

11-11-97

**WATER WORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

**FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1999**

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

Release Date DEC 15 1999

**WATER WORKS DISTRICT NO.1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA
FINANCIAL STATEMENTS AT JUNE 30, 1998 AND 1999**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the accompanying general purpose financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, as of June 30, 1998 and 1999, and for the years then ended. These general purpose financial statements are the responsibility of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Governmental Auditing Standards*, issued by the comptroller general of the united states. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, as of June 30, 1998 and 1999, and the results of its operations and the cash flows of its proprietary type unitary fund for the years then ended in conformity with generally accepted accounting principles.

In accordance with governmental auditing standards, we have issued our report dated November 15, 1999 on our consideration of Water Works District No. 1, Ward 1, Calcasieu Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Statistical Section and the Louisiana Municipal Compliance Survey are not a required part of the financial statements of the district. This information has been subjected to the auditing procedures applied in the examination of the financial statements and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.


Steirman, Whitfield, and Co. PC
Certified Public Accountants
November 15, 1999

FINANCIAL SECTION

General Purpose Financial Statements

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

EXHIBIT A

COMPARATIVE BALANCE SHEETS AT

JUNE 30, 1998 AND 1999

<u>ASSETS</u>	<u>1998</u>	<u>1999</u>
Current Assets		
Cash-unrestricted	59,342	66,028
Accounts receivable	187,016	192,701
Inventory-materials and supplies	31,106	33,412
Prepaid insurance	8,551	16,613
Interest receivable	5,225	6,305
Total Current Assets	<u>291,240</u>	<u>315,059</u>
Fixed Assets		
Land	65,495	190,547
Depreciable assets	7,662,882	8,172,302
Less-Accumulated depreciation	<u>(3,005,208)</u>	<u>(3,198,100)</u>
Total Fixed Assets	<u>4,723,169</u>	<u>5,164,749</u>
Other Assets		
Cash-restricted	1,996,527	1,958,316
Bond issue costs	166,286	166,286
Less-Accumulated amortization	<u>(69,515)</u>	<u>(77,579)</u>
Total Other Assets	<u>2,093,298</u>	<u>2,047,023</u>
Total Assets	<u><u>7,107,707</u></u>	<u><u>7,526,831</u></u>
 <u>LIABILITIES AND FUND EQUITIES</u>		
Current Liabilities		
Bonds payable (Note 2)	251,000	271,000
Accounts payable	16,249	19,276
Payroll and sales taxes payable	4,842	4,639
Interest payable	55,258	48,983
Total Current Liabilities	<u>327,349</u>	<u>343,898</u>
Long Term Debt		
Bonds payable (Note 2)	2,860,000	2,589,000
Other Liabilities		
Customer deposits	96,650	98,390
Due to State of Louisiana/Act 319	1,106,008	1,106,008
Total Other Liabilities	<u>1,202,658</u>	<u>1,204,398</u>
Total Liabilities	<u>4,390,007</u>	<u>4,137,296</u>
Fund Equity		
Unrestricted	963,551	1,488,723
Restricted	1,754,149	1,900,812
Total Fund Equity	<u>2,717,700</u>	<u>3,389,535</u>
Total Liabilities and Fund Equity	<u><u>7,107,707</u></u>	<u><u>7,526,831</u></u>

The accompanying notes are integral to these financial statements.

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

EXHIBIT B

**COMPARATIVE STATEMENTS OF REVENUE
AND EXPENSES FOR THE YEARS ENDED
JUNE 30, 1998 AND 1999**

	1998	1999
Operating Revenue		
Water Sales	1,214,843	1,316,715
Tapping, connection, and meter fees	91,423	80,943
Total Operating Revenue	<u>1,306,266</u>	<u>1,397,658</u>
Operating Expenses		
Production and distribution	331,616	378,037
General and administrative	302,463	338,159
Total Operating Expenses	<u>634,079</u>	<u>716,196</u>
Operating Revenue before depreciation	672,187	681,462
Depreciation	<u>189,660</u>	<u>192,893</u>
Net Operating Income after depreciation	482,527	488,569
Non-Operating Revenue		
Interest	91,751	71,515
Ad valorem taxes	164,517	211,996
Miscellaneous	32,276	26,674
Riverboat grant revenue	--	77,832
Total Non-Operating Revenue	<u>288,544</u>	<u>388,017</u>
Non-Operating Expenditures		
Interest on HUD Bonds	32,220	29,700
Interest on general obligation bonds	83,777	65,333
Interest Refunding Issue	115,558	109,718
Total Non-Operating Expenditures	<u>231,555</u>	<u>204,751</u>
Non-Operating revenue (Expenditures)	<u>56,989</u>	<u>183,266</u>
Net Revenue (Loss) for year	<u><u>539,516</u></u>	<u><u>671,835</u></u>

WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA

EXHIBIT C

COMPARATIVE STATEMENTS OF CHANGES IN
FUND EQUITIES FOR THE YEARS ENDED
JUNE 30, 1998 AND 1999

<u>1998</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Fund Equity June 30, 1997	504,775	1,673,409	2,178,184
Net Revenue or (Loss)	<u>458,776</u>	<u>80,740</u>	<u>539,516</u>
Fund Equity June 30, 1998	<u>963,551</u>	<u>1,754,149</u>	<u>2,717,700</u>
<u>1999</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Fund Equity June 30, 1998	963,551	1,754,149	2,717,700
Net Revenue or (Loss)	<u>525,202</u>	<u>146,633</u>	<u>671,835</u>
Fund Equity June 30, 1999	<u>1,488,753</u>	<u>1,900,782</u>	<u>3,389,535</u>

The accompanying notes are integral to these financial statements.

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

**COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998 AND 1999**

Increase (Decrease) in Cash and Cash Equivalents	<u>1998</u>	<u>1999</u>
Cash flows from operating activities		
Cash received from customers	1,327,587	1,418,647
Cash paid to suppliers and employees	(625,039)	(715,676)
Net cash (used) provided by operating activities	<u>702,548</u>	<u>702,971</u>
Cash flows from non-capital financing activities		
Riverboat grant revenue	--	77,832
Transfer (to) from restricted assets	242,523	38,211
Net cash (used) provided by non-capital financing activities	<u>242,523</u>	<u>116,043</u>
Cash flows from capital financing activities		
Interest received	96,593	70,434
Ad valorem taxed received	164,517	211,996
Capital expenditures	(764,583)	(634,472)
Interest paid	(236,791)	(211,026)
Principal payments on bonds	(231,000)	(251,000)
Increase in customer deposits	5,340	1,740
Net cash (used) provided by capital financing activities	<u>(965,924)</u>	<u>(812,328)</u>
Net increase in cash and cash equivalents	(20,853)	6,686
Cash and cash equivalents at beginning of year	<u>80,195</u>	<u>59,342</u>
Cash and cash equivalents at end of year	<u><u>59,342</u></u>	<u><u>66,028</u></u>

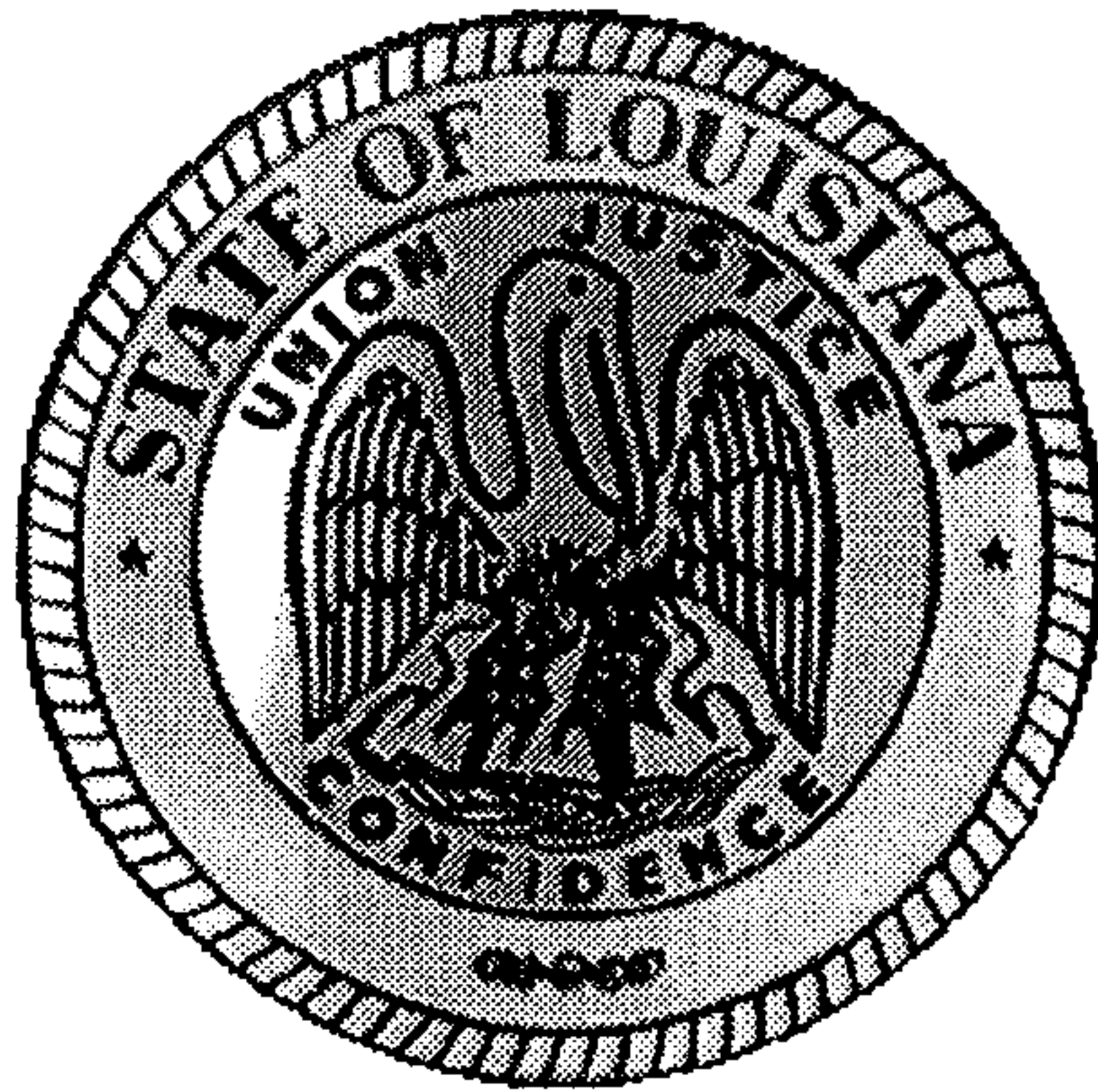
Reconciliation of net revenue to net cash provided by operating activities

