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**WATERWORKS DISTRICT # 7
OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-2-05

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH
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October 26, 2004

INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH

a component unit of East Feliciana Parish Police Jury, as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. The basic financial statements are the responsibility of Waterworks District #7 of East Feliciana Parish's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

Member of:
American Institute of Certified Public Accountants
Arkansas Society of Certified Public Accountants
Society of Louisiana CPAs

INDEPENDENT AUDITOR'S REPORT
(CONCLUDED)

In our opinion, the basic 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, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2004 the Waterworks District #7 implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. GASB Statement No. 34 creates new basic financial statements for reporting on the Waterworks financial activities. The financial statements now include *government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements*, which presents information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2004 on our consideration of the Waterworks District #7 of East Feliciana Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and other required supplemental information as listed in the table of contents are not a required part of the Basic Financial Statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The other accompanying supplemental schedules listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the basic 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 basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

 James M. Campbell CFA, AICPA

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2004

Our discussion and analysis of Waterworks District # 7 of East Feliciana Parish's financial performance provides an overview of Waterworks District # 7's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The District has elected to present comparative data.

FINANCIAL HIGHLIGHTS

The financial statements included in this report provide insight into the financial status for the year. Based upon the operations of the year ended June 30, 2004, the Waterworks District's net assets decreased and resulted in ending net assets of \$917,906.

1. Unrestricted cash increased from \$73,314 to \$89,784.
2. The District had \$202,128 in revenues which were primarily from water sales and related income and from interest income. There were \$221,306 in expenditures. Of the total expenditures, \$51,268 was for depreciation and amortization expense which is calculated as a straight-line write off over the estimated useful lives of the District's capital assets. Depreciation expense does not require a cash outlay as the capital assets being depreciated have already been paid for, or are being paid for over time with financing through revenue bonds.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Waterworks District's basic financial statements. The District's basic financial statements comprise two components: 1) fund financial statements, and 2) notes to the financial statements.

Fund financial statements - The proprietary fund financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2004

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the District's net assets changed during the most recent fiscal year.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

FUND FINANCIAL ANALYSIS

Net assets may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$917,906 as of June 30, 2004.

The following is a condensed statement of Waterworks District # 7's net assets as of June 30, 2004:

Table 1
Net Assets

Current Assets	\$ 120,205
Restricted Assets	57,958
Noncurrent Assets-Capital Assets	<u>1,380,954</u>
Total Assets	<u>\$ 1,559,117</u>
Current Liabilities	\$ 57,236
Current Liabilities-Payable from Restricted Assets	0
Long-term Liabilities	<u>583,975</u>
Total Liabilities	<u>641,211</u>
Net Assets	
Invested in capital assets, net of related debt	786,621
Restricted for debt service	57,958
Unrestricted	<u>73,327</u>
Total Net Assets	<u>\$ 917,906</u>

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2004

The largest portion of the District's net assets (\$786,621 or 86%) is its investment in capital assets such as the water system and equipment less related debt expended in the acquisition of those assets. Another portion of the District's net assets (\$57,958 or 6%) is restricted to paying long-term debt. The remaining balance of the net assets (\$73,327 or 8%) may be used to pay current operating expenses.

The business type of activities of the District which result from fees charged to customers for water use and related charges decreased net assets by \$19,178 during the current year.

The following is a summary of the statement of activities:

Table 2
Statement of Activities

Revenue	
Operating--charges for services	\$ 200,276
Non-operating--Interest expense	<u>1,852</u>
Total Revenue	<u>202,128</u>
 Expenses	
Operating	187,804
Non-operating--Interest expense	<u>33,502</u>
Total Expenses	<u>221,306</u>
 Change in Net Assets	 <u>\$ (19,178)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2004, the District had \$1,380,954 net of accumulated depreciation, invested in capital assets, including land, right of ways, plant and distribution system, and equipment. There were no additions to capital assets during the year ended June 30, 2004.

At June 30, 2004, the District had \$594,333 in bonds outstanding.

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2004

Table 3
Outstanding Debt at Year-End

Water Revenue Bonds:		
Long-term		\$ 583,975
Current		<u>10,358</u>
Total		<u>\$ 594,333</u>

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our customers and other users with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Waterworks District # 7 of East Feliciana Parish's office in Clinton, Louisiana.

