

**WATERWORKS DISTRICT NO. 7 OF
EAST FELICIANA PARISH
Clinton, Louisiana**

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

JUNE 30, 2016

WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
Clinton, Louisiana
BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION SCHEDULES
JUNE 30, 2016

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Clinton, Louisiana
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JUNE 30, 2016

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BASIC FINANCIAL STATEMENTS

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A PROFESSIONAL ACCOUNTING CORPORATION
4257 CHURCH STREET, SUITE 105
ZACHARY, LOUISIANA 70791**

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 Police Jury, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Waterworks District No. 7 of East Feliciana Parish'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 control 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 an opinion on the component unit financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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, a component unit of the East Feliciana Parish Police Jury, as of June 30, 2016, and the respective changes in financial position and cash flows 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 schedule be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters – Other Information

My audit was conducted for the purpose of forming an opinion 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. This supplemental information is the responsibility of management and was derived from and relates 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 of 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, this other information listed herein is 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 22, 2016, 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.

William P. Gaines, Jr., CPA,
A Professional Accounting Corporation
Zachary, LA
December 22, 2016

REQUIRED SUPPLEMENTARY INFORMATION
PART 1 OF 2

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 9.

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.

The fund financial statements can be found on pages 10-14 of this report.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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.

The index of the notes is found on page 16 with the actual notes beginning immediately afterwards.

FINANCIAL ANALYSIS OF THE DISTRICT

Net position increased by \$90,756 or 9.16% of the prior year's net position. While most assets remained virtually unchanged, there was an additional investment in capital assets of \$172,758.

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

SUMMARY OF NET POSITION

	<u>2016</u>	<u>2015</u>
Assets		
Current assets	\$ 322,724	\$ 368,191
Restricted assets	110,662	106,270
Other assets	19,795	18,745
Capital assets, net	<u>1,107,249</u>	<u>995,512</u>
Total Assets	1,560,430	1,488,718
Liabilities		
Current liabilities	36,425	34,508
Long-term liabilities	<u>442,778</u>	<u>463,740</u>
Total Liabilities	479,203	498,247
Net Position		
Net investment in capital assets	689,960	558,409
Restricted	157,162	152,720
Unrestricted	<u>234,105</u>	<u>279,341</u>
Net Position	<u>1,081,227</u>	<u>990,470</u>

The largest portion of the District's net assets is in its investment in capital assets - \$689,960 and \$558,409 at June 30, 2016 and 2015, respectively, representing 63.81% of net position. Another 4.30% and 10.2% (\$46,500 and \$110,662) at June 30, 2016, is restricted for customer deposits and debt retirement. The remaining balance in net assets of \$234,105 (21.7%) and \$279,341 (28.2%) at June 30, 2016 and 2015, 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, 2016**

Revenues increased by of \$65,269 or 17.7% over the prior year, almost entirely due to grant proceeds received in the current year. Expenses remained steady, decreasing by \$2,227 or less than 1% over the prior year.

A summary of changes in net position follows:

SUMMARY OF CHANGES IN NET POSITION

	<u>2016</u>	<u>2015</u>
Revenues		
Charges for services	\$ 362,303	\$ 364,546
Non-operating revenues	<u>71,016</u>	<u>3,504</u>
Total Revenues	433,319	368,050
 Expenses		
Operating	258,080	256,646
Depreciation/amortization	61,020	63,553
Non-operating	<u>23,464</u>	<u>24,592</u>
Total Expenses	<u>342,564</u>	<u>344,791</u>
 Change in net position	90,756	23,259
 Net position, beginning	<u>990,471</u>	<u>967,212</u>
 Net position, ending	<u>1,081,227</u>	<u>990,471</u>

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Cash flow activity of the District for the past two years is as follows:

SUMMARY OF CASH FLOWS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents provided by (used for):		
Operating activities	\$ 106,399	\$ 106,689
Non-capital financing activities	70,469	3,039
Capital and related financing activities	(43,278)	(43,277)
Investing activities	<u>(172,505)</u>	<u>(56,994)</u>
Net Increase in Cash and Cash Equivalents	(38,915)	9,457
Cash and cash equivalents, beginning of year	<u>375,401</u>	<u>365,944</u>
Cash and cash equivalents, end of year	<u>336,486</u>	<u>375,401</u>

