>100.0</u>
 <u>OPERATING EXPENSES</u>		
Advertising	0	.0
Bank charges	26	.0
Bill processing and management fees	31,081	20.8
Board fees	3,480	2.3
Depreciation	36,849	24.4
Dues and subscriptions	400	.3
Insurance	3,298	2.2
Legal and professional	6,895	4.6
Miscellaneous	0	.0
Office supplies	36	.0
Repairs and Maintenance	25,982	17.4
Salaries	1,620	1.1
Taxes and licenses	136	.1
Travel	809	.6
Utilities	<u>12,659</u>	<u>8.5</u>
	<u>123,271</u>	<u>82.3</u>
<u>NET OPERATING INCOME (LOSS)</u>	<u>26,184</u>	<u>17.7</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	1,338	.9
Miscellaneous income	6,500	4.3
Bad debts	(2,443)	(1.7)
Interest expense	<u>(21,854)</u>	<u>(14.6)</u>
	<u>(16,459)</u>	<u>(11.1)</u>
 <u>NET LOSS</u>	 <u>9,725</u>	 <u>6.6</u>

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SUPPLEMENTARY INFORMATION
STATISTICAL DATA
JUNE 30, 1999

<u>MONTH</u>	<u>NUMBER OF CUSTOMERS</u>	<u>GALLONS (THOUSANDS)</u>	<u>AMOUNT</u>
July	540	5,195.0	\$ 11,180
August	542	4,197.5	9,989
September	538	4,211.4	12,567
October	538	3,352.9	11,323
November	546	3,229.1	11,142
December	542	3,740.4	11,288
January	542	3,679.5	11,940
February	545	4,080.9	12,758
March	641	3,506.2	12,658
April	641	2,879.8	11,358
May	642	4,011.6	13,591
June	<u>650</u>	<u>3,749.1</u>	<u>13,165</u>
<u>Total</u>		<u>45,833.4</u>	<u>\$142,959</u>
<u>AVERAGE</u>	<u>576</u>		

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 1999

<u>NUMBER</u>	<u>EXPIRATION DATE</u>	<u>COMPANY AND COVERAGE</u>	<u>AMOUNT</u>
SPRGL2829	5/5/99- 5/5/00	Galland General Agency, Inc. General Liability Insurance Average Limit Each Occurrence Limit Fire Damage Limit Medical Expense Limit	\$ 600,000 \$ 300,000 \$ 50,000 \$ 1,000
68686855	2/18/00	Western Surety Company Fidelity Bond	\$ 30,000
HCF2009	12/2/98 - 12/2/99	Galland General Agency, Inc. Property (business/personal) Damage Aggregate Limit	\$ 35,000
22983-1	5/5/00	Louisiana Worker's Compensation Corp. Workers Compensation	Statutory

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SUPPLEMENTAL INFORMATION
COMPARATIVE DATA
JUNE 30, 1999

	JUNE 30,			
	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Operating Revenues	\$ 149,455	\$ 120,861	\$ 106,489	\$ 100,608
Operating Expenses	<u>123,271</u>	<u>98,062</u>	<u>88,570</u>	<u>102,443</u>
Operating Income(Loss)	<u>26,184</u>	<u>22,799</u>	<u>17,919</u>	<u>(1,835)</u>
Nonoperating Revenue	7,838	639	824	836
Nonoperating Expenses	<u>(24,297)</u>	<u>(23,553)</u>	<u>(22,396)</u>	<u>(25,515)</u>
<u>NET INCOME (LOSS)</u>	<u>9,725</u>	<u>(115)</u>	<u>(3,653)</u>	<u>(26,514)</u>
 <u>OTHER DATA:</u>				
Property, plant and equipment (net)	1,287,505	895,579	864,474	876,862
Net Working Capital	10,287	(58,193)	(21,373)	(18,512)
Total Assets	1,407,589	955,076	913,439	924,931
Bonds and Other long-term liabilities	630,260	342,582	346,083	350,654
Total equity	696,207	523,482	523,597	532,250
Average # of Customers	576	525	498	493
Cubic Gallons of Water	45,833.4	48,374.4	36,315.3	39,393.6
Number of Residential Users:	644			
Number of Commercial Users:	6			
Number of Commercial users With 3/4" Meter:	0			

See auditor's report on supplementary information.

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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

October 21, 1999

Waterworks District #7 of
East Feliciana Parish
Clinton, Louisiana

I have audited the general purpose financial statements of Waterworks District #7 of East Feliciana Parish's as of and for the year ended June 30, 1999, and have issued my report thereon dated October 21, 1999. 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 general purpose 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