	<u>1998</u>	<u>1999</u>
Net operating income (loss) after depreciation	482,527	488,569
Adjustments to reconcile net revenue (loss) to net cash provided by operating activities:		
Depreciation and amortization	197,724	200,957
Miscellaneous fees received	32,276	26,674
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(10,926)	(5,685)
Increase (decrease) in accounts payable	(5,236)	3,027
Increase (decrease) in payroll and sales taxes payable	330	(203)
Decrease (increase) in inventory	4,187	(2,306)
Decrease (increase) in prepaid expenses	1,666	(8,062)
Total adjustments	<u>220,021</u>	<u>214,402</u>
Net cash provided by operating activities	702,548	702,971

Disclosure on accounting policy:

For purposes of the statement of cash flows, the Company considers all highly liquied debt instruments purchased with a maturity of three months or less to be cash equivalents

The accompanying notes are integral to these financial statements.



Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS AT
JUNE 30, 1998 AND 1999**

Note 1.-Summary of Significant Accounting Policies:

A. Entity. The Water Works District No. 1, Ward 1 of Calcasieu Parish is an independent district created by the Calcasieu Parish Police Jury in 1973 in accordance with section 3811 of the Louisiana Revised Statutes. The District's commissioners are appointed for five year staggered terms by the Calcasieu Parish Police Jury and serve at the pleasure of the Police Jury. The District has authority, as stipulated in the applicable Louisiana Statutes to set such rates as necessary and to provide potable water within its boundaries. The District is a corporate entity that can purchase land, sue and be sued. The Police Jury exercises no control over the finances, rates, or operation of the District as specified in the enabling statutes. The District is governed by its Board of Commissioners and the day-to-day operations are conducted by a Superintendent and staff who serve at the pleasure of the Board of Commissioners.

The Calcasieu Parish Police Jury recognizes the District as a component unit and the District's financial position and operations are an element of the Parish's Annual Financial Statements. The District has no component units as set forth in the Governmental Accounting Standards Board Statement 14.

B. The Budget is submitted by the Superintendent on an annual basis to the Commissioners for their approval each year in the month of April. The Board then publishes notices of public hearing and considers the proposed budget in public hearing. The budget is normally adopted at the regular June meeting. The budget document is both the financial plan for the ensuing year and formal authorization for the Superintendent to obligate the District as permitted by law. All items subject to bid are advertised upon approval of the Board and then processed as required by Louisiana Law. Budget amounts are not shown in these statements since they are not required by the Enterprise Fund type of accounting. The District did not violate any of its budgeted expenditures for the years ended June 30, 1998 and 1999. The budget may be amended by a simple majority at any meeting. There is no prior public or other notice required. The budget is amended as necessary to demonstrate fiscal integrity and the source of funding of any change.

C. The District uses the Enterprise Fund type. This means that the operations of the District are accounted for like a for-profit, private company. The purpose of this type of accounting is for the proper measurement and control of the services rendered in relation to the user fees required to provide those services. Theoretically, the District should operate solely from the user fees obtained. This District believes that the Enterprise Fund type more correctly presents this than the other types of fund accounting established for

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

governmental bodies. Despite this presentation the District issued General Obligation Bonds and presents the taxes collected and interest paid for these bonds as other income and expenses.

D. Accrual Accounting is used to measure revenue from operations and expenses due to operations. This means revenue is recorded when earned, not when the cash is received, and that expenses or expenditures are recorded when the obligation to pay arises, not when the obligation is paid.

E. Ad Valorem Taxes (General Obligation Taxes) are recorded as received. The District does not record taxes receivable beyond sixty days of its year end because of the uncertainty of when the unpaid taxes will be collected and the uncertainty that they will be available to satisfy current obligations. As a result since it is unknown if these taxes would be available to pay the current general obligation debt service, they are not recorded as receivable nor otherwise recognized.

F. Bad accounts are written off at the end of each year using the direct write off method. The low amount of uncollectible accounts does not warrant the establishment of an allowance for bad debts against the receivable for water sales. The District considers any final billing that is receivable more than 120 days to be a bad debt. In any recovery is made, the collection is posted as other income. The amount written off as bad accounts for fiscal year 1999 were \$8,002 and the amount for 1998 was \$3,653. Prior to 1992 the District did not discretely present bad debt as a separate amount and netted the bad debt against total revenues presented in its financial statements.

G. Cash, certificates of deposits and investments are with national or state chartered banks. The cost of the certificates of deposits is the face value of the certificates of deposit. This is permitted by Louisiana Law. There were no investments and June 30, 1998 and 1999 other than Certificates of Deposits issued by local area banks.

The District's cash deposits are classified as either collateralized by FDIC Insurance or by collateral held by a third party's safe keeping department and pledged to the District as required by Louisiana State law governing public funds. The coverage of these cash demand and time deposits were:

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

Per Books:

	<u>1999</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
FDIC Insured	–	\$ 400,000	\$ 400,000
Pledged Collateral	<u>74,028</u>	<u>1,558,316</u>	<u>1,632,344</u>
Total	<u>\$ 74,028</u>	<u>\$ 1,958,316</u>	<u>\$ 2,032,344</u>
	<u>1998</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
FDIC Insured	\$ 59,342	\$ --	\$ 59,342
Pledged Collateral	<u>--</u>	<u>1,966,527</u>	<u>1,996,527</u>
Total	<u>\$ 59,342</u>	<u>\$ 1,966,527</u>	<u>\$ 2,055,869</u>

Carry value per banks:

	<u>1999</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
FDIC Insured	--	\$ 400,000	\$ 400,000
Pledged Collateral	<u>77,677</u>	<u>1,558,316</u>	<u>1,635,993</u>
Total	<u>\$ 77,677</u>	<u>\$ 1,958,316</u>	<u>\$ 2,035,993</u>
	<u>1998</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
FDIC Insured	\$ 100,000	\$ --	\$ 100,000
Pledged Collateral	<u>9,018</u>	<u>1,996,527</u>	<u>2,005,545</u>
Total	<u>\$ 109,018</u>	<u>\$ 1,996,527</u>	<u>\$ 2,105,545</u>

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

The District had one investment which was a repurchase agreement on a US Treasury Bill with the Jeff Davis Bank in the carrying amount of \$272,500. The bank pledged the entire instrument which was a Treasury Bill in the amount of \$2,000,000 to the District. The Treasury bill was held by a third party with a pledge receipt issued to the District from the third party. The third party was an institution that is under the supervision of the Comptroller of the Currency. The agreement had a maturity of six months.

H. Inventories are recorded at cost and are expended as they are consumed on a first-in first-out basis.

I. Fixed Assets are recorded at cost or fair market value if contributed. These assets are depreciated over their estimated useful lives on a straight line basis.

Typical Estimated Lives Used

Buildings	30 years
Improvements other than buildings	30-50 years
Equipment	3-12 years

J. Bond Issue costs are amortized over the term of the issued bonds.

K. Fund Equities is used to account for excess of revenue over expenditures and contributed capital. The District did not account separately prior to the current GAFR principles between contributed capital and retained earnings. Fund equity is divided into restricted and unrestricted. The restricted balance is from taxes collected and restricted grants. The use of the term retained earnings is not used because it is not known what portion of the District's equity is earned and what was contributed by the State and Federal grants over the past thirteen years. It is known that \$21,526 was contributed by the state of Louisiana in 1973, and \$461,000 was contributed by the U.S. Economic Development Commission in 1978, and \$71,716 was a grant in 1987 through 1988 by the State of Louisiana for a fluoridation plant.

L. No compensated absences, sick leave, or vacation are permitted to accrue from one year to the next.

M. For purposes of the statement of cash flows, cash and cash equivalents include any time deposit that has a maturity of less than three months.

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

Note 2.-Bonds Payable

A. The District has three (3) series of bonds. Two (2) series are Water Revenue Bonds, the first dated November 1, 1971, in the amount of \$1,059,000, purchased by the U.S. Department of Housing and Urban Development (HUD) and the second, dated March 1, 1983, in the amount of \$1,100,000, purchased by Farmers Home Administration (FMHA). This last series was refunded as explained below on March 1, 1988 with the proceeds of an advance refunding issued on February 15, 1988. This advance refunding was defeased on June 9, 1992 by a bond issue of \$1,320,000.