BUDGETARY HIGHLIGHTS

The District's actual operating revenues were \$9,697 or 2.6% less than budgeted. Operating expenses, on the other hand, were \$36,170 (10.2%) less than budgeted authority. Non-operating revenues and expenses were favorable in comparison to the adopted budget by \$3,553. Overall, the District increased its net position by \$30,026 more than anticipated. A budget to actual comparison is on page 27.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets, net of accumulated depreciation and related debt at June 30, 2016 and 2015, was \$689,960 and \$558,409, respectively. Additions during the current year totaled \$172,758. The most significant additions were completion of the building costing \$104,114 and \$59,480 enhancements to the water distribution system. The total investment is net of long-term debt (revenue bonds outstanding) of \$417,289.

Capital assets at year-end are summarized as follows:

**CAPITAL ASSETS
Net of Accumulated Depreciation**

	<u>2016</u>	<u>2015</u>
Non-depreciable Assets		
Land	\$ 4,500	\$ 4,500

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Depreciable Assets

Vehicles	-0-	2,698
Furniture & equipment	13,368	13,645
Building	170,156	28,852
Distribution system	<u>915,715</u>	<u>942,223</u>
Capital Assets, net	<u>1,103,739</u>	<u>991,918</u>

The District executed a 60 year land lease at \$5,000 for which it amortizes. Amortization to date totals \$1,490 leaving a net book value at June 30, 2016, of \$3,510. 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, 2016 and 2015, was \$417,289 and \$417,290, respectively. The District paid \$19,814 towards its bonded debt during the current year as well as \$23,464 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

	<u>2016</u>	<u>2015</u>
Revenue bonds:		
Series 1987 dated 7/8/87	153,726	165,191
Series 1991 dated 7/29/93	36,040	38,706
Series 2001 dated 8/3/01	<u>227,523</u>	<u>233,206</u>
Total	<u>417,289</u>	<u>437,103</u>

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.

FUND FINANCIAL STATEMENTS

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS

Current Assets

Cash and cash equivalents	\$ 264,340
Receivables, net	32,433
Unbilled receivables	10,938
Prepaid expenses	<u>15,013</u>

Total Current Assets 322,724

Restricted Assets

Cash and cash equivalents	72,146
Investments	<u>38,516</u>

Total Restricted Assets 110,662

Other Assets

Investments	19,795
Land	4,500
Land lease, net	3,510
Plant and equipment, net	<u>1,099,239</u>

Total Other Assets 1,127,044

Total Assets 1,560,430

DEFERRED OUTFLOWS OF RESOURCES

-

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF NET POSITION (Continued)
JUNE 30, 2016**

LIABILITIES

Current Liabilities

Accounts payable	\$ 5,799
Payroll withholdings and related payables	1,458
Accrued salaries payable	8,157
Bonds payable - current portion	<u>21,011</u>

Total Current Liabilities 36,425

Long-Term Liabilities

Customer deposits	46,500
Bonds payable - revenue	<u>396,278</u>

Total Long-Term Liabilities 442,778

Total Liabilities 479,203

DEFERRED INFLOWS OF RESOURCES

-

NET POSITION

Net investment in capital assets	689,960
Restricted for customer deposits	46,500
Restricted for debt service and contingencies	110,662
Unrestricted	<u>234,105</u>

TOTAL NET POSITION 1,081,227

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES

Charges for services:

Water sales	\$ 347,451
Late fees	10,873
Connection fees	<u>3,980</u>

	Total Operating Revenues	<u>362,303</u>
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OPERATING EXPENSES

Administrative	34,946
Depreciation/amortization	61,020
Employee and related expenses	131,702
Occupancy	25,411
Personal services	<u>66,022</u>

	Total Operating Expenses	<u>319,100</u>
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	Operating Income	43,203
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NON-OPERATING REVENUES (EXPENSES)

Other revenues	2,869
Grant proceeds	67,600
Interest income	547
Interest expense	<u>(23,464)</u>

