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

**FINANCIAL STATEMENTS
JUNE 30, 1997 AND 1998**

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Released Date DEC 9 1998

**WATER WORKS DISTRICT NO.1, WARD 1,
CALCASSIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA
FINANCIAL STATEMENTS AT JUNE 30, 1997 AND 1998**

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A Corporation of
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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, 1997 and 1998, 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, *Government Auditing Standards*, issued by the comptroller general of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about what has been reported in 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, 1997 and 1998, and the results of its operations and the cash flows of its proprietary type activity fund for the years then ended in conformity with generally accepted accounting principles.

In accordance with governmental auditing standards, we have based our report dated October 30, 1998, 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.

Sterman, Whitfield and Co., PC
Sterman, Whitfield, and Co. PC
Certified Public Accountants
October 30, 1998

GENERAL PURPOSE FINANCIAL STATEMENTS

COMPARATIVE BALANCE SHEETS AT
JUNE 30, 1997 AND 1998

ASSETS	1997	1998
Current Assets		
Cash-unrestricted	60,185	69,049
Accounts receivable	179,890	197,018
Inventory-materials and supplies	35,293	31,180
Prepaid insurance	10,217	8,551
Interest receivable	10,867	5,225
Total Current Assets	310,652	291,240
Fixed Assets		
Land	65,448	65,495
Depreciable assets	8,929,645	7,662,882
Less-Accumulated depreciation	<u>(2,820,768)</u>	<u>(3,065,298)</u>
Total Fixed Assets	4,190,687	4,723,669
Other Assets		
Cash-restricted	2,239,058	1,699,527
Bond issue costs	198,288	198,288
Less - Accumulated amortization	<u>(91,457)</u>	<u>(99,518)</u>
Total Other Assets	2,245,689	2,898,297
Total Assets	6,806,334	7,927,707
LIABILITIES AND FUND EQUITIES		
Current Liabilities		
Bonds payable (Note 2)	231,900	231,090
Accounts payable	21,495	18,289
Payroll and sales taxes payable	4,512	4,642
Interest payable	<u>81,836</u>	<u>95,288</u>
Total Current Liabilities	319,532	329,249
Long Term Debt		
Bonds payable (Note 2)	2,111,900	2,868,660
Other Liabilities		
Customer Deposits	91,218	95,850
Due to State of Louisiana/Act 319	<u>1,308,058</u>	<u>1,199,036</u>
Total Other Liabilities	1,399,276	1,294,886
Total Liabilities	4,629,190	4,992,007
Fund Equity		
Unrestricted	604,770	603,051
Restricted	<u>1,673,489</u>	<u>1,754,149</u>
Total Fund Equity	2,278,259	2,317,707
Total Liabilities and Fund Equity	6,806,334	7,927,707

All accompanying notes are integral to these financial statements.

COMPARATIVE STATEMENTS OF REVENUE
AND EXPENSES FOR THE YEARS ENDED
JUNE 30, 1997 AND 1998

	1997	1998
Operating Revenue		
Water Sales	1,792,599	1,214,849
Tapping, connection, and meter fees	80,185	91,423
Total Operating Revenue	<u>1,872,784</u>	<u>1,306,272</u>
Operating Expenses		
Production and distribution	308,802	331,816
General and administrative	308,451	302,483
Total Operating Expenses	<u>617,253</u>	<u>634,299</u>
Operating Revenue before depreciation	630,441	672,187
Depreciation	<u>163,235</u>	<u>159,950</u>
Net Operating Income after depreciation	467,199	482,237
Non-Operating Revenue		
Interest	113,377	81,761
Ad valorem taxes	179,807	164,517
Miscellaneous	17,858	32,228
Total Non-Operating Revenue	<u>311,042</u>	<u>278,506</u>
Non-Operating Expenditures		
Interest on H/D bonds	34,748	30,239
Interest on general obligation bonds	80,133	83,777
Interest Refunding fees	186,753	175,558
Total Non-Operating Expenditures	<u>301,634</u>	<u>289,574</u>
Non-Operating Revenue (Expenditures)	<u>79,408</u>	<u>88,932</u>
Net Revenue (Loss) for year	<u>546,607</u>	<u>571,169</u>

The accompanying notes are integral to these financial statements.

COMPARATIVE STATEMENTS OF CHANGES IN
FUND EQUITIES FOR THE YEARS ENDED
JUNE 30, 1997 AND 1998

1998	Unrestricted	Restricted	Total
Fund Equity June 30, 1997	504,775	1,673,409	2,178,184
Net Revenue or (Loss)	<u>458,775</u>	<u>80,749</u>	<u>539,524</u>
Fund Equity June 30, 1998	<u>963,551</u>	<u>1,754,149</u>	<u>2,717,700</u>

1997	Unrestricted	Restricted	Total
Fund Equity July 31, 1996	45,028	1,580,535	1,625,563
Net Revenue or (Loss)	<u>458,749</u>	<u>82,874</u>	<u>541,623</u>
Fund Equity June 30, 1997	<u>504,775</u>	<u>1,673,409</u>	<u>2,178,184</u>

The accompanying notes are integral to these financial statements.