The third series is an Ad Valorem (General Obligation) series dated March 1, 1982, in the amount of \$1,200,000.

Total Debt Payable at June 30, 1998 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>General</u> <u>Obligation</u>	<u>HUD</u>	<u>1995 A</u>	<u>1995 B</u>	<u>Total</u>
1998	183,200	68,940	120,488	96,135	468,763
1999	184,900	66,780	122,903	94,020	468,603
2000	184,500	64,620	125,023	91,860	466,003
2001	182,000	62,460	116,838	99,655	460,953
2002	182,400	60,300	118,838	96,905	458,443
2003		58,140	120,555	94,128	272,823
2004		58,890	121,950	91,295	272,135
2005		56,550	123,050	93,435	273,035
2006		54,210	123,850	90,285	268,345
2007		51,870	124,260	92,045	268,175
2008		49,530	124,310	88,470	262,310
2009		47,190	113,990	99,830	261,010
2010		44,850	118,860	95,270	258,980
2011		42,510	118,010	95,590	256,110
2012		<u>40,170</u>	<u>116,710</u>	<u>95,490</u>	<u>252,370</u>
TOTAL	<u><u>917,000</u></u>	<u><u>827,010</u></u>	<u><u>1,809,632</u></u>	<u><u>1,414,412</u></u>	<u><u>4,986,055</u></u>

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

Total Debt Payable at June 30, 1999 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>General</u> <u>Obligation</u>	<u>HUD</u>	<u>1995 A</u>	<u>1995 B</u>	<u>Total</u>
1999	184,900	66,780	122,903	94,020	468,603
2000	184,500	64,620	125,023	91,860	466,003
2001	182,000	62,460	116,838	99,655	460,953
2002	182,400	60,300	118,838	96,905	458,443
2003		58,140	120,555	94,128	272,823
2004		58,890	121,950	91,295	272,135
2005		56,550	123,050	93,435	273,035
2006		54,210	123,850	90,285	268,345
2007		51,870	124,260	92,045	268,175
2008		49,530	124,310	88,470	262,310
2009		47,190	113,990	99,830	261,010
2010		44,850	118,860	95,270	258,980
2011		42,510	118,010	95,590	256,110
2012		<u>40,170</u>	<u>116,710</u>	<u>95,490</u>	<u>252,370</u>
TOTAL	<u>733,800</u>	<u>758,070</u>	<u>1,689,144</u>	<u>1,318,277</u>	<u>4,517,292</u>

Under the terms of the bond indenture on outstanding HUD Water Revenue bonds, dated November 1, 1971, all income derived from its operation or ownership shall be deposited to the credit of a special fund to be known as the "Water System Revenue Fund", to be kept separate and apart from all other funds. Such funds shall be maintained so long as

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

any of the bonds are outstanding, in a bank which is a member of the Federal Deposit Insurance Corporation and shall be expended and used only in the manner and order specified below, all as permitted and defined by applicable statutes:

1. Current expenses of the system shall be payable from month to month as a first charge against the Water System Revenue Fund as the same become due and payable. The current expenses of the operation of the system in any year will not exceed the reasonable and necessary amount therefore. Current expenses shall include all reasonable and necessary costs of operating, repairing, maintaining and insuring the system, but shall exclude depreciation, payments into the "*Revenue Bond and Interest Sinking Fund*," the "*Revenue Bond Reserve Fund*" and the "*Replacement Fund*".
2. Transfers shall be made monthly from the "*Water System Revenue Fund*" to the "*Revenue Bond Fund*" of sums sufficient (not less than one-sixth of interest and one-twelfth of principal) to provide for the payment of the next maturing interest on and the principal of the Revenue Bonds.
3. A monthly sum, equal to 20% of that sum transferred to the "*Revenue Bond Fund*", shall be transferred to a debt service reserve fund, to be designated as the "*Revenue Bond Reserve Fund*," until such time as the funds and/or investments in the "*Revenue Bond Reserve Fund*" shall equal \$70,000.
4. Monthly amounts of \$1,000 shall be transferred from the "*Water System Revenue Fund*" into the "*Replacement and Extension Fund*" until the balance in the "*Replacement and Extension Fund*" amounts to \$75,000. Said fund shall, thereafter, be maintained in said amount. Monies in the "*Replacement and Extension Fund*" may be withdrawn and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions, and for paying the costs of improvements to the system which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the "*Revenue Bond Reserve Fund*" shall at any principal or interest payment date be insufficient to pay the next installment of principal and/or interest and to maintain the required debt service of \$70,000 then transfers

WATER WORKS DISTRICT NO. 1, WARD 1
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shall be made from said "Replacement and Extension Fund" in such amounts as are necessary to eliminate the deficiencies, respectively in said "Revenue Bond Fund" and in said "Revenue Reserve Bond Fund".

5. The refunding issue of 1992 has only one covenant pertaining to the sinking and revenue requirements of the District. That requirement is that the District will maintain a ratio of operating income to all revenue bonds debt service of 1.3 times. This ratio does not include depreciation or other non-cash expenses.

B. Changes in Long-Term Debt--The following is a summary of bond transactions of the Water Works District No. 1:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Bonds Payable June 30, 1998	535,000	2,576,000	3,111,000
Bonds Retired	<u>(110,000)</u>	<u>(141,000)</u>	<u>(251,000)</u>
Bonds Payable June 30, 1999	<u>425,000</u>	<u>2,435,000</u>	<u>2,860,000</u>
Bonds Payable June 30, 1997	\$630,000	\$2,712,000	\$3,342,000
Bonds Retired	<u>(95,000)</u>	<u>(136,000)</u>	<u>(231,000)</u>
Bond Payable June 30, 1998	<u>535,000</u>	<u>2,576,000</u>	<u>3,111,000</u>
Current Portion:		<u>1998</u>	<u>1999</u>
General Obligation		\$ 110,000	\$ 125,000
Revenue-HUD 1971		36,000	36,000
Revenue-1995A		60,000	65,000
Revenue-1995B		<u>45,000</u>	<u>45,000</u>
Total Current Bonds Due For the Year Ended June 30		\$ <u>251,000</u>	\$ <u>271,000</u>

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

General Obligation Bonds:

\$1,200,000 bonds dated April 1, 1982; due in installment of \$15,000-\$160,000 through April 1, 2002; interest at 14% (this issue secured by levy and collections of ad valorem tax).

Revenue Bonds:

\$1,059,000 Water Revenue Bonds (HUD) dated November 1, 1971; due in semiannual installments of \$15,000-\$39,000 through November 1, 2001; interest at 6%.

\$1,320,000 Refunding issue dated June 9, 1992 to defease bond issued for an advance refunding of the 3-1-88 issue in 1988. Semi-annual installments with an average interest rate of 6.688% and varying principal payment until 2002.

C. Advance refunding of 1983 Revenue Bonds and Defeasement of the 1988 Refunding Issue:

On February 15, 1988, the District issued \$1.15 million in Revenue bonds with interest rates that advanced from 7% to 10% over the term of the bonds, to advance refund \$1,094,000 of outstanding 1983 Junior Lien Revenue bonds with average interest rate of 11%. The net proceeds \$1,092,923 were used to purchase securities as permitted. These securities were placed in an irrevocable trust with the Calcasieu Marine National Bank, Lake Charles, Louisiana. The bonds were called for refund by March 1, 1988. The outstanding bonds were presented for payment on May 6, 1988 and were canceled by the Trust Agent. The 1983 outstanding bonds ceased to earn interest as of the call date of March 31, 1988. As a result the 1983 issue of bonds were considered to be fully defeased as of March 1, 1988 except for the principal originally due for March 1, 1988. This principal payment of \$2,000 was not paid until December 1988. Although the advance refunding resulted in a present value savings of approximately \$68,814 for the year ending June 30, 1988, the District in effect reduced its aggregate debt service payments by about \$1.28 million over the next twenty-five years.

The District elected not to follow the normal treatment of recording the gain from the extinguishment of debt that resulted either as an ordinary or extra-ordinary item for the year ended June 30, 1988. Nor is this gain to be recorded over the life of the refunding issue. The effect of recording this gain in the District's opinion would distort the actual position of the District and would overstate the District's capital position.

On June 9, 1992, the District issued \$1,320,000 in Revenue bonds with an average interest rate of 6.688% over the term of the bonds, to advance refund \$1,085,000 of outstanding 1988 Advance Refunding bonds 7 to 10%. The net proceeds \$1,265,700 (after payment

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

of \$54,000 in underwriting fees, legal opinion and other issue costs) were used to purchase securities as permitted. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 Advance Refunding issue. As a result, the 1988 Advanced Refunding issue bonds are considered to be defeased and the liability for those bonds has been removed from the Districts balance sheet and underlying general ledger. The Trust Department of the Premier Bank of Baton Rouge, Louisiana is the escrow agent.

Although the advance refunding resulted in a present value savings of approximately \$68,814 for the year ending June 30, 1992, the District in effect reduced its aggregate debt service payments by about \$159,278 over the next twenty five years despite the increase in bonded debt by \$235,000.