	Net Non-Operating Revenues (Expenses)	<u>47,553</u>
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	Change in Net Position	90,756
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	Net Position, beginning	<u>990,471</u>
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	Net Position, ending	<u><u>1,081,227</u></u>
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See Accompanying Notes and Independent Auditor's Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 366,645	
Cash paid to suppliers for goods/services	(130,716)	
Cash paid to employees for services	(129,530)	
Net Cash Provided by Operating Activities	106,399	

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash received from donors	67,600	
Cash received from other sources	2,869	
Net Cash Provided by Non-Capital Financing Activities	70,469	

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid on bonds	(23,464)	
Principal paid on bond maturities	(19,814)	
Net Cash Used for Capital and Related Financing Activities	(43,278)	

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of capital assets	(172,758)	
Interest received	253	
Net Cash Used for Investing Activities	(172,505)	

Net Decrease in Cash and Cash Equivalents	(38,915)	
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Cash and Cash Equivalents, beginning of year	375,401	
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Cash and Cash Equivalents, end of year	336,486	
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BALANCE SHEET PRESENTATION OF CASH

Current assets	264,340	
Restricted assets	72,146	
Cash and Cash Equivalents, end of year	336,486	

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2016**

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 43,203
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation/amortization	61,020
(Increase) decrease in assets:	
Accounts receivable	4,292
Prepaid expenses	(2,889)
Increase (decrease) in liabilities:	
Accounts and other payables	(3,813)
Accrued salaries	4,536
Customer deposits	50
	<hr/>
Net Cash Provided by Operating Activities	<u>106,399</u>

See Accompanying Notes and Independent Auditor's Report

NOTES TO FINANCIAL STATEMENTS

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
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JUNE 30, 2016**

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**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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 926 customers.

NOTE 1 - 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:

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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 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.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

Unrestricted Net Position

This category represents net position not appropriate 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	154,151
Money market savings	110,089
Restricted:	
Interest-bearing demand deposits	<u>72,146</u>
Total	<u>336,486</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.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – RECEIVABLES

The net receivables at June 30, 2016, are as follows:

Class of Receivables

Customers	\$ 64,371
Allowance for bad debts	<u>(21,000)</u>
Net	<u>43,371</u>

The District utilizes the allowance method for receivables estimated to not be collected. The current year receivables include \$21,453 delinquent more than 30 days.

NOTE 4 – RESTRICTED ASSETS

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, 2016, is \$53,006.

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, 2016, is \$19,140.

NOTE 5 – 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 counterparty or the counterparty's trust department or agent by not in the entity's name. Investments of the District are certificates of deposit held by the counterparty 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, 2016**

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

	<u>Cost</u>	<u>Interest Rate</u>	<u>Maturity</u>
Certificates of Deposit:			
Feliciana Bank & Trust Co.	\$ <u>38,516</u>	.55%	9/12/2016

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 4,500	\$ -0-	\$ -0-	\$ 4,500
Capital Assets, being depreciated				
Vehicles	32,194	-0-	-0-	32,194
Less: accumulated depreciation	<u>29,496</u>	<u>2,698</u>	<u>-0-</u>	<u>32,194</u>
Net Vehicles	2,698	(2,698)	-0-	-0-
Furniture & equipment	71,881	9,164	-0-	81,045
Less: accumulated depreciation	<u>58,236</u>	<u>9,441</u>	<u>-0-</u>	<u>67,677</u>
Net Furniture & Equipment	13,645	(277)	-0-	13,368
Buildings	70,184	104,114	-0-	174,298
Less: accumulated depreciation	<u>3,318</u>	<u>824</u>	<u>-0-</u>	<u>4,142</u>
Net Buildings	66,866	103,290	-0-	170,156
Distribution system	1,992,430	59,480	-0-	2,051,910
Less: accumulated depreciation	<u>1,088,221</u>	<u>47,974</u>	<u>-0-</u>	<u>1,136,195</u>
Net Distribution System	<u>904,209</u>	<u>11,506</u>	<u>-0-</u>	<u>915,715</u>
Capital Assets, being depreciated, net	<u>987,418</u>	<u>111,821</u>	<u>-0-</u>	<u>1,099,239</u>
Capital Assets, net	<u>991,918</u>	<u>111,821</u>	<u>-0-</u>	<u>1,103,739</u>

