

CADDO WATERWORKS DISTRICT NO. 7

KEITHVILLE, LOUISIANA

JUNE 30, 1996 AND 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 JAN 15 1997

Milton E. Kelley
Certified Public Accountant

CADDO WATERWORKS DISTRICT NO. 7

KEITHVILLE, LOUISIANA

JUNE 30, 1996 AND 1995

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KEITHVILLE, LOUISIANA

JUNE 30, 1996 AND 1995

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Milton E. Kelley

Certified Public Accountant

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November 25, 1996

Mr. Jewel Wagner, President
and Board of Commissioners
Caddo Waterworks District No. 7
Keithville, Louisiana

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying general-purpose financial statements of Caddo Waterworks District No. 7, Keithville, Louisiana, a component unit of the Parish of Caddo, State of Louisiana, as of and for the years ended June 30, 1996 and 1995. These general-purpose financial statements are the responsibility of Caddo Waterworks District No. 7, Keithville, Louisiana, 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 Government Auditing Standards, issued by the Comptroller General of the United States, Louisiana Municipal Audit Guide, issued by the Louisiana Society of Certified Public Accountants, and Audit of States and Local Governments, published by the Office of Management and Budget. 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 evaluate the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caddo Waterworks District No. 7, Keithville, Louisiana, as of June 30, 1996 and 1995, and the results of its operations and cash flows of its proprietary type fund for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated November 25, 1996 on my consideration of Caddo Waterworks District No. 7's internal control structure and a report dated November 25, 1996 on its compliance with laws and regulations.

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November 25, 1996

Mr. Jewel Wagner, President
and Board of Commissioners
Caddo Waterworks District No. 7
Keithville, Louisiana

**UNQUALIFIED REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS
BASED ON AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS -
NO REPORTABLE INSTANCES OF NONCOMPLIANCE**

I have audited the accompanying financial statements of Caddo Waterworks District No. 7, Keithville, Louisiana, a component unit of the Parish of Caddo, State of Louisiana, as of and for the years ended June 30, 1996 and 1995, and have issued my report thereon dated November 25, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Compliance with laws, regulations, contracts, and grants applicable to Caddo Waterworks District No. 7, Keithville, Louisiana, is the responsibility of Caddo Waterworks District No. 7, Keithville, Louisiana, management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Caddo Waterworks District No. 7 compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

This report is intended for the information of the audit committee, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Compliance with Loan Letter of Understanding-The following items are findings from the previous year and which are in the process of being resolved by the entity.

Finding: The Waterworks District did not comply with certain terms and conditions contained in the letter of understanding with the Farmers Home Administration (FmHA). The Farmers Home Administration, loaned the Waterworks District funds to construct the Waterworks System. As a condition of the loan, FmHA established certain requirements with which the Waterworks District must comply.

Mr. Jewel Wagner, President
 and Board of Commissioners
 Caddo Waterworks District No. 7
 November 25, 1996
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The pertinent parts of the letter of understanding and the manner in which the Waterworks District has failed to comply follow:

1. The letter of understanding requires the Waterworks District to deposit monies in the following restricted bank accounts:
 - a. A revenue note account, with an initial deposit from membership fees of \$4,750 and subsequent deposits equal to one-twelfth of the annual installment payment.
 - b. A depreciation account, with an initial deposit from the membership fees of \$4,750 and subsequent deposits of \$286 per month, once the system is revenue producing, with no maximum amount specified, and
 - c. A Revenue Fund account, with an initial deposit from the membership fees of \$6,300 and subsequent monthly deposits equal to five per cent of the monthly deposit requirement of the revenue note account, once the system is revenue producing, until the highest annual debt service payable in any future year, or \$66,462, is reached.

From July 1, 1995 to June 30, 1996 and 1995, the Waterworks District did meet the monthly deposit requirements of the Loan Letter of Understanding as to the Revenue Note Accounts as follows:

	Total Deposits Required	Actual Deposits	1996 (Over) Short	1995 (Over) Short
(a) Revenue note account	60,031	61,171	(1,140)	(2,578)
(b) Depreciation account	6,890	6,890	-0-	(575)
(c) Revenue Fund account	<u>6,298</u>	<u>7,255</u>	(957)	(1,198)
	<u>73,219</u>	<u>75,316</u>	(2,097)	(4,351)

The Board of Commissioners has addressed this issue and formally approved the setting-up of monthly payments/deposits into these restricted cash accounts to accumulate the amounts that should be on deposit. These payments also include the current deposits required. The back payments will be made over the next ninety-one months at which time the accounts will be in full compliance.