BASIC FINANCIAL STATEMENTS

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
A COMPONENT UNIT OF EAST FELICIANA PARISH POLICE JURY
CLINTON, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2004
(WITH COMPARATIVE DATA AS OF JUNE 30, 2003)

ASSETS

	<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>		
Cash - operating	\$ 93,136	\$ 77,190
Less: restricted cash	(3,352)	(3,876)
Accounts receivable (net of allowance for bad debts of \$2,300 for 2004 and \$25,500 for 2003)	23,818	18,827
Accrued interest receivable	598	778
Prepaid insurance	6,005	5,522
 <u>CAPITAL ASSETS</u>		
Land and land lease	9,500	9,500
Water Utility System	1,893,010	1,893,010
Less accumulated depreciation	<u>(521,556)</u>	<u>(470,288)</u>
	<u>1,501,159</u>	<u>1,530,663</u>
 <u>RESTRICTED ASSETS</u>		
Cash:		
Reserve fund	24,668	22,260
Depreciation fund	29,938	27,430
Restricted portion of current cash accounts	<u>3,352</u>	<u>3,876</u>
	<u>57,958</u>	<u>53,566</u>
 <u>Total Assets</u>	 <u>\$ 1,559,117</u>	 <u>\$ 1,584,229</u>

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

LIABILITIES, RESERVES, AND NET ASSETS

	<u>2004</u>	<u>2003</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 17,753	\$ 16,262
Customer deposits	29,125	26,775
Current portion of bond payable	<u>10,280</u>	<u>9,775</u>
	<u>57,158</u>	<u>52,812</u>
 <u>LONG TERM LIABILITIES</u>		
Revenue bonds payable less current portion	<u>584,053</u>	<u>594,333</u>
 <u>Total Liabilities</u>	<u>641,211</u>	<u>647,145</u>
 <u>NET ASSETS</u>		
Contributed capital - governmental grants	1,169,600	1,169,600
Contribution in aid of construction	<u>7,180</u>	<u>7,180</u>
	<u>1,176,780</u>	<u>1,176,780</u>
 Reserve for depreciation fund	28,236	26,016
Reserve for revenue note fund	29,722	27,550
Net assets (deficit)	<u>(316,832)</u>	<u>(293,262)</u>
	<u>(258,874)</u>	<u>(239,696)</u>
 <u>Total Net Assets</u>	<u>917,906</u>	<u>937,084</u>
 <u>Total Liabilities, Reserves and Net Assets</u>	<u>\$ 1,559,117</u>	<u>\$ 1,584,229</u>

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
A COMPONENT UNIT OF EAST FELICIANA POLICE JURY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2003)

	<u>2004</u>	<u>2003</u>
<u>OPERATING REVENUES</u>		
Water sales	\$ 192,629	\$ 183,954
Safe water drinking fee	2,288	2,278
Connection fees	.	860
Late fees	<u>5,359</u>	<u>6,605</u>
	<u>200,276</u>	<u>193,697</u>
<u>OPERATING EXPENSES</u>		
Advertising	256	
Bank charges	20	23
Bill processing and management fees	75,795	71,584
Board fees	3,060	2,940
Depreciation and amortization	51,268	51,516
Dues and subscriptions	392	331
Insurance	7,635	6,466
Legal and professional	6,511	8,566
Miscellaneous	352	
Office expenses	462	155
Repairs and maintenance	7,634	38,446
Safe water drinking fee	2,180	1,947
Salaries	2,586	2,150
Supplies	11,765	
Taxes and licenses		183
Travel	228	285
Utilities	<u>17,460</u>	<u>15,933</u>
	<u>187,604</u>	<u>200,525</u>
<u>OPERATING INCOME (LOSS)</u>	<u>12,672</u>	<u>(6,828)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	1,852	2,446
Bad debts	(200)	(4,200)
Interest expense	<u>(33,502)</u>	<u>(34,052)</u>
	<u>(31,850)</u>	<u>(35,806)</u>
<u>CHANGE IN NET ASSETS</u>	<u>(19,178)</u>	<u>(42,634)</u>
Net assets at beginning of year	937,084	979,718
Net assets end of year	<u>\$ 917,906</u>	<u>\$ 937,084</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, 2004
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2003)

