

**WATERWORKS DISTRICT NO 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA**

**BASIC FINANCIAL STATEMENTS
WTH SUPPLEMENTAL INFORMATION SCHEDULES**

YEAR ENDED JUNE 30, 2019

Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

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 WITH SUPPLEMENTAL INFORMATION SCHEDULES
 YEAR ENDED JUNE 30, 2019**

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BASIC FINANCIAL STATEMENTS
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YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Waterworks District No. 7 of East Feliciana Parish

P O Box 8826

Clinton, LA 70722

I have audited the accompanying financial statements of the business-type activities of the Waterworks District No. 7 of East Feliciana Parish, a component unit of the East Feliciana Parish Policy Jury, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Waterworks District No. 7 of East Feliciana Parish, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

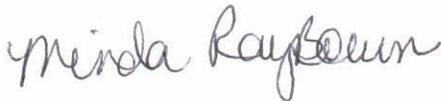
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District No. 7 of East Feliciana Parish's basic financial statements. The schedule of operating expenses, statement of revenues and expenses as a percentage of total operating revenues, schedule of insurance in force, statistical data-water sales, comparative data, schedule of subsequent budget, schedule of compensation paid to governing body and schedule of compensation, benefits, and other payments to agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other information listed herein are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 28, 2019, on my consideration of the Waterworks District No. 7 of East Feliciana Parish's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Waterworks District No. 7 of East Feliciana Parish's internal control over financial reporting and compliance.



Minda Raybourn, CPA

Franklinton, LA
December 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The purpose of the Management's discussion and analysis (MD&A) is to introduce the basic financial statements and provide an analytical overview of the Waterworks District No. 7 of East Feliciana Parish's, hereinafter referred to as the District, financial activities. Since this information is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the financial statements beginning on page 13.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This annual report consists of two components - (1) fund financial statements and (2) notes to the financial statements. There is also other supplementary information contained in this report provided for additional information.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one category of funds: proprietary funds.

Proprietary funds. The District maintains only one type of proprietary fund - enterprise fund. Enterprise funds are used to report the functions financed and operated in a manner similar to private business where the intent of the governing body is that the cost (expenses including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The District uses an enterprise fund to account for its water services.

Financial statements of the District include the following:

Statement of Net Position. This statement presents information on all of the District's assets, deferred outflows of resources, liabilities and inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or not.

Statement of Revenues, Expenses and Changes in Net Position. This statement presents information showing how the District's net assets changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is designed to show the District's financial reliance on general revenues.

Statement of Cash Flows. The change in cash as a result of current year operations is depicted in this statement. The cash flow statement includes a reconciliation of operating income (loss) to the net cash provided by or used for operating activities as required by GASB No. 34.

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

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT

Net position increased by \$94,587 or 8% of the prior year's net position.

Below is a comparison of the current and prior year's net position.

SUMMARY OF NET POSITION

	<u>2019</u>	<u>2018</u>
Assets		
Current assets	\$ 264,483	\$ 260,020
Restricted assets	216,687	213,936
Capital assets, net	<u>1,202,248</u>	<u>1,154,816</u>
Total Assets	<u><u>1,683,418</u></u>	<u><u>1,628,772</u></u>
Liabilities		
Current liabilities	82,310	97,186
Long-term liabilities	<u>325,299</u>	<u>350,364</u>
Total liabilities	<u><u>407,609</u></u>	<u><u>447,550</u></u>
Net Position		
Net investment in capital assets	851,884	780,820
Restricted	262,507	261,136
Unrestricted	<u>161,418</u>	<u>139,266</u>
Net position	<u><u>\$ 1,275,809</u></u>	<u><u>\$ 1,181,222</u></u>

The largest portion of the District's net assets is in its investment in capital assets - \$851,884 and \$780,280 at June 30, 2019 and 2018, respectively, representing 67% of net position. Another 21% at June 30, 2019, is restricted for customer deposits and debt retirement. The amount at June 30, 2019 restricted for customer deposits and debt retirement was \$262,507 (21%) and at June 30, 2018 the amount was \$261,136 (22%). The remaining balance in net assets of \$161,418 (13%) and \$139,266 (12%) at June 30, 2019 and 2018, respectively, is available to pay current operating expenses.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Water sales decreased by \$31,772 or 8% over the prior year. Non-operating revenues increased due to the receipt of grant revenues for a waterline expansion.

Expenses increased by \$15,482 or more than 4% over the prior year. The biggest increases in expenditures were automobile expense (\$3,028), insurance (\$3,431), legal and professional expenditures (\$5,275), utilities (\$4,607), and repairs and maintenance (\$2,529).