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 and Board of Commissioners
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 November 25, 1996
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- The Caddo Waterworks District No. 7 is not in compliance with the Loan Letter of Understanding of the Farmers Home Administration regarding the collection of property taxes to be used to retire general obligation bonds. The annual millage to be used in assessing the property taxes is limited to an amount which would equal the amount needed to pay the annual principal and interest on the bonds. However, the millage rate submitted to the tax assessor during a five year period up to 6/30/91 had resulted in excessive tax collection in the cumulative amount of \$46,144. The excess collection was used to pay on the annual principal and interest of revenue bonds outstanding and for normal operating expense of the Water District No. 7.

The Board of Commissioners has addressed the discrepancy by lowering the millage rate submitted to the tax assessor's office to generate property tax income sufficient to pay the current annual principal and interest on the general obligation bonds payments due after August 10, 1993. The Board of Commissioners authorized the setting-up of a separate restricted bank account into which only property tax collections are deposited and disbursements made only in payment of principal and interest on the general obligation bonds. The Board had formally approved a monthly payment amount of \$517.50 to be made into the restricted bank account that will replace the excess property tax which was collected.

	Total		1996	1995
	Deposits	Actual	(Over)	(Over)
	<u>Required</u>	<u>Deposits</u>	<u>Short</u>	<u>Short</u>
Ad Valorem Tax Fund	17,210	18,050	(840)	(517)

- Finding: Second Instance-Unauthorized withdrawal from restricted Ad Valorem Tax Fund. (This finding was listed in the prior year's compliance letter as a subsequent event as it occurred after 6/30/94.)

On August 2, 1994, the Caddo Waterworks District No. 7 had a balance in the restricted ad valorem tax account of \$34,434.21 of which \$12,400.00 was to be transferred to the operating account to pay the annual payment on the General Obligation bonds. The balance of \$22,034.21 was a restricted amount which is being accumulated to compensate for prior years' over collection of ad

Mr. Jewel Wagner, President
and Board of Commissioners
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valorem tax as explained in the preceding note number 2. However, on August 2, 1994, the actual amount transferred to the operating account was \$33,431.21 instead of \$12,400.00 because of the over transfer. This is in violation of the agreement of 6/30/92 in which the Water District agreed to make-up for the over-collection of ad-valorem tax in prior year. This account in the subsequent period is short of the amount required to be in the account of \$21,031.21.

The management of the Water District will deposit \$1,000.00 per month beginning August 14, 1995 until the overwithdrawal is replaced. Also, management will continue to deposit \$517.50 into the Ad Valorem Fund Account as described in item No. 2 until that deficiency is replaced.

These instances of non-compliance were considered in evaluating whether the component unit financial statements are presented fairly in conformity with generally accepted accounting principles.

This report is intended for the information of the audit committee, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

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November 25, 1996

Mr. Jewel Wagner, President
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Caddo Waterworks District No. 7
Keithville, Louisiana

**REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON AN
AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

I have audited the accompanying financial statements of Caddo Waterworks District No. 7, Keithville, Louisiana, a component unit of the Parish of Caddo, State of Louisiana, as of and for the years ended June 30, 1996 and 1995, and have issued my report thereon dated November 25, 1996.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Caddo Waterworks District No. 7, Keithville, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Mr. Jewel Wagner, President
and Board of Commissioners
Caddo Waterworks District No. 7
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Page 2

In planning and performing my audit of the general-purpose financial statements of Caddo Waterworks District No. 7, Keithville, Louisiana, for the years ended June 30, 1996 and 1995, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general-purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

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

1. Bank Deposits Time Lag - Update of Prior Year's Comment
In performing a test of bank deposits, it was noted that there appears to be a time lag between the time deposits tickets are prepared and the date on which the bank validates the deposit tickets. The time lag is for only one day, the date of the deposit ticket and the validation date on 29 items. Compared deposits were made on 47 days. Leaving deposits overnight before depositing is not a good practice. Deposits should be made intact and daily.
2. Wholesale store membership - The Water System has taken advantage of having a membership in a local wholesale store in order to purchase mainly office supplies at a lower price. Some employees of the Water System have obtained membership cards in their own name through the Water System in order to enjoy the same advantage of lower prices. This violates the rule regarding the use of the Water System's assets by individuals. This has been called to the attention of the Board of Directors and the practice has been terminated.