The District amortizes a land lease over its 60 year term. The net book value at June 30, 2016, was \$3,510 including an expense of \$83 in the current year.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 – ACCOUNTS AND OTHER PAYABLES

The payables at June 30, 2016, are as follows:

Class of Payable

Trade	\$ 5,799
Payroll withholdings and related	1,458
Salaries	8,157
Customer deposits	46,500
Bonds payable – short-term portion	<u>21,011</u>
 Total	 <u>82,925</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, 2010:

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 437,103	\$.00	\$ 19,814	\$ 417,289	\$ 21,011

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 21,011	\$ 19,247
2018	20,630	18,021
2019	21,900	16,753
2020	23,250	15,402
2121	28,753	14,524

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

Next five years	56,988	51,534
Next five years	45,104	26,074
Next five years	65,524	17,667
Remaining years	<u>134,129</u>	<u>2,851</u>
Total	<u>417,289</u>	<u>182,073</u>

NOTE 9 – LEASES

Operating 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, 2016, was \$1,490 providing for a land lease value of \$3,510 recorded in other assets.

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.

NOTE 12 – 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.

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 – LITIGATION AND CLAIMS

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

NOTE 14 – SUBSEQUENT EVENTS

There were no transactions or events between the close of the year through December 22, 2016, 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
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Charges for services:				
Water sales	\$ 357,000	\$ 357,000	\$ 347,451	\$ (9,549)
Late fees	11,000	11,000	10,873	(127)
Connection fees	4,000	4,000	3,980	(20)
Total Operating Revenues	372,000	372,000	362,303	(9,697)
OPERATING EXPENSES				
Administrative	49,470	49,470	34,946	14,524
Depreciation/amortization	66,000	66,000	61,020	4,980
Employee and related expenses	122,500	122,500	131,702	(9,202)
Occupancy	31,700	31,700	25,411	6,289
Personal services	85,600	85,600	66,022	19,578
Total Operating Expenses	355,270	355,270	319,100	36,170
Operating Income	16,730	16,730	43,203	26,473
NON-OPERATING REVENUES (EXPENSES)				
Other revenues	1,000	1,000	2,869	1,869
Grant proceeds	67,600	67,600	67,600	
Interest income	400	400	547	147
Interest expense	(25,000)	(25,000)	(23,464)	1,536
Total Non-Operating Revenues (Expenses)	44,000	44,000	47,553	3,553
Change in Net Position	60,730	60,730	90,756	30,026
Net Position, beginning	990,471	990,471	990,471	-
Net Position, ending	1,051,201	1,051,201	1,081,227	30,026

See Independent Auditor's Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF OPERATING EXPENSES
YEAR ENDED JUNE 30, 2016**

ADMINISTRATIVE

Advertising	\$	898
Board expense		4,920
Dues and subscriptions		820
Office supplies		6,441
Postage		4,629
Professional fees		17,238
Total Administrative		34,946

DEPRECIATION/AMORTIZATION

61,020

EMPLOYEE AND RELATED EXPENSES

Payroll taxes		8,991
Salaries/clerical assistance		120,077
Seminars/workshops		2,634
Total Employee and Related Expenses		131,702

OCCUPANCY

Insurance		15,974
Office rent		1,920
Telephone		3,826
Utilities		3,691
Total Occupancy		25,411

PERSONAL SERVICES

Bad debts		1,000
Repairs/maintenance		32,284
Safe drinking water fees		2,676
Vehicle operations		15,300
Utilities		14,763
Total Personal Services		66,022

TOTAL OPERATING EXPENSES

319,100

See Independent Auditor's Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF REVENUES AND EXPENSES
AS PERCENTAGE OF TOTAL OPERATING REVENUES
YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES

Charges for services:

Water sales	\$ 347,451	95.90%
Late fees	10,873	3.00%
Connection fees	3,980	1.10%

Total Operating Revenues	362,304	100.00%
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OPERATING EXPENSES