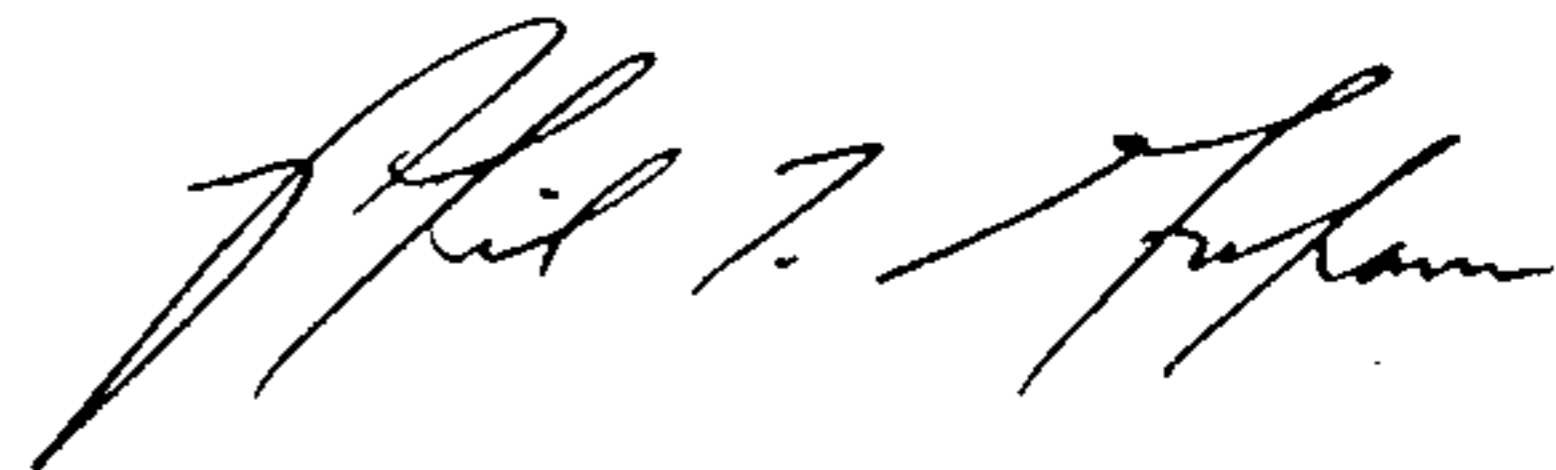
In planning and performing my audit, I considered Waterworks District #7 of East Feliciana Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose

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

of expressing my opinion on the general purpose 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 general purpose 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 misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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.

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

October 21, 1999

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, 1999. Waterworks District #7 of East Feliciana Parish's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with 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

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

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 item B 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, 1999.

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.

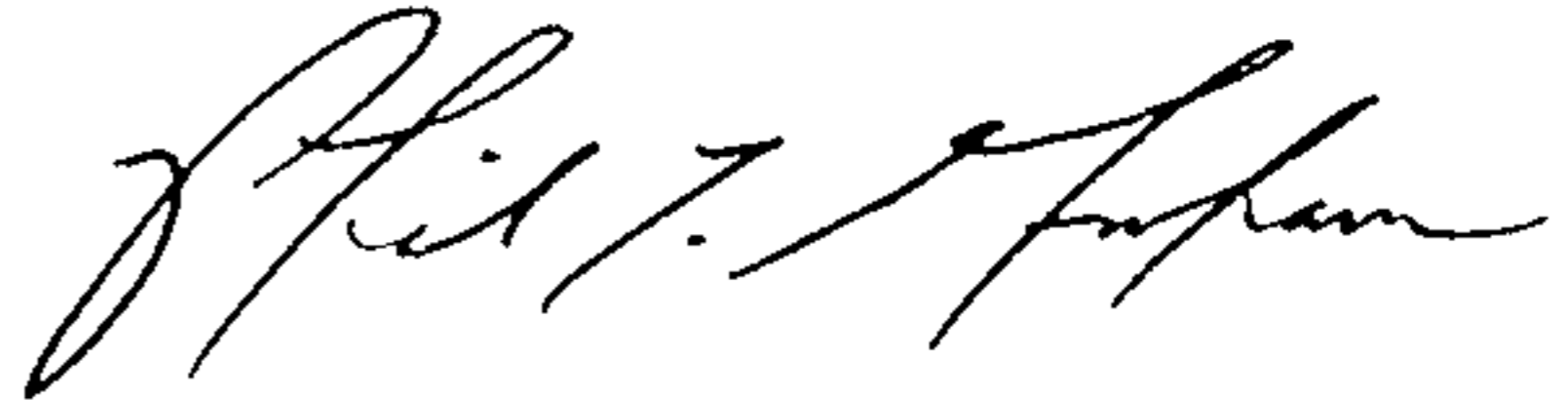
I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, 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

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

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 black ink, appearing to read "J. Hilary Fugham". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1999

SECTION I: SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Waterworks District #7 of East Feliciana Parish.
2. No instances of noncompliance material to the financial statements of Waterworks District #7 of East Feliciana Parish were disclosed during the audit.
3. There was one reportable condition (item A) relating to the audit of financial statements that are reported in the Independent Auditor's Report on Internal Control.
 - A. Federal Awards
 1. There was one federal award, CFDA #10.418 with the US Department of Agriculture, office for Rural Development which is a loan guarantee program for Water and Waste Disposal Systems for Rural Communities.

SECTION II: FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

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, posts payments to customers accounts, processes customer bills and makes adjustments to customer bills. This was also an reportable condition in the prior year audit.

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:

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 year audit.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1999
(CONTINUED)

MANAGEMENT'S RESPONSE:

Funds were not available to obtain professional services required to complete the quarterly reports. The water rates were raised during the current year and there should be sufficient funds to have these reports prepared in subsequent years.

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.

SECTION IV: MANAGEMENT LETTER

None

PRIOR YEAR FINDINGS AND RESOLUTIONS:

Reportable condition A and B were also findings in the prior year audit. These findings were not resolved as of June 30, 1999.