Mr. Jewel Wagner, President
and Board of Commissioners
Caddo Waterworks District No. 7
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3. As this is a small entity and due to the limited number of employees that the Water System has, it is impossible for the Water System to have adequate segregation of duties which is basic to an adequate system of internal control. However, due to the close involvement of the Board of Directors in operations, this reportable condition was not deemed to be a material weakness as defined in the following paragraph.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

This report is intended for the information of the Board of Directors, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Milton E. Kelley

CADDO WATERWORKS DISTRICT NO. 7

BALANCE SHEETS

AT

JUNE 30, 1996 AND 1995

<u>A S S E T S</u>	<u>1996</u>	<u>1995</u>
<u>Current assets: (unrestricted)</u>		
Petty cash	25	25
Operation and maintenance account	41,358	35,617
Accounts receivable-water sales (net of \$2,372 and \$1,779 allowance for bad debts, respectively)	45,069	33,808
Prepaid expense	<u>3,393</u>	<u>2,305</u>
Total current assets (unrestricted)	89,845	71,755
<u>Restricted assets:</u>		
Depreciation Reserve Fund	28,126	21,236
Revenue Fund account	32,271	25,016
Revenue note account	63,750	62,053
Ad Valorem Tax Fund	43,459	22,188
New Well Fund	<u>25,540</u>	<u>24,820</u>
Total restricted assets	193,146	155,313
<u>Fixed assets:</u>		
Distribution system	1,037,858	1,037,858
Treatment plant	515,018	515,018
Meters	16,896	16,896
Building	4,890	4,890
Office furniture and equipment	23,346	23,346
<u>Less: Accumulated depreciation</u>	(321,008)	(286,226)
Land	<u>7,200</u>	<u>7,200</u>
Total fixed assets	<u>1,284,200</u>	<u>1,318,982</u>
Total assets	<u>1,567,191</u>	<u>1,546,050</u>

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

<u>LIABILITIES AND RETAINED EARNINGS</u>	<u>1996</u>	<u>1995</u>
<u>Current liabilities payable from current assets: (unrestricted)</u>		
Accounts payable	8,204	14,951
Withheld and accrued payroll taxes	98	281
Sales tax payable	1,242	1,097
Accrued interest on note payable to bank	206	281
Current portion of notes payable to bank	<u>5,000</u>	<u>4,000</u>
Total current liabilities payable from current unrestricted assets	14,750	20,610
<u>Current liabilities payable from restricted assets:</u>		
Accrued interest on bonds	72,370	73,315
Current portion of bonds payable	<u>13,703</u>	<u>12,601</u>
Total current liabilities payable from restricted assets	86,073	85,916
<u>Long-term liabilities:</u>		
Note payable to bank	6,000	11,000
Bonds payable	<u>1,292,136</u>	<u>1,305,839</u>
Total long-term liabilities	<u>1,298,136</u>	<u>1,316,839</u>
Total liabilities	1,398,959	1,423,365
<u>Contributed Capital:</u>		
Grant-in-aid-La. D.O.T.D.	19,736	19,736
<u>Retained earnings:</u>		
New Well Fund	25,540	24,820
Reserved for Ad Valorem Tax Fund	18,442	22,188
Reserved for Depreciation Fund	28,126	21,236
Reserved for Note Reserve Fund	32,271	25,016
Reserved for Bond Sinking Fund	63,750	62,053
Unreserved (deficit)	(19,633)	(52,364)
Total retained earnings	<u>148,496</u>	<u>102,949</u>
Total liabilities and retained earnings	<u>1,567,191</u>	<u>1,546,050</u>