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

**COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1997 AND 1996**

Increase (Decrease) in Cash and Cash Equivalents	1997	1996
Cash flows from operating activities		
Cash received from customers	1,317,792	1,307,567
Cash paid to suppliers and employees	(592,807)	(623,038)
Net cash (used) provided by operating activities	724,985	684,529
Cash flows from non-capital financing activities		
Transfer (to) from restricted assets	(153,510)	242,523
Net cash (used) provided by non-capital financing activities	(153,510)	242,523
Cash flows from capital financing activities		
Interest received	103,071	99,089
Loan Act 319	176,896	-
Ad valorem taxes received	179,007	164,517
Capital expenditures	(335,407)	(764,640)
Interest paid	(386,444)	(238,791)
Principal payments on bonds	(216,000)	(251,000)
Increase in customer deposits	6,926	5,340
Net cash (used) provided by capital financing activities	(578,052)	(885,824)
Net increase in cash and cash equivalents	(102,712)	(25,852)
Cash and cash equivalents at beginning of year	182,905	80,199
Cash and cash equivalents at end of year	80,193	59,347

 Reconciliation of net revenue to net cash provided by operating activities:

	2007	2006
Net operating income (loss) after depreciation	489,155	482,927
Adjustments to reconcile net revenue (loss) to net cash provided by operating activities:		
Depreciation and amortization	171,319	187,724
Miscellaneous fees received	17,869	32,278
Change in assets and liabilities:		
(increase) decrease in accounts receivable	(24,972)	(10,028)
increase (decrease) in accounts payable	695	(5,288)
increase (decrease) in payroll and sales taxes payable	(268)	330
Decrease (increase) in inventory	(7,648)	4,187
Decrease (increase) in prepaid expenses	(1,355)	1,686
Total adjustments	<u>155,689</u>	<u>225,621</u>
Net cash provided by operating activities	<u>624,653</u>	<u>702,548</u>

Disclosures in accounting policy:

For purposes of the statement of cash flows, the Company considers all highly liquid and immaterial purchases 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
MOSS BLUFF, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS AT
JUNE 30, 1997 AND 1998**

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 8011 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. It 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 conducts the proposed budget in public hearing. The budget is normally accepted at the regular June meeting. The budget document is both the financial plan for that 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, 1997 and 1998. 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. The District believes that the Enterprise Fund type more correctly presents this than the other types of fund accounting established for governmental bodies. Despite this presentation the District must General Liabilities funds 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 revenues is recorded when earned, not when they cash is received, and that expenses or expenditures are recorded when the obligation to pay arises, not when the obligation is paid.

(Continued)

WATER WORKS DISTRICT NO. 1, WARD 1,

Caldwell Parish, Louisiana

Notes to the Financial Statements

June 30, 1997 and 1998

E. Accrued 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 annual 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 receivables nor otherwise recognized.

F. Baddebtwrite-offs 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 maintains any final billing that is receivable more than 120 days to be a bad debt. If any recovery is made, the collection is posted as other income. The amount written off as bad accounts for fiscal year 1998 were \$1,658 and the amount for 1997 was \$1,658. Prior to 1992 the District did not directly post bad debt as a separate amount and offset 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 deposits. This is permitted by Louisiana law. There were no investments at June 30, 1997 and 1998 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-deposit and time deposits were:

Per Banks:

<u>1998</u>			
	Uncollateralized	Collateralized	Total
FDIC Insured	\$ 39,342	\$ -	\$ 39,342
Pledged Collateral	0	1,998,527	1,998,527
Total	\$ 39,342	\$ 1,998,527	\$ 2,037,869
<u>1997</u>			
	Uncollateralized	Collateralized	Total
FDIC Insured	\$ 302,895	\$ 300,000	\$ 602,895
Pledged Collateral	0	2,139,830	2,139,830
Total	\$ 302,895	\$ 2,439,830	\$ 2,742,725

Carry value per banks:

<u>1998</u>			
	Uncollateralized	Collateralized	Total
FDIC Insured	\$ 300,000	\$ -	\$ 300,000
Pledged Collateral	302,895	1,998,527	2,301,422
Total	\$ 602,895	\$ 1,998,527	\$ 2,601,422

(Continued)

1983	Uncollected	Estimated	Total
FDIC insured	\$ 94,352	\$ 300,000	\$ 394,352
pledged Collateral	0	2,150,000	2,150,000
Total	<u>\$ 94,352</u>	<u>\$ 2,450,000</u>	<u>\$ 2,544,352</u>

The District had an investment which was a repurchase agreement on a US Treasury Bill with the J&F Davis Bank in the carrying amount of \$172,893. The bank pledged the entire investment which was a Treasury Bill to the amount of \$1,000,000 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. Intangibles are recorded at cost and are expensed 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

F. Goodwill costs are amortized over the term of the issued bonds.

K. Fund Equity is used to account for excess of revenues over expenditures and contributed capital. The District defines excess separately prior to the current GAAP principles between contributed capital and retained earnings. Fund equity is divided into retained and uncollected. The retained 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 five year period. It is known that \$21,526 was contributed by the state of Louisiana in 1973, and \$461,180 was contributed by the U.S. Economic Development Commission in 1975, and \$71,774 was a grant in 1967 through 1980 by the State of Louisiana for a Rehabilitation plant.

L. No contingent demands, liabilities, or claims are permitted to accrue from one year to the next.

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

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 \$1,000,000, purchased by the U.S. Department of Housing and Urban Development (HUD) and the second, dated March 1, 1981, in the amount of \$1,100,000, purchased by Farmers Home Administration (FARMHA). This last series was refunded or 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, 1983 by a bond issue of \$1,320,000.

The third series is an Ad Valorem (General Obligation) series dated March 1, 1980, in the amount of \$1,300,000.