The District elected not to follow the normal treatment of recording the gain from the extinguishment of debt that resulted either as an ordinary or extra-ordinary item for the year ended June 30, 1992. Nor is this gain to be recorded over the life of the refunding issue. The effect of recording this gain in the District's opinion would distort the actual position of the District and would overstate the District's capital position. The increase in debt was recorded as an extra-ordinary item.

Note 3.-Summary of the changes in Fixed Assets

	Balance <u>6-30-98</u>	<u>Add</u>	<u>Delete</u>	Balance <u>6-30-99</u>
Land	\$ 65,495	\$ 125,053	\$ --	\$ 190,548
Building	152,106	20,488	--	172,594
Water System	7,214,819	488,931	--	7,703,750
Furniture	78,598	-	-	78,598
Vehicles	89,829	-	-	89,829
Equipment	<u>127,531</u>	<u>-</u>	<u>-</u>	<u>127,531</u>
Total	<u>\$ 7,728,378</u>	<u>\$ 634,472</u>	<u>\$ -</u>	<u>\$ 8,362,850</u>

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

	<u>Balance</u> <u>6-30-97</u>	<u>Add</u>	<u>Delete</u>	<u>Balance</u> <u>6-30-98</u>
Land	\$ 65,415	\$ 80	\$ --	\$ 65,495
Building	152,106	--	--	152,106
Water System	6,500,487	714,332	--	7,214,819
Furniture	78,598	--	--	78,598
Vehicles	86,893	10,688	7,752	89,829
Equipment	<u>90,357</u>	<u>37,174</u>	<u>--</u>	<u>127,531</u>
Total	<u>\$ 6,973,856</u>	<u>\$ 762,274</u>	<u>\$ 7,752</u>	<u>\$ 7,728,378</u>

Note 4.-Ad Valorem Taxes

For the years ended June 30, 1998 and 1999, taxes of 10 and 9 mills were levied on property with assessed valuations of \$18,404,280 and \$19,033,640 respectively. These amounts are reported net of homestead exemptions and other exempted properties. The tax year is based on the calendar year as follows: The District determines its millage by June 1, the Parish Tax Assessor then, after applying certain procedures required by law, forwards the millage to the Tax Collector for notification and billing. Taxes become delinquent after December 31st of the year levied.

Note 5.-Pension Plan

The Water Works District No. 1, Ward 1, matches the employees' contributions (up to 5% of gross wages) to obtain purchase money annuities through New York Life Insurance Company. The District has no obligation other than that of paying the current year's liability. The District paid \$10,357 in 1998 and \$10,402 in 1999 as its contribution to the annuities. The District has no obligation for the annuity contracts held by New York Life past, current, or future. Further, the District management is under no obligation to continue its voluntary contributions to each employee's annuity contract.

WATER WORKS DISTRICT NO. 1, WARD 1
Calcasieu Parish, Louisiana
Notes to the Financial Statements
June 30, 1998 and 1999.

Note 6.-Due to State of Louisiana/Act 319

This liability represents funds advanced to the District for the relocation of water lines due to highway expansion or relocation. This loan is non-interest bearing and is for an indefinite period of time. Traditionally, the State of Louisiana has made these loans and the governmental body is not expected to re-pay these loans. The Louisiana Department of Transportation (DOT) will not permit the District to locate any of its lines on state property until the debt is repaid. This restriction can be waived by the DOT and does when the health or welfare of the District's customers is affected.

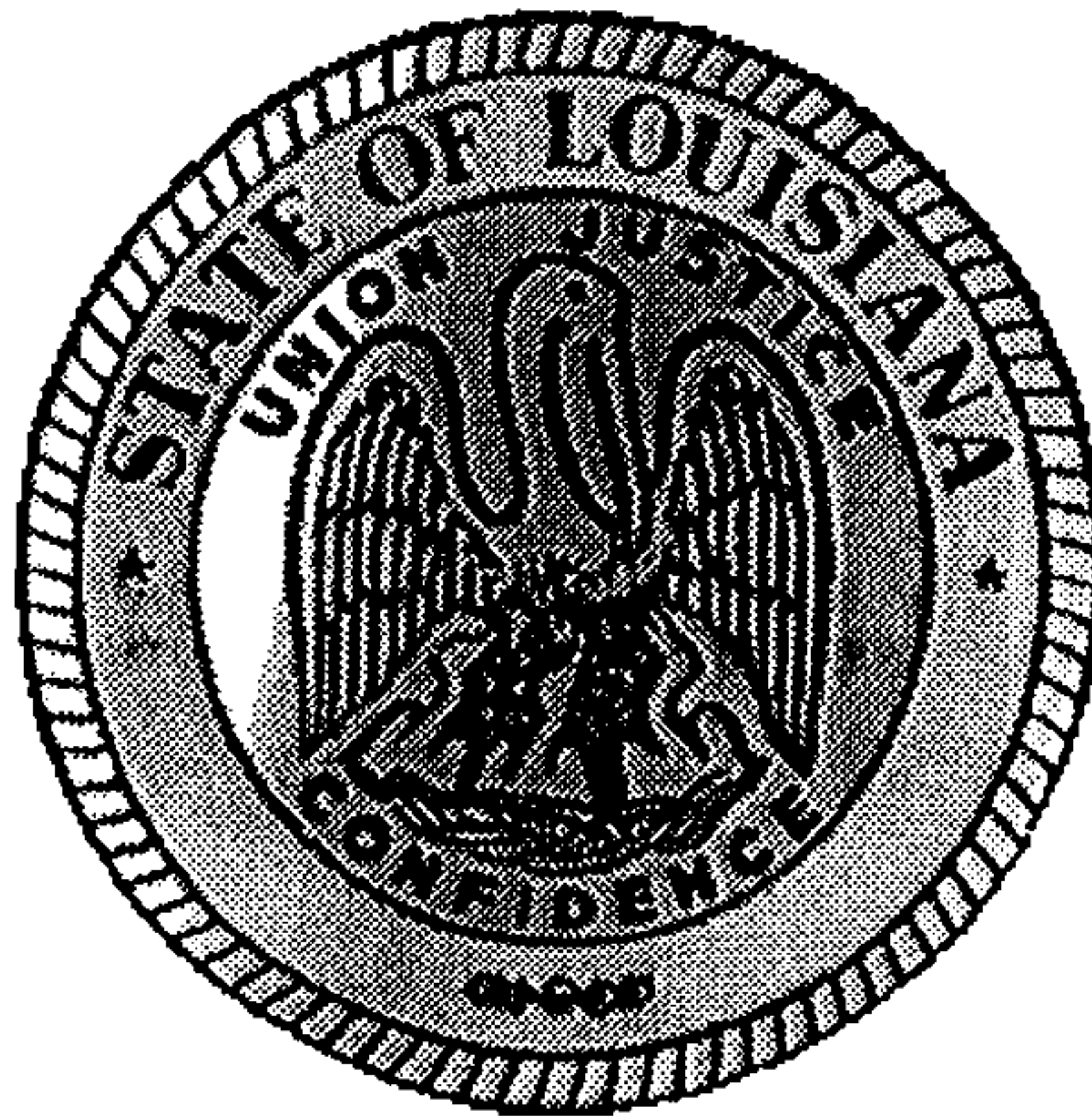
Note 7.-Sales Tax

Sales taxes are collected by the District on cash received for water fees and paid to the State of Louisiana on a monthly basis. The tax remitted on these collections from water fees for fiscal year 1998 and 1999 are \$41,124 and \$35,998, respectively.

Note 8.-Litigation

There was no active, pending or contemplated litigation June 30, 1998 and 1999.

SUPPLEMENTAL SECTION



Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

**SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 1998**

	<u>Basis of Assets</u>			<u>Balance 6-30-98</u>
	<u>Balance 6-30-97</u>	<u>Addition</u>	<u>Reduction</u>	
Land	65,415	80	-0-	65,495
Building	152,106	-0-	-0-	152,106
Distribution System	3,885,871	81,206	-0-	3,967,077
Water Wells	245,523	-0-	-0-	245,523
Water Plant	1,481,045	532,446	-0-	2,013,491
Water Tank	888,048	100,680	-0-	988,728
Office Furniture	78,598	-0-	-0-	78,598
Vehicles	86,893	10,688	7,752	89,829
Equipment	<u>90,357</u>	<u>37,174</u>	<u>-0-</u>	<u>127,531</u>
Total	<u>6,973,856</u>	<u>762,274</u>	<u>7,752</u>	<u>7,728,378</u>

SCHEDULE 1

<u>Accumulated Depreciation</u>			
Balance 6-30-97	Current Depreciation	Reduction	Balance 6-30-98
-0-	-0-	-0-	-0-
70,409	3,040	-0-	73,449
1,523,461	78,193	-0-	1,601,654
175,026	9,143	-0-	184,169
671,076	61,141	-0-	732,217
203,618	22,202	-0-	225,820
74,784	778	-0-	75,562
56,147	10,200	7,751	58,596
48,777	4,964	-0-	53,741
<u>2,823,298</u>	<u>189,661</u>	<u>7,751</u>	<u>3,005,208</u>