CADDO WATERWORKS DISTRICT NO. 7

STATEMENTS OF INCOME FOR THE YEARS ENDED

JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<u>Operating revenues:</u>		
Water sales	309,955	261,497
Connection fees	<u>15,549</u>	<u>29,744</u>
Total operating revenues	325,504	291,241
<u>Operating expenses:</u>		
Advertising	199	-
Bad debts	593	271
Board member fees	3,450	3,400
Depreciation	34,782	34,644
Insurance	2,337	4,137
Interest	82,718	84,282
Lease expense	3,237	3,100
Office	17,617	15,464
Professional fees	5,296	5,200
Maintenance-wells	83,300	83,290
Salaries	34,845	32,342
Taxes and licenses	74	200
Payroll taxes	2,699	2,845
Travel	6,161	4,100
Utilities and telephone	<u>22,311</u>	<u>20,161</u>
Total operating expenses	<u>299,619</u>	<u>293,436</u>
<u>Income (loss) from operations</u>	25,885	(2,195)
<u>Other revenue:</u>		
Interest	<u>3,929</u>	<u>3,055</u>
Total other revenue	3,929	3,055
<u>Other financing sources:</u>		
Ad valorem taxes	<u>15,394</u>	<u>14,894</u>
<u>Net income</u>	<u>45,208</u>	<u>15,754</u>

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

CADDO WATERWORKS DISTRICT NO. 7

STATEMENTS OF CHANGES IN RETAINED EARNINGS FOR

THE YEARS ENDED JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<u>Retained earnings (unreserved)</u> <u>beginning of the year (deficit)</u>	(52,364)	(61,203)
<u>Add:</u> Net income	45,208	15,754
Prior year adjustment	338	-
Prior year adjustment to reverse accounts payable-	<u>-</u>	<u>7,073</u>
	45,546	22,827
<u>Less:</u> (Decrease) in Ad Valorem Tax Fund	3,746	11,262
Increase in reserve for Depreciation Fund	(6,890)	(7,465)
Increase in reserve for Reserve Note Fund	(7,255)	(7,496)
Increase in reserve for Bond Sinking Fund	(1,696)	(11,274)
Increase in reserve for New Well Fund	<u>(720)</u>	<u>985</u>
<u>Retained earnings (unreserved)</u> <u>end of year (deficit)</u>	<u>(19,633)</u>	<u>(52,364)</u>

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

CADDO WATERWORKS DISTRICT NO. 7

STATEMENTS OF CASH FLOWS (INDIRECT METHOD)

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<u>Cash flows from operating activities:</u>		
Net income (loss)	45,208	15,754
Prior year adjustment	<u>338</u>	<u>7,073</u>
	45,546	22,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	34,782	34,644
(Increase) decrease in:		
Accounts receivable	(11,261)	(5,142)
Interest receivable	-	217
Prepaid expense	(1,087)	3,127
Increase (decrease) in:		
Accounts payables	(6,747)	427
Contracts payable	-	(4,853)
Accrued payroll taxes	(183)	(384)
Other accrued expense	145	228
Accrued interest on bonds and notes payable	(1,020)	(199)
<u>Net cash provided (used) by operating activities</u>	60,175	50,892
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	-	(28,495)
<u>Net cash provided (used) by investing activities</u>	-	(28,495)
<u>Cash flows from financing activities:</u>		
Repayment of notes payable	(4,000)	(4,000)
Repayment of bonds payable	(12,601)	(11,560)
Contributed capital D.O.T.D.	<u>-</u>	<u>14,200</u>
<u>Net cash provided (used) by financing activities</u>	(16,601)	(1,360)
<u>Net increase (decrease) in cash</u>	43,574	21,037
<u>Cash at beginning of the year</u>	190,955	169,918
<u>Cash at end of the year (Note 5)</u>	<u>234,529</u>	<u>190,955</u>
<u>Supplemental disclosure of cash flows:</u>		
<u>Cash paid for interest expense</u>	<u>82,718</u>	<u>84,282</u>

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

CADDO WATERWORKS DISTRICT NO. 7

NOTES TO FINANCIAL STATEMENTS AT JUNE 30, 1996 AND 1995

1. Nature of Business:

The Caddo Waterworks District No. 7 is a component unit of the parish of Caddo, State of Louisiana. It was organized in 1981 to provide water service to the Keithville, Louisiana area.