(Continued)

**WATER WORKS DISTRICT NO. 1, WARD 1,
Caldcas Parish, Louisiana**
Notes to the Financial Statements
June 30, 1997 and 1998

Total Debt Payable at June 30, 1997 is as follows:

Year Ending	General	1997	1997 A	1997 B	Total
June 30	Collection	1997	1997 A	1997 B	Total
1997	181,100	71,300	118,802	127,398	300,400
1998	181,200	68,940	120,468	98,135	468,743
1999	184,900	66,780	122,805	94,830	468,805
2000	184,500	64,630	125,833	91,860	468,805
2001	181,000	62,460	118,838	99,835	460,933
2002	181,400	60,300	118,838	96,985	458,443
2003		58,140	120,533	94,138	372,811
2004		58,890	121,800	91,293	371,983
2005		58,590	123,890	93,403	376,883
2006		54,210	123,890	90,283	268,343
2007		51,870	124,260	91,045	268,175
2008		49,530	124,300	88,670	262,500
2009		47,190	123,990	88,830	260,010
2010		44,850	128,660	93,270	258,980
2011		42,510	128,010	93,990	258,510
2012		40,170	128,730	93,690	252,590
TOTAL	1,135,100	578,112	1,838,264	1,818,802	5,000,512

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

Year Ending	General	1997	1997 A	1997 B	Total
June 30	Collection	1997	1997 A	1997 B	Total
1998	181,200	68,940	120,468	98,135	468,743
1999	184,900	66,780	122,805	94,830	468,805
2000	184,500	64,630	125,833	91,860	468,805
2001	181,000	62,460	118,838	99,835	460,933
2002	181,400	60,300	118,838	96,985	458,443
2003		58,140	120,533	94,138	372,811
2004		58,890	121,800	91,293	371,983
2005		58,590	123,890	93,403	376,883
2006		54,210	123,890	90,283	268,343
2007		51,870	124,260	91,045	268,175
2008		49,530	124,300	88,670	262,500
2009		47,190	123,990	88,830	260,010
2010		44,850	128,660	93,270	258,980
2011		42,510	128,010	93,990	258,510
2012		40,170	128,730	93,690	252,590
TOTAL	912,800	377,880	1,838,632	1,818,412	4,598,025

(Continued)

Under the terms of the bond indenture on outstanding 1980 Water Revenue Bonds, dated November 1, 1979, all moneys derived from its operation or operation shall be deposited as the result of a special bond to be known as the "Plant System Reserve Fund", to be kept separate and apart from all other funds. Such funds shall be maintained so long as 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 laws:

1. Current expenses of the system shall be payable from month to month as a first charge against the Water System Reserve 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 therefor. Current expenses shall include all reasonable and necessary costs of operating, repairing, maintaining, and insuring the system, but shall exclude depreciation payments from 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 Reserve Fund" to the "Revenue Bond Fund" of monies sufficient just less than amounts of interest and ten-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 30% of the sum transferred to the "Revenue Bond Fund" shall be transferred to a debenture reserve fund, to be designated as the "Revenue Bond Reserve Fund" until such time as the funds and its investments in the "Revenue Bond Reserve Fund" shall equal \$70,000.
4. Monthly amounts of \$1,000 shall be transferred from the "Water System Reserve Fund" into the "Replacement and Extension Fund" until the balance in the "Replacement and Extension Fund" amounts to \$70,000. Said fund shall, hereafter, be maintained in said amount. Amounts in the "Replacement and Extension Fund" may be withdrawn and used by the District for the purpose of paying the cost of annual or extraordinary maintenance, repairs, replacements and extensions, and for paying the cost 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 balance in the "Revenue Bond Fund" under 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 shall be made from said "Replacement and Extension Fund" in such amounts as are necessary to eliminate the deficiency, respectively in said "Revenue Bond Fund" and in said "Revenue Reserve Fund".
5. The refunding issue of 1981 has only one covenant pertaining to the sinking and interest 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:

	General Obligation	Revenue	Total
Bonds Payable			
June 30, 1987	\$ 400,000	\$ 1,712,000	\$ 2,112,000
Bonds Retired	<u>125,000</u>	<u>(125,000)</u>	<u>0</u>
Bonds Payable			
June 30, 1990	<u>500,000</u>	<u>2,487,000</u>	<u>2,987,000</u>
Bonds Payable			
June 30, 1990	715,000	2,843,000	3,558,000
Bonds Retired	<u>(215,000)</u>	<u>(125,000)</u>	<u>(340,000)</u>
Bonds Payable			
June 30, 1991	<u>2,400,000</u>	<u>3,2,318,000</u>	<u>3,2,718,000</u>
Current Portion		<u>200</u>	<u>100</u>

(Continued)

WATER WORKS DISTRICT NO. 1, WARD 1,**Calcasieu Parish, Louisiana****Notes to the Financial Statements****June 30, 1997 and 1998**

General Obligation	\$ 95,000	\$ 100,000
Revenue - HUD 9711	36,000	36,000
Revenue - 1998 A	50,000	60,000
Revenue - 1998 B	62,000	62,000
Total Current Month Due For The Year Ended June 30	<u>1,203,000</u>	<u>1,218,000</u>

General Obligation Bonds:

\$1,200,000 bonds dated April 1, 1992, due in installments of \$15,000-\$160,000 through April 1, 2002; interest at 10% (plus issue secured by levy and collections of ad valorem tax).

Revenue Bonds:

\$1,008,000 Water Revenue Bonds (HUD) dated November 1, 1971, due in semiannual installments of \$11,000-\$109,000 through November 1, 1991; interest at 6%.

\$1,128,000 Refunding issue dated June 9, 1990 to defuse bond issued for and advance refunding of the 1,128 issue in 1983. Reinstated installment with an average interest rate of 6.695% and varying principal payment until 2011.

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

On February 10, 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 17%. The net proceeds \$1,000,800 were used to purchase securities as permitted. These securities were placed in an irrevocable trust with the Calcasieu Master 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 accepted 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 3, 1988 except for the principal originally due the March 1, 1988. This principal payment of \$2,800 was not paid until December 1988. Although the advance refunding resulted in a present value savings of approximately \$68,218 for the year ending June 30, 1988, the District in effect reduced its aggregate debt service payments by about \$1.15 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 system would distort the actual position of the District and would overstate the District's capital position.

On June 9, 1990, the District issued \$1,328,000 in Revenue bonds with an average interest rate of 6.648% over the term of the bonds, to advance refund \$1,085,000 of outstanding 1988 Advance Refunding bonds. 7 at 10%. The net proceeds \$1,348,500 (after payment of \$14,500 in underwriting fees, legal opinions 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 these bonds has been removed from the District's 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 \$68,217 for the year ending June 30, 1990, the District in effect reduced its aggregate debt service payments by about \$1,097,278 over the next twenty five years despite the increase in bonded debt by \$231,000.