Advertising	898	0.25%
Board expense	4,920	1.36%
Dues and subscriptions	820	0.23%
Office supplies	6,441	1.78%
Postage	4,629	1.28%
Professional fees	17,238	4.76%
Depreciation/amortization	61,020	16.84%
Payroll taxes	8,991	2.48%
Salaries/clerical assistance	120,077	33.14%
Seminars/workshops	2,634	0.73%
Insurance	15,974	4.41%
Office rent	1,920	0.53%
Telephone	3,826	1.06%
Utilities	3,691	1.02%
Bad debts	1,000	0.28%
Repairs/maintenance	32,284	8.91%
Safe drinking water fees	2,676	0.74%
Vehicle operations	15,300	4.22%
Utilities	14,762	4.07%

Total Operating Expenses	319,101	88.08%
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Operating Income	43,203	11.92%
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Continued

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATEMENT OF REVENUES AND EXPENSES
AS PERCENTAGE OF TOTAL OPERATING REVENUES (Continued)
YEAR ENDED JUNE 30, 2016**

NON-OPERATING REVENUES (EXPENSES)

Other revenues	2,869	0.79%
Grant proceeds	67,600	18.66%
Interest income	547	0.15%
Interest expense	(23,464)	-6.48%
Total Non-Operating Revenues (Expenses)	<u>47,553</u>	<u>13.12%</u>
Change in Net Position	<u>90,756</u>	<u>25.05%</u>

See Independent Auditor's Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
YEAR ENDED JUNE 30, 2016**

<u>Coverage</u>	<u>Insurance Company</u>	<u>Expiration</u>	<u>Liability Limits</u>
General liability	Grundy Insurance Co. Policy GWPKG-0191802	5/17/2017	\$3,000,000 injury/prop damage \$1,000,000 per occurrence \$3,000,000 personal/advertising \$1,000,000 per occurrence \$3,000,000 employee benefit \$1,000,000 per occurrence \$100,000 rented prop damage
Auto liability and Physical damage	Grundy Insurance Co. Policy GWPKG-0191802	5/17/2017	\$500,000 uninsured motorist \$1,000,000 each accident \$203 comprehensive \$476 collision
Property	Grundy Insurance Co. Policy GWPKG-0191802	5/17/2017	\$100,000 real/personal property per occurrence \$1,000 deductible property Per occurrence \$500 deductible inland marine Per occurrence
Fidelity bond	CNA Surety Company Policy 68686855	12/18/2016	\$88,000
Workers' Compensation	La Workers' Compensation Corporation Policy 22983-A	5/05/2017	Statutory

See Independent Auditor's Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
STATISTICAL DATA - WATER SALES
YEAR ENDED JUNE 30, 2016**

<u>Month</u>	<u>No. of Customers</u>	<u>MCF</u>	<u>Amount</u>
Jul	923	5,298.0	\$ 30,847
Aug	926	5,645.7	32,144
Sep	925	5,110.8	30,050
Oct	925	5,225.8	30,491
Nov	927	4,310.3	32,128
Dec	927	4,081.1	26,329
Jan	922	5,037.7	29,920
Feb	923	4,156.5	26,563
Mar	923	4,536.6	28,281
Apr	927	3,923.4	25,677
May	930	4,202.6	26,746
Jun	933	5,496.4	31,588
		<u>57,024.9</u>	350,764
		Net accruals	<u>(3,313)</u>
		Water sales, reported	<u>347,451</u>

See Independent Auditor's Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
COMPARATIVE DATA
JUNE 30, 2016
(Unaudited)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>SUMMARY OF STATEMENT OF REVENUES</u>					
Operating revenues	\$ 362,303	\$ 364,546	\$ 355,722	\$ 341,279	\$ 329,474
Operating expenses	319,100	320,199	326,514	343,178	331,070
Operating Income (Loss)	43,203	44,347	29,208	(1,899)	(1,596)
Non-operating revenues	71,016	3,504	1,690	38,986	16,981
Non-operating expenses	(23,464)	(24,592)	(31,688)	(24,478)	(25,476)
Net Income (Loss)	90,756	23,259	(790)	12,609	(10,091)
<u>OTHER DATA</u>					
Capital assets, net	1,107,249	995,512	1,021,050	1,070,858	1,135,595
Net working capital	286,299	333,683	323,936	340,947	176,449
Total assets	1,560,430	1,488,718	1,477,091	1,493,007	1,505,586
Long-term liabilities	442,778	463,740	479,653	491,120	511,394
Total equity	1,081,227	990,470	967,521	968,001	955,391
Average no. of customers	926	923	918	927	934
Total cubic feet of water sold (MCF)	57,024.9	54,088.7	59,627.8	61,530.0	65,300
No. of residential customers	904	906	891	902	919
No. of commercial customers	29	19	23	21	20
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
YEAR ENDING JUNE 30, 2017**