The accompanying notes are integral to these financial statements

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

**SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 1999**

	<u>Basis of Assets</u>			<u>Balance 6-30-99</u>
	<u>Balance 6-30-98</u>	<u>Addition</u>	<u>Reduction</u>	
Land	65,495	125,053	-0-	190,548
Building	152,106	20,488	-0-	172,594
Distribution System	3,967,077	260,542	-0-	4,227,619
Water Wells	245,523	-0-	-0-	245,523
Water Plant	2,013,491	78,641	-0-	2,092,132
Water Tank	988,728	149,748	-0-	1,138,476
Office Furniture	78,598	-0-	-0-	78,598
Vehicles	89,829	-0-		89,829
Equipment	127,531	-0-	-0-	127,531
Total	<u>7,728,378</u>	<u>634,472</u>	<u>0</u>	<u>8,362,850</u>

SCHEDULE 1A

<u>Accumulated Depreciation</u>			
<u>Balance 6-30-98</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6-30-99</u>
-0-	-0-	-0-	-0-
73,449	3,189	-0-	76,638
1,601,654	82,414	-0-	1,684,068
184,169	9,143	-0-	193,312
732,217	56,000	-0-	788,217
225,820	25,031	-0-	250,851
75,562	778	-0-	76,340
58,596	7,062		65,658
53,741	9,276	-0-	63,017
<u>3,005,208</u>	<u>192,893</u>	<u>0</u>	<u>3,198,101</u>

The accompanying notes are integral to these financial statements

SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED
JUNE 30, 1998 AND 1999

	<u>1998</u>	<u>1999</u>
Production and Distribution:		
Personal Services	113,619	112,338
Repairs and maintenance		
Equipment	6,677	6,738
Wells, plant & power	48,481	57,743
Taps & Lines	20,600	32,525
Power	77,646	81,342
Chemical	42,153	61,839
Truck	18,047	22,946
Supplies	2,702	2,566
Equipment Rental	1,691	--
Total production & distribution expenses	<u>331,616</u>	<u>378,037</u>
General and Administrative:		
Personal service-office	99,844	104,661
Personal service-meter reading	19,510	24,392
Insurance	32,663	33,924
Office operations	8,074	12,014
Computer maintenance and software	4,210	5,105
Payroll taxes	18,973	19,999
Communications	8,931	7,230
Legal and professional	12,750	14,620
Utilities	3,246	3,838
Postage	14,388	15,662
Meeting expenses and per diem	7,750	7,200
Billing and collection	5,382	4,282
Miscellaneous	1,772	1,912
Amortization of bond issue costs	8,064	8,064
Employees benefits	42,451	55,546
Janitorial	9,588	10,446
Printing	287	282
Conferences, workshops & certificates	927	980
Bad Debt	3,653	8,002
Total general & administrative expenses	<u>302,463</u>	<u>338,159</u>

The accompanying notes are integral to these financial statements

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 3

CASH BALANCES AT JUNE 30, 1998 AND 1999

	<u>1998</u>	<u>1999</u>
<u>Detail of Cash Accounts and Liquid Investments:</u>		
A. Certificates of deposits and savings	1,366,387	1,313,436
B. Hibernia National Bank-revenue	343,200	300,298
C. Bank-payroll	7,771	10,245
D. Sinking HUD	117,276	153,251
E. Cash on hand	400	400
F. Checking and CD - G.O. sinking account	221,214	248,249
G. Restricted cash - customer deposits	(379)	(1,535)
Total	<u><u>2,055,869</u></u>	<u><u>2,024,344</u></u>
<u>Division of Cash</u>		
Restricted:		
A. Reserve for customer deposits	96,650	98,390
B. Sinking fund for bond interest	388,490	401,490
C. Bond extension and replacement	75,000	75,000
D. Bond revenue	70,000	70,000
E. Construction & capital purposes	1,366,387	1,313,436
Total Restricted Cash	<u>1,996,527</u>	<u>1,958,316</u>
Unrestricted Cash	<u>59,342</u>	<u>66,028</u>
Total Restricted and Unrestricted Cash	<u><u>2,055,869</u></u>	<u><u>2,024,344</u></u>

The accompanying notes are integral to these financial statements

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 4

**SCHEDULE OF COMMISSIONERS'
PER DIEM AND ATTENDANCE
FOR THE YEARS ENDED
JUNE 30, 1998 AND 1999**

Commissioners:	Expiration of term	1999		1998	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
David Dotson	Sept. 1997	1,440	25	1,440	25
J.R. McCain	Sept. 2001	1,440	24	1,440	25
Haskell Nixon	Sept. 1998	1,440	25	1,440	26
Earl O'Quinn	Sept. 2000	1,440	25	1,440	25
Glen Franklin	Sept. 1999	1,440	25	1,440	26
Total Per Diem		<u>7,200</u>	<u>124</u>	<u>7,200</u>	<u>127</u>

The accompanying notes are integral to these financial statements

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

SCHEDULE 5

**SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 1998 AND 1999**

Fire, Lightning and Extended Coverage:

(Subject to 80% Co-Insurance)	
Contents of Water Treatment Building/Plant	290,000
Deep Well Pump	55,000
Office Building	75,000
Content of Office Building	50,000
Filter System	150,000
Back hoe	19,000
Elevated Water Tanks	402,000
Ground Storage Tank	50,000

Comprehensive General and Automobile Liability:

Bodily Injury:	
Each person	300,000
Each accident	300,000
Uninsured Motorist	300,000

Standard Workman's Compensation:	
(Limits to \$100,000)	100,000

General Liability and Property Damage:	500,000
---	---------

Fidelity Bond:	10,000
(per employee)	

The accompanying notes are integral to these financial statements

SCHEDULE OF RATES

A. Water Rate Classification and Schedule:

1. Class I - Residential - One (1) user on Owner's property	
Minimum for 0 to 2,000 gallons	\$7.00
Per 1,000 gallons thereafter up to 8,000 gallons	\$2.25
Per 1,000 gallons after 8,000 gallons	\$2.30
2. Class II - Commercial and Industrial	
Minimum for 0 to 5,000 gallons	\$15.00
Per 1,000 gallons thereafter up to 8,000 gallons	\$2.25
Per 1,000 gallons after 8,000 gallons	\$2.30
3. Class III - Trailer Parks and Apartments (Multiple users through one meter)	
Minimum for 0 to 2,000 gallons	\$8.00
Per 1,000 gallons thereafter up to 8,000 gallons	\$2.25
Per 1,000 gallons after 8,000 gallons	\$2.30

B. Deposits and Service Charges (Revised)

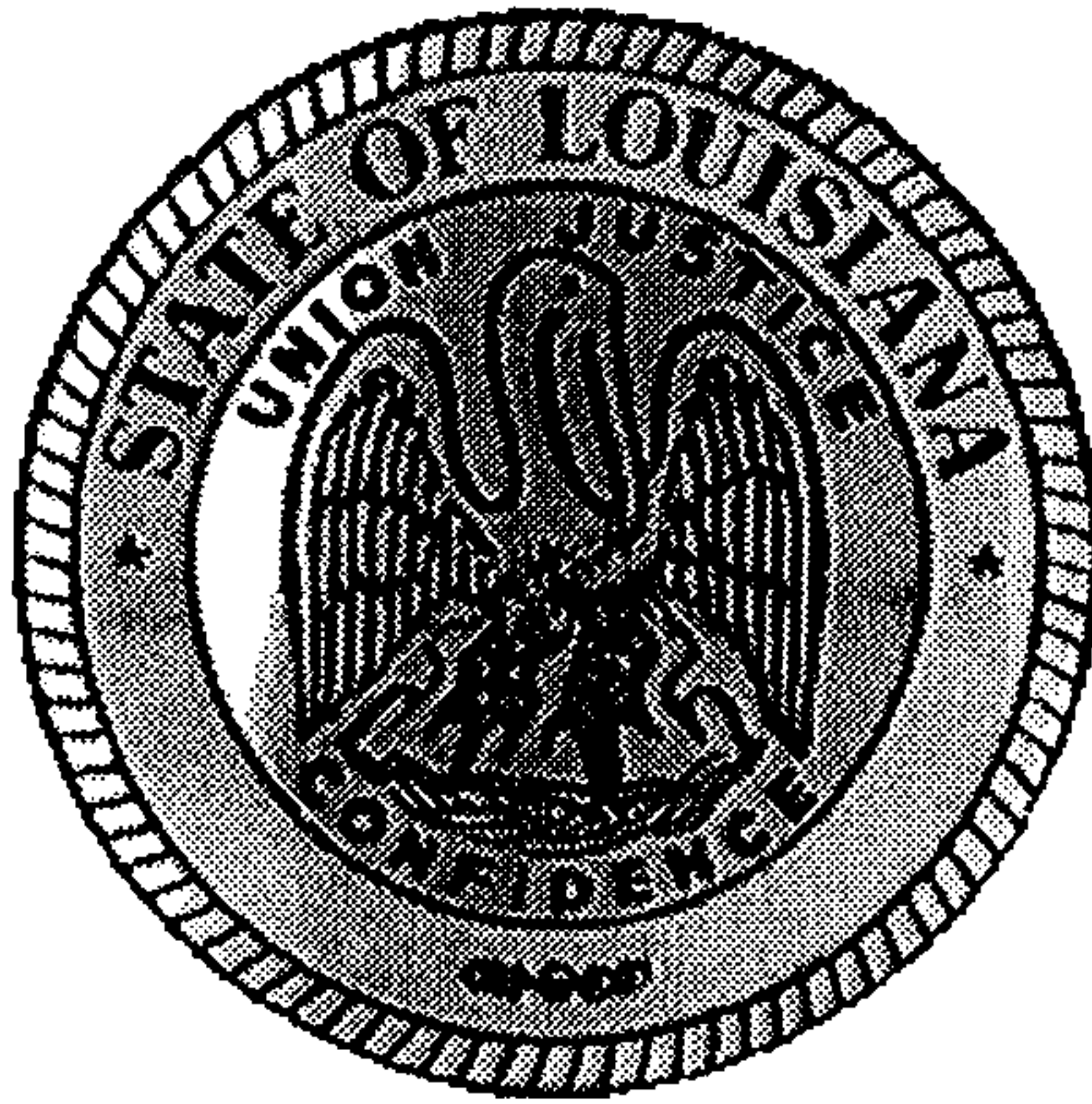
1. Deposits	
Residential	\$10.00
Residential (renter)	\$50.00
Commercial	\$30.00 TO \$100.00
Fire Hydrant Usage	\$20.00
Industrial (to be determined by Waterworks No. 1)	-0-
2. Service Charges	
Turn on or transfer	\$15.00
After 4:30 p.m. or on weekends	\$30.00
Name change only	\$5.00
Collection charge	\$15.00
NSF Checks	\$10.00
Fire Hydrant Meter Rental (Per day)	\$10.00
Fire Hydrant Meter (Installation)	\$10.00
Plans and Specifications	
5,000 Min. (Plus \$2.00 per 1,000' over 5,000')	\$50.00
Inspection fee (\$1.00 per unit/lot) plus base rate of	\$50.00
Tapping Fee (5/8" X 3/4")	\$500.00
3/4', 1-1/2", & 2" (Cost of labor & materials)	