A summary of changes in net position follows:

SUMMARY OF CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Revenues		
Charges for services	\$ 376,584	\$ 408,356
Non-operating revenues	<u>108,159</u>	<u>1,747</u>
Total revenues	<u>484,743</u>	<u>410,103</u>
 Expenses		
Operating	296,005	281,467
Depreciation/amortization	74,506	72,212
Non-operating	<u>19,645</u>	<u>20,995</u>
Total expenses	<u>390,156</u>	<u>374,674</u>
 Change in net position	94,587	35,429
Net position, beginning	<u>1,181,222</u>	<u>1,145,793</u>
Net position, Ending	<u>\$ 1,275,809</u>	<u>\$ 1,181,222</u>

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

BUDGETARY HIGHLIGHTS

The District's actual operating revenues were \$9,934 or 3% more than budgeted. Operating expenses were \$13,689 (4%) less than budgeted authority. Non-operating revenues and expenses were favorable in comparison to the adopted budget by \$7,214. Overall, the District increased its net position by \$30,837 or 48% more than anticipated. A budget to actual comparison is on page 30.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's capital assets, net of accumulated depreciation at June 30, 2019 and 2018, was \$1,198,986 and \$1,151,471 respectively. Additions during the current year totaled \$138,628. The additions were the purchase of new billing software of \$6,618, a new Dodge Ram truck for \$21,566, and water line improvements on Highway 961 for \$110,444. The District sold a Ford Ranger for \$1,700. It was fully depreciated. Depreciation expense for the year totaled \$74,423.

Capital assets at year-end are summarized as follows:

CAPITAL ASSETS

Net of Accumulated Depreciation

	2019	2018
Capital assets, Non-Depreciable		
Land	4,500	4,500
Construction in Progress	32,101	48,791
 Capital Assets, Depreciable		
Buildings	142,608	146,654
Distribution system	966,535	914,370
Furniture and equipment	14,989	12,992
Vehicles	38,253	24,164
Total capital assets, net	1,198,986	1,151,471

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The District executed a 60 year land lease at \$5,000 for which it amortizes. Amortization to date totals \$1,739 leaving a net book value at June 30, 2019, of \$3,261. This amount is not included in the totals provided above.

Debt Administration: Long-term debt of the District includes revenue bonds. Total bonded debt outstanding at June 30, 2019 and 2018, was \$350,364 and \$373,996, respectively. The District paid \$23,632 towards its bonded debt during the current year as well as \$19,645 in related interest. Principal and interest payments are funded by general revenues.

A summary of the long-term portion of bonds outstanding is as follows:

OUTSTANDING BONDS

	2019	2018
Revenue bonds		
Series 1987 dated 7/8/87	114,520	128,445
Series 1991 dated 7/29/93	27,082	30,237
Series 2001 dated 8/3/01	208,762	215,314
Total	350,364	373,996

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations and demonstrate the District's commitment to public accountability. Any questions or requests for additional information can be obtained by contacting the Waterworks District No. 7 of East Feliciana Parish, P. O. Box 8826, Clinton, Louisiana 70722 or 225-683-9124.

BASIC FINANCIAL STATEMENTS

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS

Current Assets

Cash and cash equivalents	\$ 146,416
Investments	59,115
Accounts receivable, net	31,726
Unbilled receivables	9,507
Prepaid Expenses	17,720
Total Current Assets	264,483

RESTRICTED ASSETS

Restricted Cash	115,526
Restricted Investments	101,161
Total Restricted Assets	216,687

PROPERTY, PLANT, AND EQUIPMENT

Land	4,500
Construction in Progress	32,101
Land lease, net	3,261
Plant and equipment, net	1,162,386
Total Property, Plant, and Equipment	1,202,248

TOTAL ASSETS

1,683,418

DEFERRED OUTFLOWS OF RESOURCES

-

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

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2019**

LIABILITIES

Current Liabilities

Accounts payable	\$ 5,272
Payroll withholdings and related payables	997
Accrued salaries payable	5,157
Customer deposits	45,820
Bonds payable-current portion	25,065
Total Current Liabilities	82,310

Long-Term Liabilities

Bonds payable-revenue	325,299
Total Long-Term Liabilities	325,299

TOTAL LIABILITIES

407,609

DEFERRED INFLOWS OF RESOURCES

-

NET POSITION

Net investment in capital assets	851,884
Restricted for customer deposits	45,820
Restricted for debt service and contingencies	216,687
Unrestricted	161,418
TOTAL NET POSITION	1,275,809

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

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION
JUNE 30, 2019**

OPERATING REVENUES

Charges for services	
Water sales	\$ 350,157
Late fees	10,946
Safe water fees	11,211
Miscellaneous revenues	0
Connection fees	4,270
Total operating revenues	<u>376,584</u>

OPERATING EXPENSES

Administrative	40,260
Depreciation/amortization	74,506
Employee and related expenses	134,475
Occupancy	48,591
Personal services	72,679
Total operating expenses	<u>370,511</u>

OPERATING INCOME	<u>6,073</u>
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NON-OPERATING REVENUES (EXPENSES)

Grant proceeds	104,630
Gain on disposal of asset	1,700
Interest income	1,829
Interest expense	(19,645)
Net non-operating income (expense)	<u>88,514</u>