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 200,276	\$ 193,697
Cash payments to suppliers for goods and services	(140,319)	(141,287)
Cash payments to employees for services	<u>(2,586)</u>	<u>(2,150)</u>
Net Cash Provided by (used for) Operating Activities	57,371	50,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds payable	(9,775)	(9,225)
Interest paid on bonds payable	(33,502)	(34,052)
Acquisition of capital assets	<u> </u>	<u>(12,588)</u>
Net Cash (used for) Capital and Related Financing Activities	(43,277)	(55,865)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	<u>1,852</u>	<u>2,446</u>
	1,852	2,446
Net Cash Provided by (used for) Investing Activities	<u>15,946</u>	<u>(3,159)</u>
INCREASE (DECREASE) IN CASH		
Cash and Cash Equivalents, Beginning of Year	<u>77,190</u>	<u>80,349</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>93,136</u>	<u>77,190</u>
Cash and Cash Equivalents -		
Unrestricted	89,784	73,314
Restricted	<u>3,352</u>	<u>3,876</u>
	<u>93,136</u>	<u>77,190</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Income from operations	12,672	(42,634)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	51,268	51,516
Net Change in Assets and Liabilities-		
(Increase) Decrease in accounts receivable	(4,722)	(438)
Accrued interest receivable		(338)
(Increase) Decrease in prepaid expense	(483)	(1,782)
Increase (Decrease) in accounts payable	1,491	7,300
Sales tax payable		(320)
Increase (Decrease) in bond payable	(505)	(550)
Increase (Decrease) in customer security deposits	<u>(2,350)</u>	<u>1,700</u>
Total Adjustments	<u>44,699</u>	<u>57,088</u>
Net cash provided by (used for) operating activities	<u>\$ 57,371</u>	<u>\$ 50,260</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, 2004

<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	<u>10.418*</u>	<u>\$ 594,333</u>

* Outstanding loan balances--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, 2004

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 to finance or recover the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis 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.

For the year ended June 30, 2004, the Waterworks District # 7 of East Feliciana Parish implemented GASB Statement No. 34, *Basic Financial Statements - and Management Discussion and analysis for State and Local Governments*.

For the first time the financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the Water District's activities.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

B. Accounts Receivable

The District's billing cycle may extend into the subsequent year. If that occurs, accounts receivable at June 30, 2004 have been adjusted to allow for a year end cut-off date.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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

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 Louisiana law and national banks having principal offices in Louisiana. Deposits (cash and certificates of deposits) are reported at cost which equals market value. The carrying amount of deposits as of June 30, 2004 was \$148,536. Only one hundred thousand (\$100,000) of the cash deposits of the District is covered by federal depository insurance during the year ended June 30, 2004.

D. 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, State of 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.

E. 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

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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

G. Statement of Cash Flows

For the purposes of the statement of cash flows, the District considers all unrestricted bank accounts and certificates of deposit with an initial maturity of six months or less to be cash.

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. For the year ending June 30, 2004, no interest 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.

L. Basis of Presentation

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

M. Fund Balances

The District utilizes reserves to denote that portion of fund balance, which is not appropriate for expenditures or is legally segregated for specific use. Reserves are as indicated on the balance sheet.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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 of August 2001 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 2001 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 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, by bank draft, to USDA Department of Rural Development, the current bond holder. As of June 30, 2004 Waterworks District # 7 had made the payments as required by the agreement. Following the required payments to the Bond Sinking Fund, the monies 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 One Hundred Eighty One dollars (\$181.00) the payments to

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE #2: RESTRICTED ASSETS (CONTINUED)

continue until such time as there has been accumulated therein a sum equal to Forty Three Thousand Two Hundred Seventy Five dollars and Ninety cents (\$43,275.90) 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 and the interest on all bonds payable from the Bond Sinking Fund as to which there would otherwise be default. As of June 30, 2004, 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 2001 Bonds is completed, and then One Hundred Eighty Five dollars (\$185.00) per month over the life of the bonds. All monies 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, 2004, 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, 2004:

Revenue bonds issued July 8, 1988 (Beginning)	\$ 263,530
Revenue bonds retired, during the year	<u>4,878</u>
Revenue bonds payable, end of year	<u>258,652</u>
Revenue bonds issued July 29, 1993 (Beginning)	62,749
Revenue bonds retired, during the year	<u>1,278</u>
Revenue bonds payable, end of year	<u>61,471</u>
Revenue bonds issued August 3, 2001 (Beginning)	287,054
Revenue bonds retired, during the year	<u>3,069</u>
Revenue bonds payable, end of year	<u>283,985</u>
Total revenue bonds payable, end of year	<u>\$ 604,108</u>
Revenue bonds payable, end of year	<u>9,775</u>
Total revenue bonds payable, end of year	<u>\$ 594,333</u>

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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 (40) 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 thirty eight (38) years.