C. The System shall be operated on a fully metered basis.

D. No free service will be allowed.

E. No dual connection will be allowed (more than one user on a single meter) other than specified in classifications.

The accompanying notes are integral to these financial statements



Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana

**WATER WORKS DISTRICT NO. 1, WARD 1,
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA**

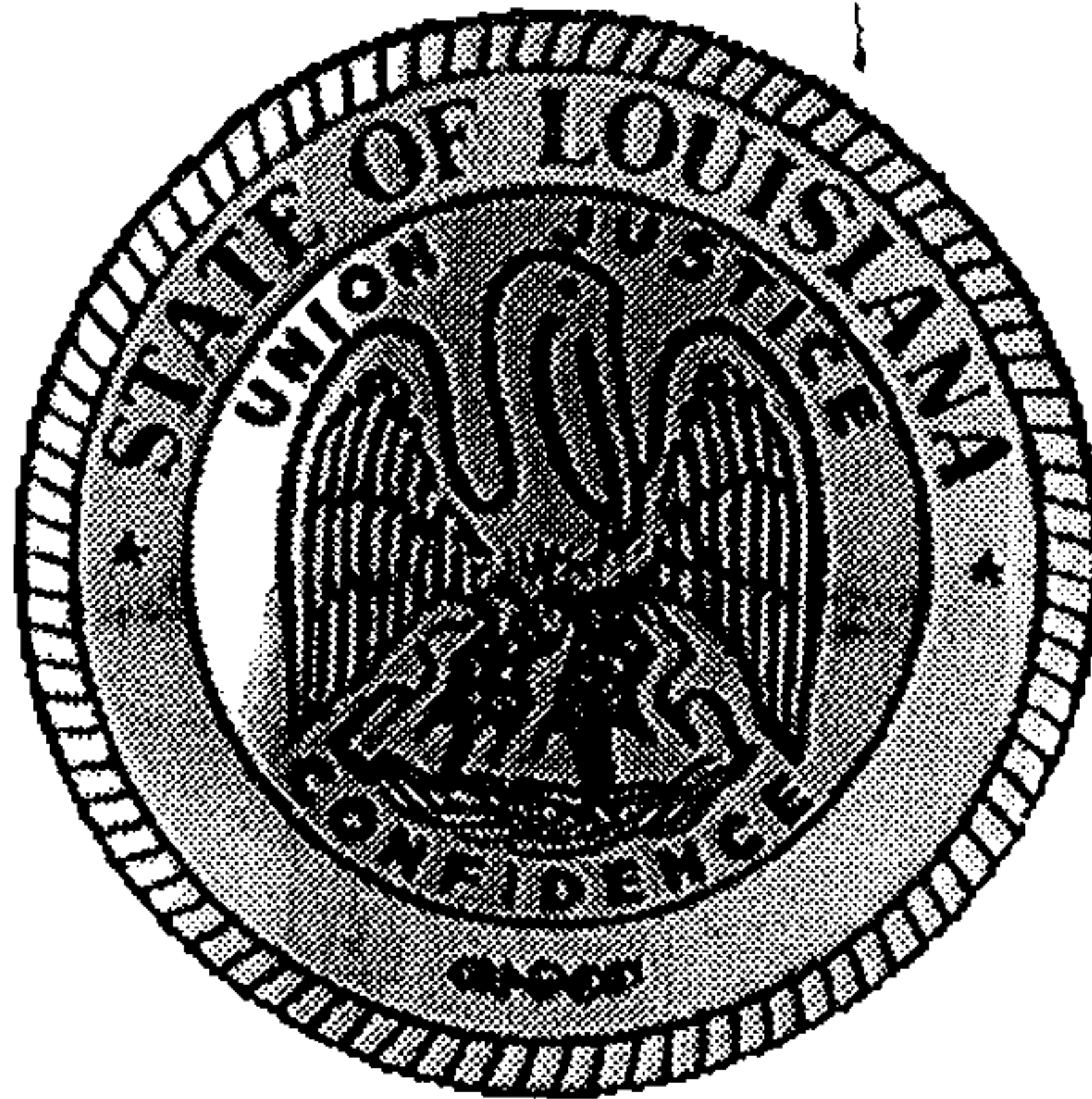
**COMPARATIVE STATEMENTS OF
REVENUES AND EXPENSES
FOR THE YEARS ENDED
JUNE 30, 1999 THRU 1988**

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Operating Revenue					
Water Sales	1,316,715	1,214,843	1,162,509	1,062,453	942,400
Service	80,943	91,423	80,185	103,583	69,211
Total	<u>1,397,658</u>	<u>1,306,266</u>	<u>1,242,694</u>	<u>1,166,036</u>	<u>1,011,611</u>
Operating Expenses:					
Production and Distribution (A)	570,930	521,276	473,057	573,233	536,816
General and Administrative	338,159	302,463	300,451	286,043	274,602
Total	<u>909,089</u>	<u>823,739</u>	<u>773,508</u>	<u>859,276</u>	<u>811,418</u>
Net Income (Loss) from operations	488,569	482,527	469,186	306,760	200,193
Non-Operating Revenue and (expenses):					
Interest & Taxes	283,511	256,268	292,384	258,722	232,488
Miscellaneous	26,674	32,276	17,689	16,292	18,945
Interest Expense	-0-	(231,555)	(237,636)	(268,607)	(236,962)
Grant	-0-	-0-	-0-	-0-	-0-
Riverboat Grant Revenue	77,832	-0-	-0-	-0-	-0-
Total	<u>388,017</u>	<u>56,989</u>	<u>72,437</u>	<u>6,407</u>	<u>14,471</u>
Net Income (Loss)	671,835	539,516	541,623	313,167	214,664
Customers (active)	5,722	5,566	5,283	5,065	4,695
Customer increase	156	283	218	370	195
Water Consumption in thousand gallons	531,270	520,537	494,830	478,605	426,994

(A) Includes Depreciation

SCHEDULE 7

<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>
832,705	796,650	754,978	757,689	729,384	728,736	693,059
48,220	47,014	32,888	22,166	33,937	25,038	40,342
<u>880,925</u>	<u>843,664</u>	<u>787,866</u>	<u>779,855</u>	<u>763,321</u>	<u>753,774</u>	<u>733,401</u>
504,534	522,311	408,470	437,120	460,825	425,454	407,240
264,989	277,292	272,303	249,046	257,544	238,655	223,006
<u>769,523</u>	<u>499,603</u>	<u>680,773</u>	<u>686,166</u>	<u>718,369</u>	<u>664,109</u>	<u>630,246</u>
111,402	44,061	107,093	93,689	44,952	89,665	103,155
219,870	222,237	218,911	181,023	182,084	186,120	218,829
42,056	38,856	34,586	23,186	19,176	23,759	9,328
(249,602)	(234,593)	(282,186)	(295,887)	(303,579)	(317,149)	(311,679)
-0-	-0-	14,209	-0-	-0-	-0-	71,671
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>12,324</u>	<u>26,500</u>	<u>(14,480)</u>	<u>(91,678)</u>	<u>(102,319)</u>	<u>(107,270)</u>	<u>(11,851)</u>
<u>123,726</u>	<u>70,561</u>	<u>92,613</u>	<u>2,011</u>	<u>(57,367)</u>	<u>(17,605)</u>	<u>91,304</u>
4,500	4,360	4,146	4,035	3,875	3,725	3,688
140	214	111	160	150	35	177
410,381	369,359	381,012	456,630	384,336	352,602	332,314



Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana

COMPLIANCE QUESTIONNAIRE

LOUISIANA COMPLIANCE QUESTIONNAIRE
(For Audit Engagements)
08/12/99 (Date Transmitted)

Stairman & Whirfield, Inc
P.O. Box 2069
Orange, TX 77630 (Auditors)

In connection with your audit of our financial statements as of 06/30/99
and for 07/01/98 thru 06/30/99

(period of audit) for the purpose of expressing an opinion as to the fair presentation of our financial statements in accordance with generally accepted accounting principles, to assess our system of internal control as a part of your audit, and to review our compliance with applicable laws and regulations, we confirm, to the best of our knowledge and belief, the following representations. These representations are based on the information available to us as of 08/11/99 (date completed/date of the representations).