Change in net position	94,587
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Net position, beginning	1,181,222
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Net position, ending	<u><u>\$ 1,275,809</u></u>
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The accompanying notes are an integral part of the financial statements.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF CASH FLOWS
JUNE 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 365,650
Cash paid to suppliers for goods/services	(161,621)
Cash paid to employees for services	(134,475)
Net cash provided by operating activities	<u>69,554</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash received from grants	104,630
Cash received from other sources	-
Net cash provided by non-capital financing activities	<u>104,630</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(121,938)
Sale of capital assets	1,700
Interest paid on bonds	(19,645)
Principal paid on bond maturities	(23,632)
Net cash used for capital and related financing activities	<u>(163,515)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificate of deposits	-
Interest received	1,829
Net cash used for Investing Activities	<u>1,829</u>
 Net Increase (Decrease) in cash and cash equivalents	 <u>12,498</u>
 Cash and Cash equivalents, beginning of year	 249,445
 Cash and Cash equivalents, ending of year	 <u>261,943</u>
 Unrestricted	 146,416
Restricted	115,526
Cash and cash equivalents, end of year	<u>261,943</u>

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

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF CASH FLOWS
JUNE 30, 2019**

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 6,073
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation/amortization	74,506
(Increase)/decrease in assets:	
Accounts receivable	5,605
Unbilled accounts receivable	1,194
Prepaid insurance	(1,731)
Increase/(decrease) in liabilities	
Accounts payable	(14,305)
Accrued salaries	(356)
Payroll tax withholdings	(52)
Customer Deposits	(1,380)
Net cash provided by operating activities	<u><u>69,554</u></u>

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

NOTES TO FINANCIAL STATEMENTS

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

INTRODUCTION

The Waterworks District No. 7 of East Feliciana Parish (hereinafter referred to as the District), located in Clinton, Louisiana, was created by the East Feliciana Parish Police Jury as allowed under Louisiana Revised Statute 33:7702. Its board members are appointed by the East Feliciana Parish Police Jury.

The District was created to provide water resources to the citizens of East Feliciana Parish residing within the boundaries of the District. It serves an average of 938 customers.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting practice of the District conforms to governmental accounting principles generally accepted in the United States of America. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the Louisiana Governmental 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: Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the East Feliciana Parish Police Jury is the financial reporting entity for East Feliciana Parish. The District is considered a component unit of the East Feliciana Parish Police Jury because it appoints a voting majority of the District's governing body and its services are rendered within the Police Jury's boundaries. The accompanying financial statements present information only on the fund(s) maintained by the District and do not present information on the Police Jury, the general government services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Fund Accounting: The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate entity with a self-balancing set of accounts. Funds of the District are classified under one category: proprietary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Proprietary Funds - used to account for governmental activities that are similar to activities performed by commercial enterprises in that goods/services are provided for a fee. Proprietary

Funds of the District include the following fund types:

1. Enterprise -account for operations (a) 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

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

Basis of Accounting/Measurement Focus: In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

Basis of accounting refers to when revenues and expenses are recognized and reported and relates to the time of the measurement, regardless of the measurement focus applied. The fund statements of the District are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of business-type activities are included in the statement of net assets. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred. In these statements, capital assets are reported and depreciated, and long-term debt is reported.

Operating/Non-Operating Revenues: Proprietary funds separately report operating and non operating revenues. Revenues from transactions of the District's water services are considered operating revenues. All other revenues, which are reported as cash flows from capital or non-capital financing and investing, are reported as non-operating revenues.

Budgets and Budgetary Accounting: The District adopts an annual budget prepared in accordance with the basis of accounting utilized by that fund. The governing body must approve any revisions that alter the total expenditures. Budget amounts lapse at year-end.

Cash and Cash Equivalents: Cash includes amounts in demand deposits. Cash equivalents include amounts in investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law or any other state of the United States or under the laws of the United States.

Investments: Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value, based on quoted market prices, with the corresponding increase or decrease reported in investment earnings.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Inventory: Inventory is recorded at cost. It includes only office supplies, the amount of which is considered immaterial. Therefore, the acquisition of such items is expensed when purchased, and the inventory on hand at year-end is not reported in the accompanying financial statements.

Receivables: Trade receivables are recorded at management's estimate of the amount that is expected to be collected. This is based in part on historical information. Revenues become susceptible to accrual when they become both measurable and available.

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.

Capital Assets: The District's assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing assets. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows: vehicles - 5 years, furniture and equipment - 5 to 7 years and distribution system - 15 to 40 years. The District has a land lease that it is amortizing over a period of 60 years.

In June 1999, the GASB issued Statement No. 34 which requires the inclusion of infrastructure assets used in governmental activities in the basic financial statements retroactively reported back to 1982. An exception exists for local governments with annual revenues of less than \$10 million. As a result of this exception, the District elected not to report its governmental infrastructure retroactively. From that point forward, the District has used the basic approach to infrastructure reporting for its governmental activities when applicable.