2. Summary of Significant Accounting Policies:

1. The accounting and reporting policies of the Caddo Waterworks District No. 7 conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

Financial reporting entity. This report includes all funds and account groups which are controlled by or dependent on the Board of Directors. Control by or dependence on the Board was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Fund accounting. The accounts of the Caddo Waterworks District No. 7 are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. There is only one fund group in these financial statements as follows:

Proprietary Funds. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Enterprise Funds. Enterprise Funds are 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 costs (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 the periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. The Caddo Waterworks District No. 7 utilizes the accrual method of accounting.
3. Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives utilizing the straight-line method of depreciation. The estimated useful lives are as follows:

Treatment plant	10-50 years
Distribution system	50 years
Meters	20 years
Building	20 years
Furniture and fixtures	5 years

4. The Caddo Waterworks District No. 7 is a political subdivision of the State of Louisiana, Parish of Caddo, and as such is not subject to federal or state income taxes. Accordingly, no provision for such taxes has been made.
5. Cash and Cash Equivalents and Investments-Cash includes amounts in demand deposits, interest-bearing demand deposits, certificates of deposit and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Caddo Waterworks District No. 7 may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Caddo Waterworks District No. 7 may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

3. Ad valorem taxes are assessed on a calendar year basis, become due November 15th each year, and are delinquent on December 31.

4. Restricted Assets:

These accounts consists of separately maintained bank accounts as follows:

	<u>1996</u>	<u>1995</u>
1. <u>Depreciation Reserve Fund</u> The Waterworks District is required by the Farmers Home Administration to maintain a Depreciation Reserve Fund with an initial deposit of \$4,750 and subsequent deposits of \$286 per month, once the system is revenue producing, with no maximum amount specified.	<u>28,126</u>	<u>21,236</u>
2. <u>Revenue Note Account Fund</u> The Waterworks District is required by the Farmers Home Administration to maintain a Revenue Note Reserve Fund with an initial deposit of \$4,750 and subsequent monthly deposits equal to one-twelfth of the annual installment note payment.	<u>63,750</u>	<u>62,053</u>
3. <u>Revenue Fund Account</u> The Waterworks District is required by the Farmers Home Administration to maintain a Revenue Fund account with an initial deposit of \$6,300 from membership fees and subsequent monthly deposits equal to five percent of the monthly deposit requirement of the revenue note account, once the system is revenue producing until the highest annual debt service payable in any future year or \$66,462, is reached.	<u>32,271</u>	<u>25,016</u>

From July 1, 1992 through June 30, 1994, the Waterworks District did not meet the monthly deposit requirement of the Loan Letter of Understanding. (See page 4 of Independent Auditor's Report on Compliance With Laws and Regulations.)

5. Cash and Cash Equivalents-At June 30, 1996 and 1995, the Caddo Waterworks District No. 7 has cash and cash equivalents as follows:

	1996			1995
	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	
<u>Demand deposits</u>				
Operation and Maint. Acct.	-	41,358	41,358	35,617
Depreciation Reserve Fund	28,126	-	28,126	21,236
New Well Fund	25,540	-	25,540	24,820
<u>Interest bearing deposits</u>				
Revenue Fund Account	32,271	-	32,271	25,016
Revenue Note Account	63,750	-	63,750	62,053
Ad Valorem Tax Fund	<u>43,459</u>	-	<u>43,459</u>	<u>22,188</u>
Totals	<u>193,146</u>	<u>41,358</u>	<u>234,504</u>	<u>190,930</u>

5. Cash and Cash Equivalents (Continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1996, the Caddo Waterworks District No. 7 has \$234,504 in deposits. These deposits are secured from risk by \$195,024 of federal deposit insurance, and securities pledged by the bank. Of these deposits, \$193,146 and \$155,314 for 1996 and 1995, respectively, are restricted assets.

6. Receivables-The receivables at June 30, 1996 and 1995, are as follows:

<u>Class of Receivable</u>	<u>Proprietary Fund</u>	
	<u>6/30/96</u>	<u>6/30/95</u>
Operating revenue:		
Water sales	<u>45,069</u>	<u>33,808</u>

The accounts receivable balance is comprised of approximately 1,128 metered accounts with an average balance of \$39.95 per account. There is no significant credit risk concentration in any one area.