PART I. AGENCY PROFILE

1. Name and address of the organization.

Water Works District No. 1, of Ward 1
P.O. Box 12549
Lake Charles, LA. 70612-2549

2. List the population of the municipality or parish based upon the last official United States Census or most recent official census (municipalities and police juries only). Include the source of the information.

3. List names, addresses, and telephone numbers of entity officials. (Include elected/appointed members of the governing board, chief executive and fiscal officer, and legal counsel.

See Attachment

4. Period of time covered by this questionnaire:

07/01/98 thru 06/30/99

5. The entity has been organized under the following provisions of the Louisiana Revised Statute (s) (LSA-RS) and, if applicable, local resolutions/ordinances.

6. Briefly describe the public services provided:

Public Water Supply

7. Expiration date of current elected/appointed officials' terms.

5 year terms, staggered so that one expires each year.

LEGAL COMPLIANCE

PART II. PUBLIC BID LAW

8. The provisions of the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office have been complied with.
- A) All public works purchases exceeding \$100,000 have been publicly bid.
B) All material and supply purchases exceeding \$15,000 have been publicly bid.
- Yes [x] No []

PART III. CODE OF ETHICS LAW FOR PUBLIC OFFICIALS AND PUBLIC EMPLOYEES

9. It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.
- Yes [x] No []
10. It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.
- Yes [x] No []

PART IV. LAWS AFFECTING BUDGETING

11. We have complied with the budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

A. Local Budget Act

1. We have adopted a budget for the General Fund and all special revenue funds (LSA-RS 39:1301).
2. The chief executive officer, or equivalent, has prepared a proposed budget that included a budget message, a proposed budget for the General Fund and each special revenue fund, and a budget adoption instrument that specified the chief executive's authority to make budgetary amendments without approval of the governing authority. Furthermore, the proposed expenditures did not exceed estimated funds to be available during the period (LSA-RS 39:1304).
3. The proposed budget was submitted to the governing authority and made available for public inspection at least 15 days prior to the beginning of the budget year (LSA-RS 39:1305).
4. To the extent that proposed expenditures were greater than \$250,000, we have made the budget available for public inspection and have advertised its availability in our official journal. The advertisement included the date, time, and place of the public hearing on the budget. Notice has also been published certifying that all actions required by the Local Government Budget Act have been completed (LSA-RS 39:1306).
5. The proposed budget was made available for public inspection at the location required by LSA-RS 39:1307.

6. All action necessary to adopt and finalize the budget was completed prior to year end. The adopted budget contained the same information as that required for the proposed budget (LSA-RS 39:1304(c) .

7. After adoption, a certified copy of the budget has been retained by the chief executive officer or equivalent officer (LSA-RS 39:1308).

8. The chief executive officer or equivalent notified in writing the governing authority during the year when actual receipts plus projected revenue collections for the year failed to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more (LSA-RS 39:1310). (Note, state law exempts from the amendment requirements special revenue funds with anticipated expenditures of \$250,000 or less and exempts special revenue funds whose expenditures drive revenue recognition-primarily federal funds.)

9. The governing authority has amended its budget when notified, as provided by LSA-RS 39:1310 (LSA-RS 39:1309).

Yes [] No []

B. State Budget Requirements

1. The state agency has complied with the budgetary requirements of LSA-RS 39:34.

Yes [] No []

C. Licensing Boards

1. The licensing board has complied with the budgetary requirements of R. S. 39:1331-1342.

Yes [] No []

PART V. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING LAWS

12. We have maintained our accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with LSA-RS 24:514, 24:515, and/or 33:463.

Yes [] No []

13. All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes [] No []

14. We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes [] No []

15. We have had our financial statements audited in a timely manner in accordance with LSA-RS 24:513.

Yes [] No []

PART VI. ASSET MANAGEMENT LAWS

16. We have maintained records of our general fixed assets and movable property, as required by LSA-RS 24:515 and/or 39:321-332, as applicable.

Yes [x] No []

PART VII. FISCAL AGENCY AND CASH MANAGEMENT LAWS

17. We have complied with the fiscal agency and cash management requirements of LSA-RS 39:1211-45 and 49:301-327, as applicable.

Yes [x] No []

PART VIII. DEBT RESTRICTION LAWS

18. It is true we have not incurred any long-term indebtedness without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.85.

Yes [x] No []

19. We have complied with the debt limitation requirements of state law (LSA-RS 39:562).

Yes [x] No []

20. We have complied with the reporting requirements relating to the Fiscal Review Committee of the State Bond Commission (LSA-RS 39:1351).

Yes [x] No []

PART IX. REVENUE AND EXPENDITURE RESTRICTION LAWS

21. We have restricted the collections and expenditures of revenues to those amounts authorized by Louisiana statutes, tax propositions, and budget ordinances.

Yes [x] No []

22. It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes [x] No []

23. It is true that no property or things of value have been loaned, pledged, or granted to anyone in violation of Article VII, Section 14 or the 1974 Louisiana Constitution.

Yes [x] No []

PART X. QUESTIONS FOR SPECIFIC GOVERNMENTAL UNITS**Police Juries**

24. We have adopted a system of road administration that provides as follows:

- A. Approval of the governing authority of all expenditures, LSA-RS 48:754(A).
- B. Development of a capital improvement program on a selective basis, LSA-RS 48:754(A)&(B).
- C. Centralized purchasing of equipment and supplies, LSA-RS 48:754(A).
- D. Centralized accounting, LSA-RS 48:754(A).

- E. A construction program based on engineering plans and inspections, LSA-RS 48:754(A)&(B).
- F. Selective maintenance program, LSA-RS 48:754(A)&(B).
- G. Annual certification of compliance to the legislative auditor, LSA-RS 48:757(C).
Yes [] No []

School Boards

25. We have complied with the general statutory, constitutional, and regulatory provisions of the Louisiana Department of Education, LSA-RS 17:51-401.
Yes [] No []
26. We have complied with the regulatory circulars issued by the Louisiana Department of Education that govern the Minimum Foundation Program.
Yes [] No []

Tax Collectors

27. We have complied with the general statutory requirements of LSA-RS 47, Chapter 4.
Yes [] No []

Sheriffs

28. We have complied with the state supplemental pay regulations of LSA-RS 33:2218.8.
Yes [] No []
29. We have complied with LSA-RS 33:1432 relating to the feeding and keeping of prisoners.
Yes [] No []

District Attorneys

29. We have complied with the regulations of the Louisiana Department of Social Services that relate to the Title IV-D Program.
Yes [] No []

Assessors

30. We have complied with the regulatory requirements found in Title 47 of the Louisiana Revised Statutes.
Yes [] No []

31. We have complied with the regulations of the Louisiana Tax Commission relating to the reassessment of property.

Yes [] No []

Clerks of Court

33. We have complied with LSA-RS 13:751-960.

Yes [] No []

Libraries

34. We have complied with the regulations of the Louisiana State Library.

Yes [] No []

Municipalities

35. Minutes are taken at all meetings of the governing authority. LSA-RS 42:7.1 (Act 665 of 1976).

Yes [] No []

36. Minutes, ordinances, resolutions, budgets, and other official proceedings of the municipalities are published in the official journal. LSA-RS 43:143-144 and A.G. 82-383.

Yes [] No []

37. All official action taken by the municipality is conducted at public meetings. LSA-RS 42:4.1-12 (Act 665 of 1976).

Yes [] No []

Airports

38. We have submitted our applications for funding airport construction or development to the Department of Transportation and Development as required by LSA-RS 2:802.

Yes [] No []

39. We have adopted a system of administration that provides for approval by the department for any expenditures of funds appropriated from the Transportation Trust Fund, and no funds have been expended without department approval (LSA-RS 2:810).

Yes [] No []

40. All project funds have been expended on the project and for no other purpose (LSA-RS 2:810).

Yes [] No []

41. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 2:811).

Yes [] No []

Ports

42. We have submitted our applications for funding port construction or development to the Department of Transportation and Development as required by LSA-RS 34:3432.

Yes [] No []

43. We have adopted a system of administration that provides for approval by the department for any expenditures of funds made out of state and local matching funds, and no funds have been expended without department approval (LSA-RS 34:3460).

Yes [] No []

44. All project funds have been expended on the project and for no other purpose (LSA-RS 34:3460).

Yes [] No []

45. We have established a system of administration that provides for the development of a capital improvement program on a selective basis, centralized purchasing of equipment and supplies, centralized accounting, and the selective maintenance and construction of port facilities based upon engineering plans and inspections (LSA-RS 34:3460).

Yes [] No []

46. We have certified to the legislative auditor, on an annual basis, that we have expended project funds in accordance with the standards established by law (LSA-RS 34:3461).

Yes [] No []

Sewerage Districts

47. We have complied with the statutory requirements of LSA-RS 33:3881-4159.

Yes [] No []

Waterworks Districts

48. We have complied with the statutory requirements of LSA-RS 33:3811-3836.

Yes [x] No []

Utility Districts

49. We have complied with the statutory requirements of LSA-RS 33:4161-4533.

Yes [] No []

Drainage and Irrigation Districts

50. We have complied with the statutory requirements of LSA-RS 38:1601-1707 (Drainage Districts); LSA-RS 38:1751-1904 (Gravity Drainage Districts); LSA-RS 38:1991-2048 (Levee and Drainage Districts); or LSA-RS 38:2101-2123 (Irrigation Districts), as appropriate.