\$295,000 - Waterworks Revenue Bonds, Series 2001 dated August 3, 2001; due in monthly installments of \$1,386.50, including interest at 4.75%, beginning on September 3, 2002 and thereafter, for a period of forty (40) years.

The annual requirements to amortize all debt outstanding as of June 30, 2004, 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>
2005	32,919	10,358	43,277
2006	32,301	10,976	43,277
2007	31,645	11,632	43,277
2008	30,949	12,328	43,277
2009	30,212	13,065	43,277
Thereafter	<u>392,357</u>	<u>535,974</u>	<u>928,331</u>
	<u>\$550,383</u>	<u>\$594,333</u>	<u>\$1,144,716</u>

Total requirements for the reserve and contingency requirements for the next five years are \$4,392 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</u> <u>6/30/03</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/04</u>
Land	\$ 9,500			\$ 9,500
Water System	<u>1,893,010</u>			<u>1,893,010</u>
	<u>1,902,510</u>			<u>1,902,510</u>
Accumulated Depreciation and Amortization				
Water System	<u>\$ 470,288</u>	<u>\$ 51,268</u>		<u>\$ 521,556</u>

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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 fifty (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 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 certificates of deposit with Feliciana Bank & Trust Company:

<u>MATURITY</u> <u>DATE</u>	<u>ANNUAL</u> <u>INTEREST</u> <u>RATE</u>	<u>AMOUNT</u>
November 2, 2004	2.00%	\$ 10,000
September 12, 2004	2.65%	\$ 36,426

NOTE #7: COMPENSATION PAID TO BOARD MEMBERS

<u>BOARD MEMBER</u>	<u>TERM EXPIRES</u>	<u>AMOUNT</u>
Mary Dunn	July 2007	\$ 660
Samuel Brown	July 2007	720
Cheryl Jackson	July 2007	-0-
Larry Granier	July 2007	660
Roger Hurst	July 2007	660
John Stewman	July 2007	<u>360</u>
		<u>\$3,060</u>

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE #8: AGING OF ACCOUNTS RECEIVABLE

Aging of accounts receivable as of June 30, 2004 is as follows:

	<u>CURRENT</u>	<u>30 DAYS</u>	<u>60 DAYS</u>	<u>90 DAYS</u>	<u>TOTAL</u>
Active	<u>\$20,852</u>	<u>\$ 2,214</u>	<u>\$ 502</u>	<u>\$ 250</u>	<u>\$23,818</u>
Total	<u>\$20,852</u>	<u>\$ 2,214</u>	<u>\$ 502</u>	<u>\$ 250</u>	<u>\$23,818</u>

Provision for uncollectible accounts receivable amounted to \$2,300 at June 30, 2004. Included in the accounts receivable balance is \$6,069 unbilled receivables due to the billing cycle.

NOTE #9: LEASE

The District entered into a sixty (60) year lease for land commencing on August 3, 1999 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 \$83 for the current year and is included in the depreciation expense. Accumulated amortization was \$493 as of June 30, 2004.

NOTE #10: RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets and errors and omissions. To handle such risk of loss, the District maintains commercial liability and surety bond insurance policies. No claims were paid on any of the policies during the past three years which exceeded the policies' coverage amounts. There were no significant reductions in insurance coverage during the year ended June 30, 2003 or June 30, 2004.

NOTE #11: CONCENTRATION OF CREDIT RISK

The Water District maintains five (5) accounts at one bank. Accounts at a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. There was \$26,939 in excess of \$100,000 at June 30, 2003 and \$48,536 in excess of the FDIC limit as of June 30, 2004.