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, 1990. Nor is this gain

(Continued)

to be recorded over the life of the refunding issue. The effect of recording this gain in the District's system would distort the actual position of the District and would overstate the District's capital position. The gain on this debt was recorded as an extra-ordinary item.

Note 2. -Summary of the changes in Fixed Assets:

	Balance	Add	Delet	Balance
	<u>6,28,000</u>	<u>8,61</u>		<u>6,28,611</u>
Land	\$ 21,415	\$ 80	\$ -	\$ 21,495
Building	107,106	-	-	107,106
Water System	6,000,487	774,523	-	6,775,010
Furniture	71,398	-	-	71,398
Vehicles	86,870	10,688	7,757	99,801
Equipment	90,342	21,174	-	111,516
Total	<u>6,875,608</u>	<u>8,683</u>	<u>7,757</u>	<u>6,976,534</u>

	Balance	Add	Delet	Balance
	<u>6,28,000</u>	<u>8,61</u>		<u>6,28,611</u>
Land	\$ 21,415	\$ -	\$ -	\$ 21,415
Building	106,986	1,120	-	108,106
Water System	5,983,080	507,484	-	6,490,564
Furniture	71,398	-	-	71,398
Vehicles	87,111	12,818	11,774	88,155
Equipment	81,998	6,180	-	88,178
Total	<u>6,460,188</u>	<u>5,802</u>	<u>11,774</u>	<u>6,454,216</u>

Note 3. -Ad Valorem Taxes:

For the years ended June 30, 1997 and 1998, rates of 30 and 9 mills were levied on property with assessed valuations of \$118,088,150 and \$ 118,604,280 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 4. -Pension Plan:

The Water Works District No.1, Ward 1, matches the employees' contributions (up to 5% of gross wages) to certain pension-money accounts through New York Life Insurance Company. The District has no obligation other than that of paying the current year's liability. The District paid \$8,000 in 1997 and \$10,000 in 1998 as its contribution to the accounts. 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.

Note 5. -Due to State of Louisiana(Act. 20)

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 repay 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 6. -Sales Taxes

Water taxes are collected by the District on bills received for water fees and paid to the State of Louisiana on a monthly basis. The tax levied on these collections from water fees for fiscal 1997 and 1998 are \$41, 114 and \$33,660, respectively.

Note 7. -Litigation

There was no active, pending or contemplated litigation at June 30, 1997 and 1998.

SUPPLEMENTAL SECTION

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

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

	Basis of Assets			Balance 6-30-98
	Balance 6-30-97	Addition	Reduction	
Land	85,415	80	-0-	85,495
Building	152,106	-0-	-0-	152,106
Distribution System	3,855,871	81,206	-0-	3,937,077
Water Wells	245,523	-0-	-0-	245,523
Water Plant	1,481,646	532,448	-0-	2,014,094
Water Tank	665,948	100,680	-0-	766,628
Office Furniture	78,998	-0-	-0-	78,998
Vehicles	80,893	10,688	7,752	83,829
Equipment	83,357	57,174	-0-	140,531
Total	<u>6,873,858</u>	<u>762,224</u>	<u>7,752</u>	<u>7,728,278</u>

SCHEDULE 1

Balance 6-30-07	Accumulated Depreciation		Balance 6-30-09
	Current Depreciation	Reduction	
-0-	-0-	-0-	-0-
70,469	3,040	-0-	73,449
1,509,481	78,193	-0-	1,601,654
175,026	8,143	-0-	184,169
671,076	81,141	-0-	732,217
203,816	22,202	-0-	225,629
74,794	778	-0-	75,562
58,147	10,200	7,751	58,596
48,777	4,804	-0-	53,741
<u>2,603,266</u>	<u>189,661</u>	<u>7,751</u>	<u>2,800,208</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, 1997

	Basis of Assets			Balance 6-30-97
	Balance 6-30-96	Addition	Reduction	
Land	65,415	-0-	-0-	65,415
Building	152,199	-0-	-0-	152,199
Distribution System	3,749,007	136,634	-0-	3,885,641
Water Wells	245,523	-0-	-0-	245,523
Water Plant	1,441,593	56,452	-0-	1,498,045
Water Tank	548,830	341,118	-0-	889,948
Office Furniture	78,598	-0-	-0-	78,598
Vehicles	87,121	12,516	12,764	86,873
Equipment	83,268	6,397	-0-	89,665
Total	<u>6,450,263</u>	<u>536,517</u>	<u>12,764</u>	<u>6,973,999</u>

SCHEDULE 1A

Accumulated Depreciation			
Balance 8-30-98	Current Depreciation	Reduction	Balance 8-30-99
0-	0-	0-	0-
57,369	3,040	0-	70,409
1,445,555	74,773	0-	1,520,328
155,583	8,143	0-	173,726
519,699	51,177	0-	570,876
189,944	13,874	0-	203,818
74,585	495	0-	74,784
62,349	8,332	52,754	58,147
44,397	4,400	0-	48,777
<u>2,612,782</u>	<u>183,235</u>	<u>52,754</u>	<u>2,823,268</u>

The accompanying notes are integral to these financial statements.

**SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED
JUNE 30, 1997 AND 1998**

	1997	1998
Production and Distribution:		
Personal Services	194,368	913,879
Repairs and maintenance		
Equipment	6,263	6,677
Wells, plant & power	36,414	48,481
Taps & Lines	20,435	36,650
Power	78,363	77,646
Chemical	20,744	42,153
Truck	27,019	18,047
Supplies	1,204	2,782
Equipment Rental	248	1,681
Total production & distribution expenses	<u>369,802</u>	<u>1,333,316</u>
General and Administrative:		
Personal service-office	88,303	89,644
Personal service-meter reading	20,408	18,270
Insurance	29,058	32,663
Office operations	6,877	8,074
Computer maintenance and software	4,763	4,270
Payroll taxes	16,252	18,973
Communications	4,133	4,601
Legal and professional	12,730	12,759
Utilities	3,788	3,248
Postage	13,485	14,288
Meeting expenses and per diem	7,205	7,750
Billing and collection	4,376	5,282
Miscellaneous	3,976	1,773
Amortization of bond issue costs	8,054	8,054
Employee benefits	27,795	42,401
Janitorial	7,888	9,588
Printing	107	387
Conferences, workshops & certificates	1,209	927
Bad Debt	2,892	3,859
Total general & administrative expenses	<u>302,451</u>	<u>362,963</u>

The accompanying notes are integral to these financial statements.

CASH BALANCES AT JUNE 30, 1997 AND 1996

	1997	1996
Detail of Cash Accounts and Liquid Investments:		
A. Certificates of deposits and savings	806,890	627,729
B. Hibernia National Bank-revenue	314,836	343,200
C. Bank-payroll	7,315	7,731
D. Sinking HUD	46,831	117,298
E. Cash on hand	400	400
F. Checking and CD - G.C. sinking account	238,833	221,214
G. Restricted cash - customer deposits	148	(379)
H. Certificates of Deposit for Construction-FNB	1,108,328	728,684
Total	<u>2,319,245</u>	<u>2,025,966</u>
Division of Cash		
Restricted:		
A. Reserve for customer deposits	84,310	95,680
B. Sinking fund for bond interest	280,764	380,480
C. Bond extension and replacement	70,000	70,000
D. Bond revenue	70,000	70,000
E. Construction & capital purposes	1,715,975	1,380,987
Total Restricted Cash	<u>2,220,049</u>	<u>1,896,147</u>
Unrestricted Cash	<u>80,195</u>	<u>80,342</u>
Total Restricted and Unrestricted Cash	<u>2,300,245</u>	<u>1,976,489</u>

The accompanying notes are integral to these financial statements.

SCHEDULE OF COMMISSIONERS'
PER DIEM AND ATTENDANCE
FOR THE YEARS ENDED
JUNE 30, 1997 AND 1998

Commissioner's Name	Expiration of Term	1998		1997	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
David Dotson	Sept. 1997	1,440	25	1,440	27
J.R. McCain	Sept. 2001	1,440	28	1,440	26
Haskell Nixon	Sept. 1998	1,440	30	1,440	28
Earl O'Guinn	Sept. 2000	1,440	25	1,440	30
Glen Franklin	Sept. 1999	1,440	28	1,440	29
Total Per Diem		<u>7,200</u>	<u>127</u>	<u>7,200</u>	<u>141</u>

The accompanying notes are integral to these financial statements.

SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 1997 AND 1998

Fire, Lightning and Extended Coverage:

(Subject to 50% Co-insurance)	
Contents of Water Treatment Building/Plant	250,000
Deep Well Pump	85,000
Office Building	75,000
Contents of Office Building	50,000
Filter System	150,000
Back flow	75,000
Elevated Water Tanks	482,000
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 \$700,000)	100,000
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General Liability and Property Damage:	500,000
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Fidelity bond (per employee)	10,000
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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		
First 2,000 gallons - (minimum)		\$8.00
2. Class II - Commercial and Industrial		
First 10,000 gallons - (minimum)		\$15.00
3. Class III - Trailer Parks and Apartments		
(multiple users through one meter)		
minimum per family unit with a basic allowance of 2,000		\$8.00
gallons per family unit.		
All Customers - each 1,000 gallons in excess of the above		\$1.00

B. Deposits and Service Charges (Revised)

1. Deposits		
Residential		\$15.00
Residential (meter)		\$50.00
Commercial	\$30.00 TO	\$100.00
Fire Hydrant Usage		\$20.00
Industrial (to be determined by Meterworks No. 1)		0
2. Service Charges		
Turn on or transfer		\$15.00
After 4:30 p.m. or on weekends		\$20.00
Name change only		\$5.00
Collection charge		\$15.00
MOP Checks		\$70.00
Fire Hydrant Meter Rental (Per day)		\$70.00
Fire Hydrant Meter (Installation)		\$75.00
Plans and Specifications		
5,000 Min. (Plus \$2.00 per 1,000' over 5,000')		\$80.00
Inspection fee (\$1.00 per unit) plus		
base fee of		\$50.00
Tapping Fee (5/8" X 3/4")		\$500.00
3/4", 1-1/2", & 2"		
(Cost of labor & materials)		

G. The System shall be operated on a fully restored 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 rates are subject to these financial statements

**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, 1988 THRU 1987**

Operating Revenue	1988	1987	1986	1985	1984
Water Sales	1,214,643	1,162,808	1,062,483	942,480	832,708
Service	81,423	80,188	109,883	88,211	48,320
Total	<u>1,296,066</u>	<u>1,242,996</u>	<u>1,172,366</u>	<u>1,030,691</u>	<u>881,028</u>
Operating Expenses:					
Production and Distribution (A)	521,270	473,057	573,233	536,810	604,304
General and Administrative	300,483	306,451	286,543	274,802	264,088
Total	<u>821,753</u>	<u>779,508</u>	<u>859,776</u>	<u>811,612</u>	<u>868,392</u>
Net Income (Loss) from operations	474,313	463,488	312,590	219,079	112,636
Non-Operating Revenue and (Expenses):					
Interest & Taxes	298,298	292,384	299,732	332,488	318,870
Miscellaneous	32,270	17,899	16,200	16,045	42,000
Interest Expense	(221,858)	(237,836)	(298,607)	(236,962)	(248,620)
Grant	-0-	-0-	-0-	-0-	-0-
Total	<u>88,710</u>	<u>72,447</u>	<u>8,325</u>	<u>11,571</u>	<u>12,250</u>
Net Income (Loss)	<u>563,023</u>	<u>535,935</u>	<u>320,915</u>	<u>230,650</u>	<u>124,886</u>
Customers (active)	8,808	8,283	8,000	4,000	4,000
Customer increase	200	210	270	100	140
Water Consumption in thousand gallons	530,530	494,830	470,000	426,000	410,381