Yes [] No []

Fire Protection Districts

51. We have complied with the statutory requirements of LSA-RS 40:1491-1505.

Yes [] No []

Other Special Districts

52. We have complied with those specific statutory requirements of state law applicable to our district.

Yes [] No []

Quasi-Public Corporations

53. We have complied with the award or grant restrictions relating to our receipt of public funds.

Yes [] No []

The previous responses have been made to the best of our belief and knowledge.

_____	David Dotson	Secretary	<u>David Dotson</u>	Date
_____		Treasurer		Date
_____	J. R. McCain	President	<u>J. R. McCain</u>	Date

ATTACHMENT

BOARD COMMISSIONERS

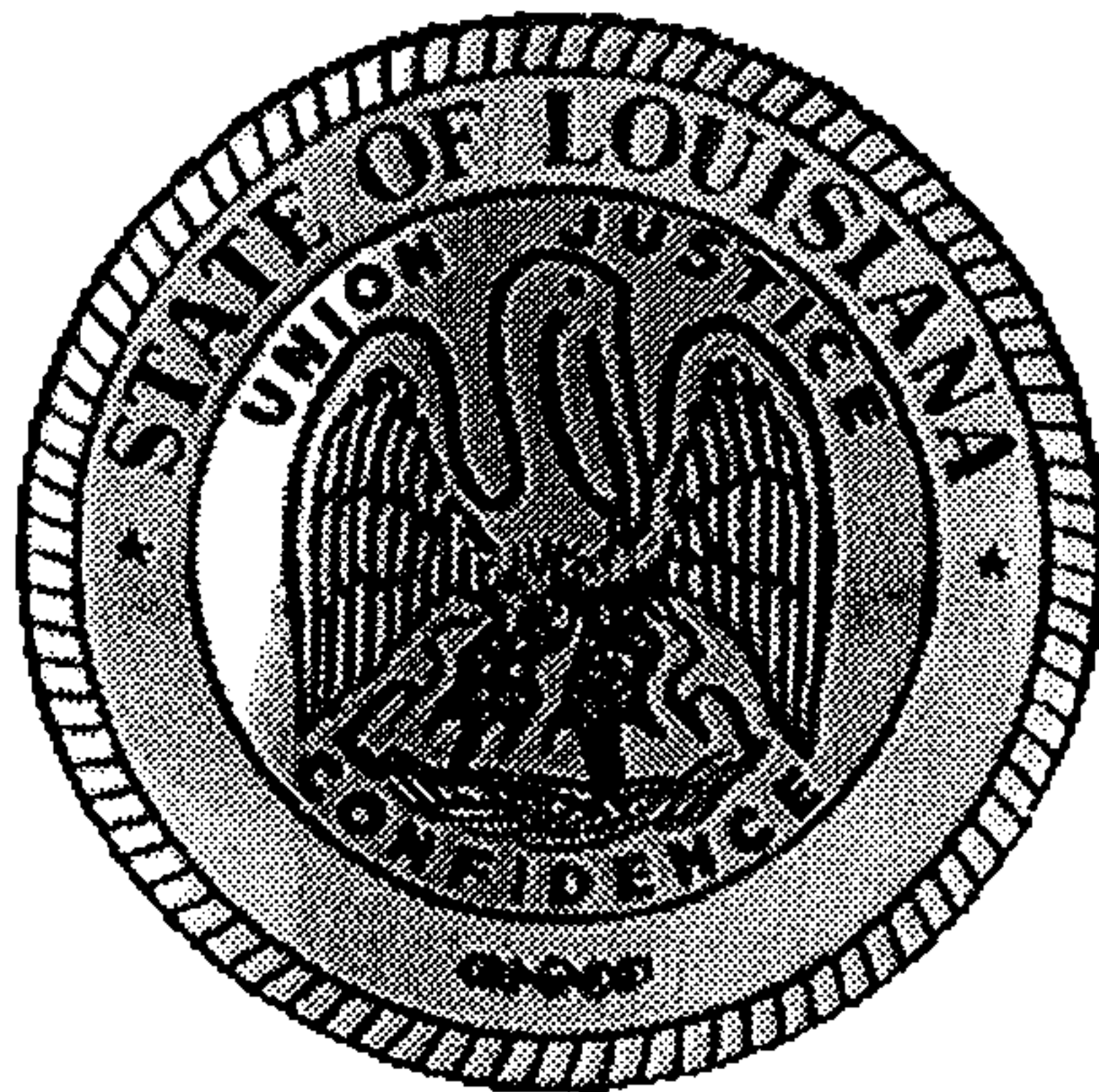
J. R. McCain	1794 Sam Houston Jones Pkwy, Lake Charles, LA. 70611	(318-855-7564)
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SUPERINTENDENT:

Gerald Hoffpaur	1101 Athens Drive, Lake Charles, LA. 70611	(318-855-6346)
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LEGAL COUNSEL:

Robert Kleinschmidt	P. O. Box 3209, Lake Charles, LA. 70611	(318-855-3400)
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Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana

GOVERNMENTAL ACCOUNTING REPORT



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS
109 CAMELLIA
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ORANGE, TEXAS 77631
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the general purpose financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana as of and for the year ended June 30, 1998 and 1999, and have issued our report thereon dated November 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's general purpose financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur

and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Steirman, Whitfield + Co PC

Steirman, Whitfield and Co. PC

Certified Public Accountants

Orange, TX

November 15, 1999

OTHER ATTACHMENTS



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MANAGEMENT LETTER

November 15, 1999

Board of Commissioners
Water Works District No. 1, Ward 1
Calcasieu Parish, Louisiana

In planning and performing our audit of the general purpose financial statements of Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana for the years ended June 30, 1999 and 1998, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted no reportable conditions that we believe to be material weaknesses.

Prior Year's Findings--

Finding 1. The computerized billing and collection system was not preparing a report for the Superintendent which would permit him to review all adjustments to customer accounts other than normal payments. This report would provide control over the entry of adjustments to individual customer accounts by permitting appropriate supervisory review of these transactions.

Response: The Superintendent will review all adjustments monthly. The new computerize billing and collection system will generate a log of all adjustments to customers' accounts that can be viewed on screen by the Superintendent and the system will generate a report monthly prior to running the billing cycle. The report will be automatic produced and reviewed by the outside auditor monthly. The report will segregate normal customer refund adjustments, corrections to customers meter readings and other corrections such as a reduction of amount billed for what ever reason. The last area of adjustment is normally used to reduce a customer's bill for a water leak or similar reduction based on the District's customer relations policy.

Status: The District implemented a new collection and billing system during the year. These reports were being programmed at the time of this letter.

Finding 2. The District was implementing a new computerized billing and collection system. This system should be reviewed to insure that all the control reports that were prepared by the prior system are continued. Additionally, the system should be tested for validity and reliability.


Response: The District will engage the outside auditor to review the new computerized billing and collection system's input, processing and output controls as soon as the system is fully debugged. This will be a priority and done as soon as possible.

Status: The new computerized billing and collection system was still being implemented at the time of this letter. The District has requested that a complete study and evaluation of the systems controls be done as soon as the system is fully implemented.

Current Year's Findings--

There are no finding for the current year.

This report is intended solely for the information and use of the Board of Commissioners of the Water Works District No. 1, Ward 1, Calcasieu Parish, Louisiana, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.


Steirman, Whitfield and Co. PC
Certified Public Accountants

**WATERWORKS DISTRICT NO. 1, WARD 1, CALCASIEU PARISH, LOUISIANA
CORRECTIVE PLAN OF ACTION
FOR THE YEAR ENDED JUNE 30, 1998**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
None	N/A
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
NO FEDERAL AWARDS	
SECTION III MANAGEMENT LETTER	
<p>FY98-1 The computerized billing and collection system was not preparing a report for the Superintendent which would permit him to review all adjustments to customer accounts other than normal payments. This report would provide control over the entry of adjustments to individual customer accounts by permitting appropriate supervisory review of these transactions.</p>	<p>The Superintendent will review all adjustments monthly. The new computerized billing and collection system will generate a log of all adjustments to customers' accounts that can be viewed on screen by the Superintendent and the system will generate a report monthly prior to running the billing cycle. The report will be automatically produced and reviewed by the outside auditor monthly. The report will segregate normal customer refund adjustments, corrections to customers meter readings and other corrections such as a reduction of amount billed for whatever reason. The last area of adjustment is normally used to reduce a customer's bill for a water leak or similar reduction based on the District's customer relations policy.</p> <p>A new computerized billing and collection system was installed and being implemented. These controls were to be included in the finished product. The Independent Auditor has been requested to review the completed computerized system to insure there is compliance.</p>

<p>FY98-2 The District was implementing a new computerized billing and collection system. This system should be reviewed to insure that all the control reports that were prepared by the prior system are continued. Additionally, the system should be tested for validity and reliability</p>	<p>The District will engage the outside auditor to review the new computerized billing and collection system's input, processing and output controls as soon as the system is fully debugged. This will be a priority and done as soon as possible. This is still in progress.</p>
<p>There were no finding or comments for FY 99</p>	<p>N/A</p>

End of Corrective Plan of Action