OPERATING REVENUES

Charges for services:	
Water sales	\$ 357,000
Reconnect fees	11,000
Late fees	<u>4,000</u>
Total Operating Revenues	372,000

OPERATING EXPENSES

Administrative	49,000
Depreciation/amortization	66,000
Employee and related expenses	132,000
Occupancy	25,000
Personal services	<u>77,400</u>
Total Operating Expenses	<u>349,400</u>

Operating Income 22,600

NON-OPERATING REVENUES (EXPENSES)

Other revenues	1,000
Interest earned	400
Interest expense	<u>(24,000)</u>

Total Non-Operating Revenues (Expenses) (22,600)

Change in Net Position -

Net Position, beginning 1,081,227

Net Position, ending 1,081,227

See Independent Auditor's Report

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEDULE OF COMPENSATION PAID TO GOVERNING BODY
YEAR ENDED JUNE 30, 2016**

	<u>Amount</u>
Brown, Samuel (president) 11332 Dan Delee Rd. Norwood, LA 70761 (225) 683-5032	\$ 1,020
Bryant, Louise Spurlock P O Box 1671 Clinton, LA 70722 (225) 683-8664	1,080
Dunn, Mary Ann 11725 Rist Rd. Clinton, LA 70722 (225) 683-8462	480
Granier, Jr., Larry (vice-president) 12912 Granier Ln. Clinton, LA 70722 (225) 683-5030	1,020
Howell, Joe 14444 Highway 10 Clinton, LA 70722 (225) 683-5062	840
Stewman, John 12914 Perkins Rd. Norwood, LA 70761	<u>480</u>
Total	<u>4,920</u>

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
YEAR ENDED JUNE 30, 2016**

Agency Head

James Jenkins
Maintenance Supervisor

Purpose

Salary

Amount

\$ 46,205

Total Compensation, Benefits and Other Payments

46,205

**WILLIAM P. GAINES, JR., CPA
A PROFESSIONAL ACCOUNTING CORPORATION
4257 CHURCH STREET, SUITE 105
ZACHARY, LOUISIANA 70791**

**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, Louisiana 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 Police Jury, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Waterworks District No. 7 of East Feliciana Parish's basic unit financial statements, and have issued my report thereon dated December 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, 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 my 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 over financial reporting.

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 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 the 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 did not disclose any instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 entities 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.

(Signature) CPA

William P. Gaines, Jr., CPA,
A Professional Accounting Corporation
Zachary, LA
December 22, 2016

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SCHEUDLE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016**

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, 2016, and have issued my report thereon dated December 22, 2016. 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, 2016, resulted in an unmodified opinion.

Section I Summary of Auditor's Reports

A. Report on Compliance and Internal Control Material to the Financial Statements

Internal Control	Significant Deficiencies	<input type="checkbox"/> No
	Material weaknesses	<input type="checkbox"/> No
Compliance	Material to Financial Statements	<input type="checkbox"/> No

B. Federal Awards

N/A

Section II Financial Statement Findings

None

Section III Federal Award Findings and Questioned Costs

N/A

Section IV Management Letter

None

**WATERWORKS DISTRICT NO. 7 OF EAST FELICIANA PARISH
CLINTON, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2016**

Section I Financial Statement Findings

N/A

Section II Internal Control and Compliance Material to the Financial Statements

N/A

Section III Compliance and Internal Control Material to Federal Awards

N/A

Section IV Management Letter

N/A