Net Position: In the statement of net position, the difference between a government's assets and deferred outflows of resources and its liabilities and deferred inflows of resources is recorded as net position. The three components of net position are as follows:

Net Investment in Capital Assets

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Position

Net position that is reserved by external sources, such as banks or by law, is reported separately as restricted net position. When assets are required to be retained in perpetuity, this non-expendable net position are recorded separately from expendable net position. These are components of restricted net position.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

Unrestricted Net Position

This category represents net position not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2-CASH AND CASH EQUIVALENTS

The cash and cash equivalents on hand (book balances) of the District are as follows:

Petty Cash	100
Interest-bearing demand deposits	146,316
Restricted:	
Interest-bearing demand deposits	<u>115,526</u>
Total	<u><u>261,942</u></u>

Deposits are stated at cost, which approximates market. Under state law, they 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.

Even though pledged securities are considered uncollateralized under the provisions of GASB Statement No. 3, La. Revised Statute 39: 1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

With the adoption of GASB Statement No. 40, only deposits are considered exposed to custodial credit risk are required to be disclosed. The District has no deposits exposed to custodial credit risk.

NOTE 3-INVESTMENTS

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured and unregistered, not registered in the name of the entity or are held either by the counter party or the counter-party's trust department or agent not in the entity's name. Investments of the District are certificates of deposit held by the counter-party in the District's name. They are secured from risk by \$250,000 of federal deposit insurance.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

A summary of investments for which cost and fair value are the same are as follow:

Certificate of Deposit	Cost	Interest Rate	Maturity
Feliciana Bank and Trust	49,115	0.55%	9/12/2019
Landmark Bank	50,558	1.60%	10/12/2019
Landmark Bank	50,603	0.80%	10/27/2019
Feliciana Bank and Trust	10,000	0.55%	5/2/2020
	<u>160,276</u>		

NOTE 4-RECEIVABLES

The net receivables at June 30, 2019 are as follows:

	Year Ended June 30, 2019
Current	\$ 31,003
31-60 Days	1,601
61-90 Days	252
Over 90 Days	32,669
Subtotal	<u>65,525</u>
Less Allowance for Bad Debt	<u>(33,800)</u>
Accounts Receivables, net	<u>31,725</u>
Accrued Billings	<u>9,507</u>
Total Accounts Receivable	<u>\$ 41,232</u>

The District utilizes the allowance method for receivables estimated to not be collected. The current year receivables include \$32,921 in delinquent accounts that are more than 60 days old.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 - RESTRICTED ASSETS

Restricted assets consist of the following:

Cash and Cash Equivalents	
Revenue Bonds	
Reserve Fund	43,355
Depreciation and Contingency Fund	72,171
Total	115,526
Investments	
Restricted for Repairs	50,603
Restricted for Debt Payments	50,558
Total	101,161

The Revenue Bond Resolution, Section 8, originally adopted on September 5, 1985, provides for all income and revenue derived from the operation of the District to be pledged for the security and payment of Series A and Series 2001 Water Revenue Bonds. The first priority is the payment of reasonable and necessary costs of operating and maintaining the water distribution system.

Secondly, the District is required to maintain a Waterworks System Revenue Bond Reserve Fund (hereinafter referred to as the Reserve Fund) and a Depreciation and Contingency Fund (hereinafter referred to as the Depreciation Fund). The Reserve Fund, established when the system became revenue producing, includes monthly deposits of \$181 continuing until such time that the fund has accumulated a sum equal to \$43,275.90. These funds are restricted to the payment of principal and interest of all bonds payable to avoid default. The balance at June 30, 2019, is \$43,355 and was fully funded.

The Depreciation Fund, established at the same time, includes monthly deposits of \$185 continuing until all bonds have been paid in full. These funds are restricted to unusual or extraordinary maintenance, repairs, replacements or extensions as well as the costs of improvements which will either enhance the system's revenue-producing capacity or provide a higher degree of service. In the event that the funds available in the Reserve Fund are insufficient to cover principal and interest payments, the necessary balance may be transferred from this Fund. The balance at June 30, 2019, is \$72,171 and was fully funded.

The board has restricted a certificate of deposit restricted for future repairs in the amount of \$50,603. The investment will mature October 27, 2019. The board has also restricted a certificate

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

of deposit for debt payments in the amount of \$50,558. The investment will mature October 12, 2019.

NOTE 6-CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, Non-Depreciable				
Land	4,500	-	-	4,500
Construction in Progress	48,791	93,754	(110,444)	32,101
Capital Assets Depreciable				
Buildings	157,838		-	157,838
Distribution system	2,169,518	110,444	-	2,279,962
Furniture and equipment	83,832	6,618	-	90,450
Vehicles	65,910	21,566	(12,747)	74,729
Total capital assets, depreciable	<u>2,477,098</u>	<u>138,628</u>	<u>(12,747)</u>	<u>2,602,979</u>
Less accumulated depreciation				
Buildings	11,184	4,046	-	15,230
Distribution system	1,255,148	58,279	-	1,313,427
Furniture and equipment	70,840	4,621	-	75,461
Vehicles	41,746	7,477	(12,747)	36,476
Total accumulated depreciation	<u>1,378,918</u>	<u>74,423</u>	<u>(12,747)</u>	<u>1,440,594</u>
Total capital assets, depreciable, net	<u>1,098,180</u>	<u>64,205</u>	<u>-</u>	<u>1,162,385</u>
Total capital assets, net	<u>1,151,471</u>	<u>157,959</u>	<u>(110,444)</u>	<u>1,198,986</u>

Additions during the current year totaled \$138,628. The additions were the purchase of new billing software of \$6,618, a new Dodge Ram truck for \$21,566, and water line improvements on Highway 961 for \$110,444. The District sold a Ford Ranger for \$1,700. It was fully depreciated.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

The original cost of the Ford Ranger was \$12,747. Depreciation expense for the year totaled \$74,423.