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October 26, 2004

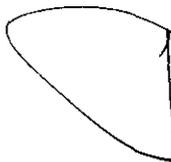
INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

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

Our report on our audit of the basic financial statement of

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH

as of and for the year ended June 30, 2004, appears on Page 1. That audit was made for the purpose of forming an opinion on the basic financial statement taken as a whole. The supplementary information and statistical data on pages 21 through 25 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements, and accordingly, we express no opinion on it.

 James M. Campbell CPA, APC

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, 2004

	<u>AMOUNT</u>	<u>PERCENTAGE OF TOTAL OPERATING REVENUE</u>
<u>OPERATING REVENUE</u>		
Water sales	\$ 192,629	96.1
Safe water drinking fee	2,288	1.0
Late fees	<u>5,359</u>	<u>2.9</u>
Total	<u>200,276</u>	<u>100.0</u>
 <u>OPERATING EXPENSES</u>		
Advertising	256	
Bank charges	20	
Bill processing and management fees	75,795	37.8
Board fees	3,060	1.5
Depreciation	51,268	25.6
Dues and subscriptions	392	
Insurance	7,635	4.3
Legal and professional	6,511	3.3
Miscellaneous	352	
Office supplies	462	
Repairs and maintenance	7,634	4.3
Safe water drinking fee	2,180	1.1
Salaries	2,586	1.3
Supplies	11,765	5.8
Travel	228	
Utilities	<u>17,460</u>	<u>8.7</u>
	<u>187,604</u>	<u>93.7</u>
<u>NET OPERATING INCOME (LOSS)</u>	<u>12,672</u>	<u>6.3</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest income	1,852	1.0
Bad debts	(200)	
Interest expense	<u>(33,502)</u>	<u>(16.7)</u>
	<u>(31,850)</u>	<u>(15.7)</u>
 <u>NET LOSS</u>	 <u>\$ (19,178)</u>	 <u>(9.4)</u>

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
SUPPLEMENTARY INFORMATION
STATISTICAL DATA
WATER SALES
FOR THE YEAR ENDED JUNE 30, 2004

<u>MONTH</u>	<u>NUMBER OF CUSTOMERS</u>	<u>GALLONS (THOUSANDS)</u>	<u>AMOUNT</u>
July	718	4,623.6	\$ 15,305
August	724	4,956.5	15,992
September	726	4,291.3	16,678
October	732	4,889.0	15,903
November	735	4,381.1	14,923
December	732	4,307.2	14,750
January	732	4,595.7	15,330
February	733	3,837.7	13,896
March	737	3,807.7	13,855
April	745	4,880.9	16,030
May	763	4,281.1	15,875
June	751	<u>4,964.1</u>	<u>17,471</u>
Total		53,815.9	<u>\$186,008</u>
Other			<u>6,621</u>
			<u>\$192,629</u>
 <u>AVERAGE</u>	736		

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
SUPPLEMENTARY INFORMATION
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2004

<u>NUMBER</u>	<u>EXPIRATION DATE</u>	<u>COMPANY AND COVERAGE</u>	<u>AMOUNT</u>
SVGGBL2059	5/5/04 - 5/5/05	Galland General Agency, Inc. General Liability Insurance Average Limit Each Occurrence Limit Fire Damage Limit Medical Expense Limit	\$ 600,000 \$ 300,000 excluded excluded
68686855	2/18/04 - 2/18/05	Western CNA Surety Company Fidelity Bond	\$ 30,000
GGCF2850	12/2/03 - 12/2/04	Galland General Agency, Inc. Property (business/personal) Damage Aggregate Limit	\$ 80,000
22983-A	5/5/04 - 5/4/05	Louisiana Worker's Compensation Corporation Worker's Compensation	Statutory

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
SUPPLEMENTAL INFORMATION
COMPARATIVE DATA
JUNE 30, 2004

	<u>JUNE 30,</u>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Operating Revenues	\$ 200,276	\$ 193,697	\$ 191,781	\$ 191,403
Operating Expenses	187,604	200,525	182,525	168,567
Operating Income (Loss)	12,672	(6,828)	9,256	22,836
Nonoperating Revenue	1,852	2,447	2,825	4,717
Nonoperating Expenses	(33,702)	(38,252)	(35,680)	(36,058)
<u>NET INCOME (LOSS)</u>	(19,178)	(42,633)	(23,599)	(8,505)
<u>OTHER DATA:</u>				
Property, plant and equipment (net)	1,380,954	1,432,222	1,471,150	1,521,721
Net Working Capital	66,399	45,628	63,502	50,147
Total Assets	1,559,117	1,584,229	1,627,419	1,665,271
Bonds and Other long-term liabilities	584,053	594,333	604,108	613,333
Total equity	917,906	937,084	979,718	1,003,317
Average # of Customers	736	718	702	720
Cubic Gallons of Water	53,815.9	51,677.7	56,847.8	58,094.1
Number of Residential Users:	731	697	702	708
Number of Commercial Users:	6	6	8	8
Number of Commercial users with 3/4" Meter	0	0	0	0