(A) Includes Depreciation

SCHEDULE 7

1990	1992	1991	1990	1990	1990	1997
750,850	704,978	787,888	729,384	729,728	660,009	628,892
47,814	30,868	32,168	33,937	25,038	40,342	37,593
643,954	707,898	779,868	803,321	753,714	723,489	678,307
522,311	408,478	437,129	460,825	426,454	467,249	382,155
577,200	572,300	549,046	507,844	-238,889	323,009	214,846
489,800	680,713	886,188	718,359	864,130	630,248	890,800
44,051	107,080	93,689	44,852	88,885	193,195	99,401
322,237	218,911	191,633	182,894	188,120	218,829	207,688
35,058	34,588	23,180	19,178	23,759	9,328	11,338
(294,693)	(282,188)	(268,887)	(300,578)	(317,189)	(211,879)	(324,262)
-0-	14,209	-0-	-0-	-0-	71,571	-0-
26,356	(14,482)	(11,875)	(102,318)	(107,270)	(11,861)	(125,268)
77,091	82,613	2,021	(37,867)	(17,835)	9,704	(30,916)
4,260	4,140	4,035	3,875	3,725	3,680	3,511
214	111	180	95	35	177	531
308,289	281,012	458,830	384,338	382,902	332,314	210,725

STERMAN, WHITFIELD AND CO., P.C.

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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, 1997 and 1998, and have issued our report thereon dated October 30, 1998. 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 tests 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 of 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.

Steinman, Whitfield and Co., PC

Steinman, Whitfield, and Co. PC

Certified Public Accountants

Orange, TX

October 16, 1998

STEIRMAN, WHITFIELD AND CO., P.C.

A Corporation of
Certified Public Accountants

Joe E. Steirman, CPA
James M. Whitfield, CPA

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MANAGEMENT LETTER

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, 1997 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.

We consider finding 1 for the prior year to be a reportable condition. The remaining findings for the prior year and the two findings for the current year we do not consider reportable conditions as referred to in our professional standards. However, we feel that consideration and action on these items could strengthen the District's policies and procedures respecting stewardship of the District's assets with a minimum of cost.

Prior Year's Findings (1987)

Finding No. 1:

The prior year's audit report was not filed within the prescribed six months after the fiscal year end.

The auditor had a personal situation which prevented him from complying. The auditor's emergency situation did not permit him to make alternate arrangements, which if the events of death and illness in the family could have been foreseen would have been done. The auditor wrote the Legislative Auditor and the Legislative audit committee a full, detailed letter. There is no further action required since the current audit is being filed in a timely manner.

Status: This was a one time event due to unique health issues of the auditor and it has not occurred again. No further action is necessary.

Finding No. 2:

We found the overall control for cash receipts adequately designed and that personnel were complying with those controls. We noted that the daily reconciliation of cash receipts to the transaction register compared total collections to the bank deposit slip. We recommended that the computer program be modified to subtotal cash and checks and that these totals then be compared to the currency and checks on the related deposit ticket. Again, we found that a reconciliation between the transaction register and the bank deposit was being made and additional procedure be done only to strengthen the controls described above.

Status: The District implemented procedures to reconcile the daily cash to the bank deposit slip. A copy of the bank deposit slip is physically compared to the daily computerized list of transaction generated by the billing and collection system. These reconciliations are retained for inspection by the outside auditor. No further action is necessary.

Finding No. 3:

We found that the accounts receivable are not being reconciled at least monthly to the cash receipts and the various management reports. These amounts are reconciled annually by the outside auditor. We recommended that accounts receivable be reconciled daily and that the reconciliation, with supporting reports for all non-cash entries, be reviewed and signed by the superintendent. Further, we recommended that the reconciled accounts receivable be compared to the general ledger accounts receivable monthly.

Status: The reconciliation was not possible with the current computer program. The District has bought and is now installing a new computerized billing and collection system. This system will provide the necessary computer generated reports to permit this reconciliation with a minimum of manual computation. This process will be evaluated during the next year and will be a point of inquiry on the next audit.

Current Year's Findings (FY98)

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 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 aggregate normal customer refund adjustments, corrections to customer 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.

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.

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.

Sherron Whitfield and Co., PC
Sherron Whitfield and Co. PC
Certified Public Accountants
October 30, 1998

**WATERWORKS DISTRICT NO. 1, WARD 1, CALCASIEU PARISH, LOUISIANA
CORRECTIVE PLAN OF ACTION
FOR THE YEAR ENDED JUNE 30, 1988**

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
FWP-1 Failure to submit reports as required by Legislative auditor	One time event. No further action required.
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
FWP FEDERAL AWARDS	
SECTION III MANAGEMENT LETTER	
FWP-2 Daily cash transactions per computerized billing and collection system not reconciled to bank deposit slip.	The District implemented procedures to reconcile the daily cash to the bank deposit slip. A copy of the bank deposit slip is physically compared to the daily computerized list of transactions generated by the billing and collection system. These reconciliations are retained for inspection by the outside auditor. No further action is necessary.
FWP-3 The Accounts Receivable general ledger control account not reconciled monthly to cash collection, adjustments to account and new charges.	The reconciliation was not possible with the current computer program. The District has bought and is now installing a new computerized billing and collection system. This system will generate the necessary computer generated reports to permit this reconciliation with a minimum of manual computation. This process will be evaluated during the next year and will be a point of inquiry on the next audit.
FWP-4 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.	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 related adjustments, corrections to customer meter readings and other corrections such as reduction of amount billed for whatever reason. The last area of adjustments is normally used to adjust a customer's bill for a water leak or similar reduction based on the District's customer relations policy.