NOTE 7-ACCOUNTS AND OTHER PAYABLES

The payables at June 30, 2019 are as follows:

Accounts payable	5,272
Payroll withholdings and related payables	997
Accrued salaries payable	5,157
Customer deposits	45,820
Bonds payable-current portion	<u>25,065</u>
Total	<u><u>82,310</u></u>

NOTE 8-LONG TERM LIABILITIES

Revenue Bonds. The District is currently making payment on three different issues as follows:

Series 1987 issued in the amount of \$305,600, dated July 8, 1987, due in annual installments of \$21,863 including interest at 6.5% beginning 7/8/1990 for a period of 40 years

Series 1991 issued in the amount of \$74,800, dated July 29, 1993, due in monthly installments of \$397.94 including interest at 5.625% beginning 8/8/1995 for a period of 38 years

Series 2001 issued in the amount of \$295,000, dated August 3, 2001, due in monthly installments of \$1,386.50 including interest at 4.75% beginning 9/3/2002 for a period of 40 years.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Beginnng Balance	Addition	Reductions	Ending Balance	Due Within One Year
Revenue bonds	373,996	-	(23,632)	350,364	25,064

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

The annual debt service requirements to maturity for bonded debt are as follows:

Year Ending	Principal	Interest	Total
2020	25,065	18,212	43,277
2021	26,586	16,691	43,277
2022	28,522	15,153	43,675
2023	29,595	13,284	42,879
2024	31,354	11,881	43,235
2025-2029	83,715	39,144	122,860
2030-2034	65,607	24,974	90,581
2035-2039	55,129	9,662	64,791
2040-2043	4,792	811	5,602
Total	350,364	149,814	500,178

NOTE 9-LEASES

Operatng Leases. The District entered into a 60 year lease for land commencing on August 3, 1999 and terminating August 2, 2058. It prepaid the entire lease of \$5,000 at the time the lease was executed and is being amortized at an amount of \$83 per year. Accumulated amortization at June 30, 2019, was \$ 1,739 providing for a land lease value of \$3,261.

Capital Leases. The District has no capital leases.

NOTE 10- RETIREMENT PLAN

The District does not provide a retirement plan for its employees other than social security in which it matches the 6.2% of gross salaries paid in by the employee.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

The District does not provide post-employment benefits.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12-COMMITMENTS AND CONTIGENCIES

On October 25, 2018 the District adopted a resolution state the District's intention to issue water revenue bonds in the amount not to exceed \$1,384,000 for the purpose of acquiring, construction of improvements, and extension of the water distribution system. As of June 30, 2019, the District has not issued the water revenue bonds nor has the project been brought before the Louisiana State Bond Commission. However, the District is still actively pursuing the project.

NOTE 13-RELATED PARTY TRANSACTIONS

The District obtains water under the terms of a local service agreement with the East Feliciana Parish Policy Jury, of which it is a component unit. The water utilized by the District is obtained from a well constructed by the EFP Policy Jury on property owned by the District. The service agreement provides for a 50 year lease of the well that began when the well was first placed into service.

In exchange, the District agreed to issue revenue bonds to place into operation a waterworks utility system for which it was granted a franchise by the EFP Police Jury. Both parties agreed that no action would be taken by either party that would impair the security for or the payment of the revenue bonds.

The District has the option of purchasing the water well from the EFP Policy Jury at any time by paying a sum equal to the original cost of the well less depreciation as may be certified by the District's consulting engineer. The cost was \$155,000, funded by proceeds from a grant through U.S. Housing and Urban Development.

NOTE 14 - LITIGATION AND CLAIMS

There is no litigation that would require disclosure in the accompanying financial statements.

NOTE 15- SUBSEQUENT EVENTS

On July 18, 2019, the District approved for Thorton, Musso, and Bellemin to evaluate the water system.

There are no other transactions or events between the close of the year through December 28, 2019, the date on which the financial statements were available to be issued, that would materially impact these basic financial statements.