See auditor's report on supplementary information.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
SCHEDULE OF REVENUES AND EXPENSES
BUDGET COMPARISON
FOR THE YEAR ENDED JUNE 30, 2004

	<u>ACTUAL</u>	<u>BUDGET</u>
<u>OPERATING REVENUES</u>		
Water sales	\$ 192,629	\$ 212,000
Safe water drinking fee	2,288	2,000
Late fees	<u>5,359</u>	<u>3,000</u>
	<u>200,276</u>	<u>217,000</u>
<u>OPERATING EXPENSES</u>		
Advertising	256	500
Auto Expense	167	500
Bank charges	20	50
Bill processing and management fees	75,795	74,000
Board fees	3,060	3,000
Depreciation and amortization	51,268	50,572
Dues and subscriptions	392	320
Insurance	7,634	6,900
Miscellaneous expense	355	110
Postage and office supplies	461	140
Professional and Legal	6,511	8,000
Repairs and maintenance	19,399	31,000
Safe water drinking fee	2,180	2,180
Salaries and payroll taxes	2,586	2,550
Travel and seminars	60	0
Utilities	<u>17,460</u>	<u>17,800</u>
	<u>187,604</u>	<u>197,622</u>
<u>OPERATING INCOME (LOSS)</u>	<u>12,672</u>	<u>19,378</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest income	1,852	1,500
Bad debt expense	(200)	(1,100)
Interest expense	<u>(33,502)</u>	<u>(33,570)</u>
	<u>(31,850)</u>	<u>(33,170)</u>
<u>NET INCOME (LOSS)</u>	<u>\$ (19,178)</u>	<u>\$ (13,792)</u>

See auditor's report for 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 26, 2004

Waterworks District #7 of
East Feliciana Parish
Clinton, Louisiana

We have audited the financial statements of the business type activities of the Waterworks District #7 of East Feliciana Parish as of and for the year ended June 30, 2004 and June 30, 2003 which comprises the District's basic financial statements, and have issued our report thereon dated October 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Waterworks District #7 of East Feliciana Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do express such an opinion. The results of our 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 2002.4, 2003.1, 2003.2, 2004.1 and 2004.2.

INTERNAL CONTROL OVER FINANCIAL REPORTING

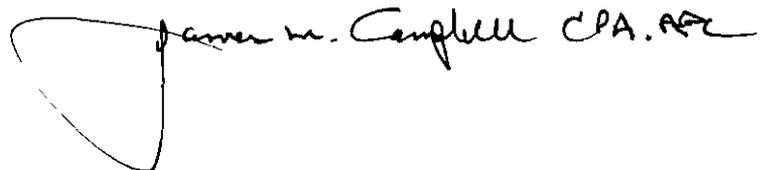
In planning and performing our audit, we considered Waterworks District #7 of East Feliciana Parish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions.

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)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, 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.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our 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, of the reportable conditions described above, we consider item 2003.1 to be a material weakness.

This report is intended solely for the information and use 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 and is not intended to be and should not be used by anyone other than these specified parties. Under LA. Revised Statute 24:513, the Legislative Auditor distributes this report as a public document.

James M. Campbell CPA, AGC

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Waterworks District #7 of East Feliciana Parish.
2. Six reportable conditions disclosed during the audit of the basic financial statements are reported in the schedule of findings and questioned costs. One of the reportable conditions is considered to be a material weakness.
3. One instance of noncompliance material to the basic financial statements of Waterworks District #7 of East Feliciana Parish was disclosed during the audit.

B. Current Year Findings

MATERIAL WEAKNESS

2004.1, 2003.1 and 2002.4 CUSTOMER DEPOSIT RECORDS (Not Resolved)

Condition: Customer deposit records were incomplete.