FFPL? 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 maintained. Additionally, the system should be tested for validity and reliability.

The District will engage the outside auditors 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.

End of Corrective Plan of Action

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

EXHIBIT A

COMPARATIVE BALANCE SHEETS AT
JUNE 30, 1997 AND 1998

ASSETS	1997	1998
Current Assets		
Cash-Unrestricted	80,195	88,242
Accounts receivable	175,050	187,045
Inventory-materials and supplies	35,353	31,190
Prepaid insurance	10,217	8,251
Interest receivable	10,067	5,229
Total Current Assets	<u>370,882</u>	<u>399,957</u>
Fixed Assets		
Land	85,448	85,495
Depreciable assets	8,383,440	7,952,282
Less-Accumulated depreciation	(2,823,256)	(3,005,208)
Total Fixed Assets	<u>4,150,580</u>	<u>4,723,189</u>
Other Assets		
Cash-restricted	2,229,050	1,998,527
Bond issue costs	186,286	166,286
Less - Accumulated amortization	(81,451)	(85,619)
Total Other Assets	<u>2,343,885</u>	<u>2,993,208</u>
Total Assets	<u>6,865,344</u>	<u>7,117,707</u>
LIABILITIES AND FUND EQUITIES		
Current Liabilities		
Bonds payable (Note 2)	251,000	251,000
Accounts payable	21,495	18,249
Payroll and sales taxes payable	4,512	4,642
Interest payable	81,832	88,288
Total Current Liabilities	<u>348,839</u>	<u>322,349</u>
Long Term Debt		
Bonds payable (Note 2)	3,111,000	2,890,000
Other Liabilities		
Customer deposits	81,370	90,662
Due to State of Louisiana(Ref 319)	1,108,000	1,108,000
Total Other Liabilities	<u>1,189,370</u>	<u>1,202,658</u>
Total Liabilities	<u>4,657,159</u>	<u>4,390,007</u>
Fund Equity		
Unrestricted	504,776	863,661
Restricted	1,673,499	1,254,140
Total Fund Equity	<u>2,178,184</u>	<u>2,117,700</u>
Total Liabilities and Fund Equity	<u>6,835,344</u>	<u>7,117,707</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, 1997 AND 1998**

	1997	1998
Operating Revenue		
Water Sales	1,162,509	1,214,843
Tapping, connection, and meter fees	88,185	91,423
Total Operating Revenue	<u>1,250,694</u>	<u>1,306,266</u>
Operating Expenses		
Production and distribution	589,802	531,618
General and administrative	309,451	302,402
Total Operating Expenses	<u>899,253</u>	<u>834,020</u>
Operating Revenue before depreciation	652,441	672,247
Depreciation	183,256	189,660
Net Operating Income after depreciation	469,185	482,587
Non-Operating Revenue		
Interest	113,377	91,751
All salaries taxes	179,907	184,617
Miscellaneous	17,669	32,276
Total Non-Operating Revenue	<u>310,953</u>	<u>308,644</u>
Non-Operating Expenditures		
Interest on HUD Bonds	34,740	32,228
Interest on general obligation bonds	95,133	83,777
Interest Re-funding fees	109,769	115,958
Total Non-Operating Expenditures	<u>239,642</u>	<u>231,963</u>
Non-Operating revenue (Expenditures)	<u>71,311</u>	<u>76,681</u>
Net Revenue (Loss) for year	<u>540,523</u>	<u>559,215</u>

All accompanying notes are integral to these financial statements.

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

EXHIBIT C

COMPARATIVE STATEMENTS OF CHANGES IN
FUND EQUITIES FOR THE YEARS ENDED
JUNE 30, 1997 AND 1998

1998	Unrestricted	Restricted	Total
Fund Equity June 30, 1997	504,775	1,673,408	2,178,184
Net Revenue or (Loss)	<u>458,776</u>	<u>60,742</u>	<u>519,518</u>
Fund Equity June 30, 1998	<u>963,551</u>	<u>1,734,150</u>	<u>2,712,290</u>
1997	Unrestricted	Restricted	Total
Fund Equity July 31, 1996	40,028	1,508,503	1,508,501
Net Revenue or (Loss)	<u>458,748</u>	<u>62,824</u>	<u>541,823</u>
Fund Equity June 30, 1997	<u>504,775</u>	<u>1,673,408</u>	<u>2,178,184</u>

The accompanying notes are integral to these financial statements.

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

**COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1997 AND 1998**

Increase (Decrease) in Cash and Cash Equivalents

	1997	1998
Cash flows from operating activities		
Cash received from customers	1,217,732	1,327,287
Cash paid to suppliers and employees	<u>(152,887)</u>	<u>(825,879)</u>
Net cash (used) provided by operating activities	104,845	501,408
Cash flows from non-capital financing activities		
Transfer (to) from restricted assets	<u>(153,513)</u>	<u>242,523</u>
Net cash (used) provided by non-capital financing activities	(153,513)	242,523
Cash flows from capital financing activities		
Interest received	100,371	68,560
Loan Act 319	178,895	--
All other loans received	178,007	184,517
Capital expenditures	<u>(538,437)</u>	<u>(764,503)</u>
Interest paid	<u>(238,444)</u>	<u>(238,791)</u>
Principal payments on bonds	<u>(218,000)</u>	<u>(221,000)</u>
Increase in customer deposits	5,525	(5,348)
Net cash (used) provided by capital financing activities	<u>(504,088)</u>	<u>(685,624)</u>
Net increase in cash and cash equivalents	(102,710)	(30,853)
Cash and cash equivalents at beginning of year	<u>182,905</u>	<u>80,195</u>
Cash and cash equivalents at end of year	<u>80,195</u>	<u>49,342</u>

EXHIBIT D**Reconciliation of net revenue to net cash provided by operating activities:**

	1997	1996
Net operating income (loss) after depreciation	482,168	482,527
Adjustments to reconcile net revenue (loss) to net cash provided by operating activities:		
Depreciation and amortization	171,318	197,724
Miscellaneous fees received	17,688	32,278
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(24,972)	(15,028)
Increase (decrease) in accounts payable	880	(5,234)
Increase (decrease) in payroll and sales taxes payable	(295)	330
Decrease (increase) in inventory	(7,848)	4,187
Decrease (increase) in prepaid expenses	(1,205)	1,880
Total adjustments	<u>155,889</u>	<u>220,027</u>
Net cash provided by operating activities	<u>638,057</u>	<u>702,554</u>

Disclosure on accounting policy:

For purposes of the statement of cash flows, the Company considers all rights-hand-side instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are integral to these financial statements.