SUPPLEMENTARY INFORMATION

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA**

**BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2019**

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget
OPERATING REVENUES				
Charges for services				
Water sales	350,000	340,000	350,157	10,157
Late fees	10,000	10,650	10,946	296
Safe water fees	11,000	11,000	11,211	211
Miscellaneous revenues	1,500	-	-	-
Connection fees	7,000	5,000	4,270	(730)
Total operating revenues	<u>379,500</u>	<u>366,650</u>	<u>376,584</u>	<u>9,934</u>
OPEARTNG EXPENSES				
Administrative	45,250	43,800	40,260	(3,540)
Depreciation/amortization	72,000	73,000	74,506	1,506
Employee and related expenses	147,000	139,000	134,475	(4,525)
Occupancy	51,000	52,000	48,591	(3,409)
Personal servcies	79,400	76,400	72,679	(3,721)
Total operating expenses	<u>394,650</u>	<u>384,200</u>	<u>370,511</u>	<u>(13,689)</u>
OPERATING INCOME	(15,150)	(17,550)	6,073	23,623
NON-OPERATNG REVENUES (EXPENSES)				
Grant proceeds	100,000	100,000	104,630	4,630
Gain on salse of asset	-	1,700	1,700	-
Interest income	1,200	1,600	1,829	229
Interest expense	(24,000)	(22,000)	(19,645)	2,355
Net non-operatng ncome (expense)	<u>77,200</u>	<u>81,300</u>	<u>88,514</u>	<u>7,214</u>
Change in net position	<u>62,050</u>	<u>63,750</u>	<u>94,587</u>	<u>30,837</u>
Net position, beginning	1,181,222	1,181,222	1,181,222	-
Net position, ending	<u><u>1,243,272</u></u>	<u><u>1,244,972</u></u>	<u><u>1,275,809</u></u>	<u><u>30,837</u></u>

See independent auditor's report.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA**

**SCHEDULE OF OPERATING EXPENSES
JUNE 30, 2019**

ADMINISTRATIVE

Advertsing	3,550
Board expense	8,400
Dues and subscriptions	1,159
Office supplies	5,745
Postage	4,312
Bank charges	648
Miscellaneous	735
Website	272
Professional fees	15,439
Total administrative	<u>40,260</u>

DEPRECIATION/AMORTIZATION

74,506

EMPLOYEE AND RELATED EXPENSES

Payroll taxes	9,078
Salaries/clerical assistance	124,518
Seminars/workshops	879
Total employee and related expenses	<u>134,475</u>

OCCUPANCY

Insurance	22,318
Office rent	-
Telephone	3,743
Utilities	22,530
Total occupancy	<u>48,591</u>

PERSONAL SERVICES

Bad Debts	5,800
Repairs/maintenance	15,916
Safe drinking water fees	8,037
Vehicle operations	19,563
Supplies	23,363
Total personal services	<u>72,679</u>

TOTAL OPERATING EXPENSES

370,511

See independent auditor's report.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA**

**STATEMENT OF REVENUES AND EXPENSES AS A PERCENTAGE
OF TOTAL OPERATING REVENUES**

JUNE 30, 2019

OPERATING REVENUES	<u>\$</u>	<u>%</u>
Charges for services		
Water sales	350,157	92.98%
Late fees	10,946	2.91%
Safe water fees	11,211	2.98%
Miscellaneous revenues	-	0.00%
Connection fees	4,270	1.13%
Total operating revenues	<u>376,584</u>	<u>100.00%</u>
 OPERATING EXPENSES		
Administrative	40,260	10.69%
Depreciation/amortization	74,506	19.78%
Employee and related expenses	134,475	35.71%
Occupancy	48,591	12.90%
Personal services	72,679	19.30%
Total operating expenses	<u>370,511</u>	<u>98.39%</u>
 OPERATING INCOME	<u>6,073</u>	<u>1.61%</u>
 NON-OPERATING REVENUES (EXPENSES)		
Grant proceeds	104,630	27.78%
Gain on disposal of asset	1,700	0.45%
Interest income	1,829	0.49%
Interest expense	(19,645)	-5.22%
Net non-operating income (expense)	<u>88,514</u>	<u>23.50%</u>
 CHANGE IN NET POSITION	<u><u>94,587</u></u>	<u><u>25.12%</u></u>

See independent auditor's report.

**WATERWORKS DISTRICT #7 OF EAST FELICIANA PARISH
SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 2019**

<u>POLICY NUMBER</u>	<u>EXPIRATION DATE</u>	<u>COMPANY AND COVERAGE</u>	<u>AMOUNT</u>
PPK1980456	5/17/19	Tokio Marine Speciality Insurance Company	
	5/17/20	Bodily injury/property damage-aggregate	\$3,000,000
		Bodily injury/property damage per occurrence	\$1,000,000
		Personal injury & Adv. Injury-aggregate	\$3,000,000
		Personal injury & Adv. Injury-per occurrence	\$1,000,000
		Employee Benefits Liability-aggregate	\$3,000,000
		Employee Benefits Liability-per occurrence	\$1,000,000
		Damage to Rented Premises	\$500,000
PPK1980456	5/17/19	Tokio Marine Speciality Insurance Company	
	5/17/20	Auto Coverage Liability	\$1,000,000
		Uninsured Motorists	\$500,000
		Comprehensive Deductible	\$500
		Collison Deductible	\$500
PPK1980456	5/17/19	Tokio Marine Speciality Insurance Company	
	5/17/20	Real and Personal Property	
		Limit of insurance per occurrence	\$100,000
		Deductible property per occurrence	\$1,000
		Deductible inland marine per occurrence	\$500
22983-S	5/5/19	Louisiana Worker's Compensation Corp.	
	5/5/20	Worker's Compensation	Statutory
68686855	2/18/19	CNA Surety Company	
	2/18/20	Fidelity Bond	\$88,600
105651588	7/14/18	Travelers	
	7/14/19	Director's and Officer's Liability	\$1,000,000
		Employment Practices Liability	\$1,000,000