Criteria: Customer deposit information is incomplete. Management company personnel were not recording customer deposits in the same manner as in the year ending, June 30, 2001.

Effect: Failure to properly record customers deposits could result in an incorrect refund to customer or failure to refund amounts due customers.

Recommendation:

Customer deposits should be properly recorded. Deposits and new customers analyzed analyzed to determine if the customer deposit is properly recorded.

Management's Response:

The management company is still working to reconstruct customer deposit information as of October 26, 2004.

WATERWORKS DISTRICT # 7 OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

(CONTINUED)

REPORTABLE CONDITIONS

2004.2 and 2003.2 CONCENTRATION OF CREDIT RISK (Not Resolved)

Condition: The Water District has five (5) accounts at one bank which had total deposits of \$48,536 in excess of the \$100,000 FDIC Insurance at June 30, 2004 and \$26,939 in excess at June 30, 2003.

Effect: Funds in excess of \$100,000 could be at risk.

Recommendation:

Funds in excess of \$100,000 should be secured with investments from the financial institution or moved to another financial institution where FDIC Insurance would be available.

Management's Response:

This will be resolved this year by requiring investment securities pledged or transferring funds in excess of \$100,000 to another financial institution.

2002.1 DOCUMENTATION AND MINUTES (Resolved)

Condition: The operating company made insignificant line extensions that were not reported in the minutes.

Criteria: Line extensions and major repairs that are non-emergencies should be approved by the board of directors.

Effect: Unauthorized repairs or capital improvements could be made without board approval.

Recommendation:

Non emergency repairs and improvements should be approved by the board of directors in advance. This approval should be reported in the minutes.

Management's Response:

Non-emergency repairs are approved by the board in advance.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004
(CONTINUED)

2002.2 UNAPPROVED SUBCONTRACTORS (Resolved)

Condition: The Water District had an informal agreement with the management company where the management company would provide maintenance and repairs for the water system. In some instances, employees of the management company performed repairs and received compensation from the Water District without the management company's knowledge.

Criteria: Repairs should be performed by the management company unless they are unable to provide the service.

Effect: The District may be unable to determine who is responsible for repairs if they are performed by different companies. Services also could be charged at a higher rate than was agreed upon with the management company.

Recommendation:

Repairs to the system should be performed by the management company with which the Water District has a contract to perform these repairs. If that company is unable to provide the service, another qualified company should be contacted. Employees of the management company should not bill the Water District as individual subcontractors unless approved by the management company.

Management's Responses:

All repairs are provided by the management company unless another qualified company is approved by the management company and the board ratifies their decision.

2002.3 METER BOOKS (Resolved)

Condition: Entries in the meter books were not properly completed. Pages in the meter books were not in order by customer number.

Criteria: The meter books should be in order and properly completed.

Effect: Failure to organize and properly complete the meter books could result in incorrect billing and lost revenue.

WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004
(CONTINUED)

Recommendation:

Meter pages should be placed in the books in the order that they are read. Meter readings should be properly entered. Upon completion of a page, it should be replaced with a new page.

Management's Response:

The meter books are in order and properly completed.

MATERIAL WEAKNESS-MAJOR FEDERAL PROGRAM

2002.5 METER STATUS UNCLEAR (Resolved)

Condition: It appears that in some instances there are meter pages with no customer information and no meter readings being recorded.

Criteria: If there is a meter that has never been connected or has been disconnected the meter page should indicate the circumstance and it should be periodically checked to make sure that no water is going through the meter and this should be recorded on the meter page.

Effect: Customers could be receiving water service without being billed.

Recommendation:

Each meter listed should be checked to determine if active. If so, all customers should be billed based upon the water consumed. Inactive meters should be noted and locked if they are found to be in service.

Management's Response:

As of October 26, 2004, all meters have been checked to determine if they are active and inactive meters have been recorded and locked.

WATERWORKS DISTRICT #7
OF EAST FELICIANA PARISH

JUNE 30, 2004

This report is intended solely for the information and use 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 and is not intended to be and should not be used by anyone other than these specified parties. Under LA. Revised Statute 24:513, the Legislative Auditor distributes this report as a public document.

Section 6 Management letter

None

Contact Persons: Sammie Brown, President or Judith Kelly, Secretary