7. Notes and Bonds Payable:

The Waterworks District was liable for notes and bonds payable as follows:

	<u>Original Balance</u>	<u>Current</u>	<u>Non- Current</u>	<u>1996</u>	<u>1995</u>
Farmers Home Administration 6 7/8% dated 9/20/91-Rev. Bond	340,000	2,703	332,136	334,839	337,440
Farmers Home Administration 6 7/8% dated 11/21/86-Rev. Bond	700,000	6,000	665,000	671,000	676,000
Farmers Home Administration dated 8/3/81-Rev. Bond	142,000	2,000	116,000	118,000	120,000
Farmers Home Administration 5% dated 8/3/81-G/O Bond	213,000	3,000	179,000	182,000	185,000
Commercial National Bank Rate 9.5%-7/15/88-Note pay.	<u>35,000</u>	<u>5,000</u>	<u>6,000</u>	<u>11,000</u>	<u>15,000</u>
Totals	<u>1,430,000</u>	<u>18,703</u>	<u>1,298,136</u>	<u>1,316,839</u>	<u>1,333,440</u>

A detailed listing of general long-term liabilities follows with the funding and reserve requirements:

A. Public Improvements Bonds

Public Improvements Bonds are secured by the full faith and credit of the Caddo Waterworks District No. 7 and financed through the levy and collection of ad valorem taxes. The \$213,000 Public Improvement Bonds series 1981 were issued for the purpose of constructing the initial phase of the Waterworks System. The annual installments of \$2,000 to \$12,000, bearing an interest rate of five per cent, are due through August 10, 2021. Outstanding obligations total \$182,000 at June 30, 1996.

B. Water Revenue Bonds

Water Revenue Bonds are secured by the pledge of income and revenues derived from water sales of the Caddo Waterworks District No. 7.

1. The \$142,000 Water Revenue Bonds Series 1981 were issued to increase the capacity of the Waterworks System. The bonds bear interest at five per cent and are due in annual installments of \$2,000 to \$8,000 through August 10, 2021. Outstanding obligations total \$118,000 at June 30, 1996.
2. The \$700,000 Water Revenue Bonds Series 1985 were issued to expand the Waterworks System. The bonds were purchased by the United States Department of Agriculture Farmers Home Administration under the Water and Waste Disposal Systems for Rural Communities Loan Program. The bonds bear interest at 6.875 per cent and are due in annual installments of \$2,000 to \$59,000 through August 10, 2025. Outstanding obligations total \$671,000 to June 30, 1996.
3. The \$340,000 Water Revenue Bonds Series 1991 were issued to expand the Waterworks System. The bonds were purchased by the United States Department of Agriculture Farmers Home Administration under the Water and Waste Disposal Systems for Rural Communities Loan Program. The bonds bear interest at 6.875 per cent and are due in annual installments of \$23,099.60 including principal and interest through August 10, 2033. Outstanding obligations total \$334,839 at June 30, 1996.

All plant, equipment and revenue are pledged as collateral on the bonds payable to the Farmers Home Administration. The note payable to Commercial National Bank is unsecured.

Debt service requirements including interest are as follows:

Fiscal Year	<u>Public Improvement Bonds</u>	<u>Water Revenue Bonds</u>	<u>Bank Loan</u>
1996	12,100	83,131	5,000
1997	12,950	83,618	6,000
1998	12,750	84,056	-
1999	12,550	84,425	-
2000	12,350	83,725	-
Balance	<u>268,000</u>	<u>2,311,046</u>	<u>-</u>
Total	<u>330,700</u>	<u>2,730,001</u>	<u>11,000</u>

8. Leases:

The Waterworks District has no material capital or operating leases at June 30, 1996 or June 30, 1995. However, land is leased for well sites. The annual rents are under non-cancelable operating leases.

9. Depreciation expenses for the years are as follows:

<u>1996</u>	<u>1995</u>
<u>34,782</u>	<u>34,644</u>

10. Board member fees for compensation or per diem:

	<u>1996</u>	<u>1995</u>
Ann Sanders	650	650
Billie Roberts	700	750
Drew Barron	-	150
Jewel Wagner	800	750
Velma Howard	700	700
Mary Collier	350	-
Burette Huffman	<u>250</u>	<u>400</u>
Totals	<u>3,450</u>	<u>3,400</u>

The Commissioners receive \$50.00 for each meeting attended as approved by the Caddo Parish Commission.

11. Pension Plan:

There is no pension plan set-up for the employees of the Waterworks District. However, all of the employees are covered under the Federal Insurance Contributions Act which is the public social security system.