See independent auditor's report.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
COMPARATIVE DATA
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>SUMMARY OF STATEMENT OF REVENUES</u>						
Operating revenues	376,584	408,356	372,954	\$ 362,303	\$ 364,546	\$ 355,722
Operating expenses	370,511	353,679	340,973	319,100	320,199	326,514
Operating Income (Loss)	6,073	54,677	31,981	43,203	44,347	29,208
Non-operating revenues	108,159	1,747	54,852	71,016	3,504	1,690
Non-operating expenses	(19,645)	(20,995)	(22,266)	(23,464)	(24,592)	(31,688)
Net Income (Loss)	94,587	35,429	64,567	90,756	23,259	(790)
<u>OTHER DATA</u>						
Capital assets, net	1,202,248	1,154,816	1,176,088	1,107,249	995,512	1,021,050
Net working capital	398,860	376,770	343,563	286,299	333,683	323,936
Total assets	1,683,418	1,628,772	1,604,267	1,560,430	1,488,718	1,477,091
Long-term liabilities	325,299	350,364	373,858	442,778	463,740	479,653
Total equity	1,275,809	1,181,222	1,145,793	1,081,227	990,470	967,521
Average no. of customers	938	945	936	926	923	918
Total cubic feet of water sold (MCF)	56,476.9	65,168.8	54,886.0	57,024.9	54,088.7	59,627.8
No. of residential customers	907	912	907	904	906	891
No. of commercial customers	29	32	36	29	19	23
No. of commercial customers with 3/4" meter	-	-	-	-	-	-

See Independent Auditor's Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA**

**SCHEDULE OF SUBSEQUENT BUDGET
JUNE 30, 2020**

OPERATING REVENUES

Charges for services	
Water sales	405,000
Late fees	11,500
Safe water fees	11,500
Miscellaneous revenues	1,000
Connection fees	5,000
Total operating revenues	<u>434,000</u>

OPERATING EXPESNES

Administrative	123,000
Depreciation/amortization	75,000
Employee and related expenses	62,250
Occupancy	51,500
Personal servcies	76,200
Total operating expenses	<u>387,950</u>

OPERATING INCOME	<u>46,050</u>
-------------------------	---------------

NON-OPERATNG REVENUES (EXPENSES)

Grant proceeds	90,000
Interest income	1,800
Bad debt expense	(3,000)
Interest expense	(22,000)
Net non-operatng ncome (expense)	<u>66,800</u>

Change in net position	112,850
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Net position, beginning	1,275,809
--------------------------------	-----------

Net position, ending	<u><u>1,388,659</u></u>
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See independent auditor's report.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA**

**SCHEDULE OF COMPENSATION PAID TO GOVERNING BODY
JUNE 30, 2019**

Brown, Samuel (President) 11332 Dan Delee Rd. Norwood, LA 70761 (225) 683-5032	1,800
Bryant, Louise Spurlock PO Box 1671 Clinton, LA 70722 (225) 683-8664	1,680
Granier, Jr., Larry (Vice-President) 12912 Graner Ln. Clinton, LA 70722 (225) 683-5030	1,800
Howell, Joe 14444 Highway 10 Clinton, LA 70722 (225) 683-5062	1,800
Tony Rouchon Clinton, LA 70722	480
Stewman, John 12914 Perkins Rd. Norwood, LA 70761	840
Total	8,400

See independent auditor's report.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD
JUNE 30, 2019**

Agency Head: James Jenkins, Maintenance Supervisor

Salary	49,327
FICA	<u>3,774</u>
Total	<u><u>53,101</u></u>

See independent auditor's report.

Minda B. Raybourn

Certified Public Accountant

Limited Liability Company

820 11th Avenue
Franklinton, Louisiana 70438
(985) 839-4413
Fax (985) 839-4402
wrcpa@huntbrothers.com

Member
AICPA

Member
LCPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Waterworks District No. 7 of East Feliciana Parish
P O Box 8826
Clinton, LA 70722

I have audited, in accordance with the 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, the financial statements of the business-type activities of the Waterworks District No. 7 of East Feliciana Parish, a component unit of the East Feliciana Parish Policy Jury, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Waterworks District No. 7 of East Feliciana Parish's basic financial statements and have issued our report thereon dated December 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the Waterworks District No. 7 of East Feliciana Parish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District No. 7 of East Feliciana Parish's internal control. Accordingly, I do not express an opinion on the effectiveness of the Waterworks District No. 7 of East Feliciana Parish's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant*

deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

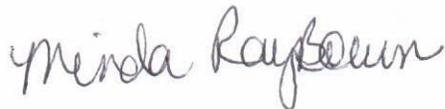
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waterworks District No. 7 of East Feliciana Parish's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, others within the agency, the Legislative Auditor, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Minda Raybourn CPA

Franklinton, LA
December 28, 2019

**WATERWORKS DISTRICT NO 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

I have audited the basic financial statements of the Waterworks District No. 7 of East Feliciana Parish as of and for the year ended June 30, 2019, and have issued my report thereon dated December 28, 2019. 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. My audit of the financial statements as of June 30, 2019, resulted in an unmodified opinion.

Section I Summary of Auditor’s Reports

Report on Compliance and Internal Control Material to the Financial Statements

A. Internal Control

- | | | | | |
|-------------------------------------|-----|-----|-----|----|
| • Material Weaknesses | ___ | Yes | _X_ | No |
| • Significant Deficiencies | ___ | Yes | _X_ | No |
| • Compliance Material to Statements | ___ | Yes | _X_ | No |

B. Federal Awards

N/A

Section II Financial Statement Findings

N/A

Section III Federal Award Findings and Questioned Costs

N/A

Section IV Management Letter

N/A

**WATERWORKS DISTRICT NO 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

Finding 2018-001 - Accounts Receivable Payments

Criteria: Accounts receivable payments processed in the utility billing system should be balanced daily with all bank deposits whether processed at the District office or at the local banks. Payment and batch reports should be compared and reconciled with the daily deposit slips.

Condition: The District has an arrangement with two local banks where the customer may take their payment and utility bill to the local bank for payment. The bank will forward to the District utility stubs presented for payment and a listing of payments made. This information is processed by the District in the utility billing system. A batch report is printed with the payments listed by customer and the total that was posted. Sometimes no deposit tickets or other deposit information is forwarded by the banks. At the end of the month, payments posted to the utility billing system are not balanced against the deposits made by the banks for the customer payments processed at the banks. Accounts receivable is not balanced monthly but at the end of the year.

Cause of condition: For the payments made by customers at the banks, deposit tickets and deposit reports are not always submitted to the District. The customer payments at the banks that are posted to the utility billing system are not cross referenced with the online banking activity or bank statements at the end of the month.

Effect: Accounts receivable could be misstated.

Recommendation: The District should develop procedures to ensure all payments made by customers and processed at the banks are balanced not only with the customer utility stubs but with the deposit tickets.

Management response: The District will take steps to implement the auditor's recommendation.

Status: Resolved.

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 26, 2019

To the Board of Directors
Waterworks District No. 7 of
East Feliciana Parish
PO Box 8826
Clinton, LA 70722
And Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by Waterworks District No. 7 of East Feliciana Parish (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

No exceptions noted.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No exceptions noted. Purchase requisitions and purchase orders are not used by the District.

- c) **Disbursements**, including processing, reviewing, and approving

No exceptions noted.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The District does not have policies and procedures on receipts and collections.

Response: We will implement the required policies and procedures.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

No exceptions noted.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

No exceptions noted.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The District has a travel policy but it does not address dollar thresholds by category of expense, documentation requirements, or required approvers.

Response: We will implement the required policies and procedures.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

No exceptions noted.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No exceptions noted.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

The District does not have policies on disaster recovery or business continuity.

Response: We will implement the required policies and procedures.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

No exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions noted.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions noted.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
No exceptions noted.
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
No exceptions noted.
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
No exceptions noted.

Collections (excluding EFTs)

4. Obtain a listing of deposit sites or the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
A listing of deposit sites and management's representation that the listing is complete was obtained.
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
The District has one cash drawer.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

There are two employees are collecting cash. One employee is responsible for depositing cash in the bank. The other employee is responsible for reconciling collection documentation to the deposit.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

An external account is responsible for posting collection entries to the general ledger. The external accountant is not responsible for collecting cash.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

An external accountant is responsible for reconciling cash collections to the general ledger by revenue source and is not responsible for collecting cash.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

The employees are bonded.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Receipts are not used. Payment stubs from the customers are retained.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

No exceptions noted.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A listing of locations that process payments and management's representation that the listing is complete were obtained.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

No exceptions noted.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

[Note: Exceptions to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); should not be reported.)]

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The District has a debit card. A listing of card numbers and the name of the persons who have possession of the cards was obtained. Management's representation was obtained.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

No exceptions noted.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Not applicable.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

No exceptions noted.

Travel and Travel-Related Expense Reimbursement (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

A listing of travel and travel-related reimbursements was obtained. Management's representation was obtained.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

A listing of contracts was obtained. Management's representation was obtained.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions noted.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

A listing of employees and management's representation were obtained.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Time sheets are signed by the employees but not the supervisors. Board members approve the payroll register for payment.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Leave records are maintained for each employee by the accountant's office. The hours used for sick and vacation are documented each pay period.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No employees were terminated.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

No exceptions noted.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under “Payroll and Personnel” above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Two out of four employees had the ethics training.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity’s ethics policy during the fiscal period.

These were not provided.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

No exceptions noted.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

No exceptions noted.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management’s representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No exceptions noted.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

A handwritten signature in cursive script that reads "Minda Raybourn". The signature is written in dark ink on a light-colored background.

Minda Raybourn CPA
Franklinton, LA
December 26, 2019