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

**NOTES TO THE FINANCIAL STATEMENTS AT
JUNE 30, 1997 AND 1998**

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 1979 in accordance with section 3803 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 provided in the applicable Louisiana Statutes to set work rates as necessary and to provide potable water within its boundaries. The District is a corporate entity that can purchase land, own 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 as 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 coming 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, 1997 and 1998. The budget may be amended by a simple majority at any meeting. There is no prior public or notice 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 maintenance and control of the services rendered in relation to the rates fees required to provide those services. Theoretically, the District should operate solely from the user fees obtained. The District believes that the Enterprise Fund type more correctly presents this than the other types of fund accounting established for governmental bodies. Despite this presentation the District issues 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.

(Continued)

**WATER WORKS DISTRICT NO. 1, MAIND I,
Calcasieu Parish, Louisiana**
Notes to the Financial Statements
June 30, 1997 and 1998

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 but amounts 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 bad billing that is uncollectible more than 120 days to be a bad debt. If any recovery is made, the collection is posted as other income. The amount written off as bad accounts for fiscal year 1998 was \$2,653 and the amount for 1997 was \$2,658. Prior to 1992 the District did not directly generate bad debt as a separate account and netted the bad debt against total revenues generated 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 at June 30, 1997 and 1998 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:

Per Banks:

1998	Uncollateralized	Collateralized	Total
FDIC Insured	\$ 89,342	\$ 0	\$ 89,342
Pledged Collateral	0	1,096,527	1,096,527
Total	\$ 89,342	\$ 1,096,527	\$ 2,085,869

1997	Uncollateralized	Collateralized	Total
FDIC Insured	\$ 894,989	\$ 1,000,000	\$ 1,894,989
Pledged Collateral	0	2,279,050	2,279,050
Total	\$ 894,989	\$ 3,279,050	\$ 4,174,039

Carry value per banks:

1998	Uncollateralized	Collateralized	Total
FDIC Insured	\$ 180,000	\$ 0	\$ 180,000
Pledged Collateral	0	1,096,527	1,096,527
Total	\$ 180,000	\$ 1,096,527	\$ 1,276,527

(Continued)

1981	Uncertainty	Restricted	Total
FIDIC Insured	\$ 74,195	\$ 198,000	\$ 272,195
Poolpled Collateral	0	1,198,000	1,198,000
Total	\$ 74,195	\$ 1,396,000	\$ 1,470,195

The District had one investment which was a repurchase agreement on a US Treasury Bill with the Jell Davis Bank in the carrying amount of \$172,508. The bank pledged the entire investment which was a Treasury Bill in the amount of \$1,000,000 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. Investments are recorded at cost and are expensed 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 of less than buildings	30-50 years
Equipment	5-12 years

J. Fixed Asset costs are amortized over the term of the leased bonds.

K. Fixed Depreciation is used to account for excess of revenues over expenditures and contributed capital. The District did not account separately prior to the current GAAP principle between contributed capital and retained earnings. Total equity is divided into restricted and unrestricted. The restricted balance is from taxes collected and restricted grants. The use of the taxes 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 thirty years. It is known that \$21,326 was contributed by the state of Louisiana in 1933, and \$461,180 was contributed by the U.S. Economic Development Commission in 1938, and \$70,718 was a grant in 1967 through 1968 by the State of Louisiana for a flood alleviation plan.

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

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

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 \$1,000,000, 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 (FARMHA). 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 delivered on June 9, 1992 by a bond issue of \$1,528,000.

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

(Continued)

**WATER WORKS DISTRICT NO. 1, WARD 1,
Caldesien Parish, Louisiana
Notes to the Financial Statements
June 30, 1997 and 1998**

Total Debt Payable at June 30, 1997 is as follows:

Year Ending	General	1991	1992	1993	Total
June 30	Obligation	1991	1992	1993	
1997	355,180	71,140	135,870	177,990	585,080
1998	355,200	68,740	130,480	90,130	644,760
1999	354,900	66,790	121,900	94,000	637,680
2000	354,900	64,620	121,020	91,660	632,200
2001	353,680	63,440	116,520	90,600	624,240
2002	352,460	62,260	112,020	90,000	616,740
2003		58,140	108,550	94,120	570,810
2004		58,000	121,550	93,200	572,750
2005		56,550	123,050	93,400	573,000
2006		54,310	123,850	90,280	568,440
2007		51,820	124,360	92,040	568,220
2008		49,530	124,330	88,490	562,350
2009		47,090	113,990	99,630	560,710
2010		44,830	118,660	95,230	558,720
2011		42,530	118,840	95,700	556,070
2012		40,230	118,730	95,690	554,650
TOTAL	1,335,860	588,140	1,835,580	1,941,600	5,601,530

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

Year Ending	General	1991	1992	1993	Total
June 30	Obligation	1991	1992	1993	
1998	183,200	68,940	139,480	96,730	488,350
1999	184,900	66,780	130,900	94,830	476,610
2000	184,900	64,620	121,820	91,900	463,240
2001	182,800	62,460	116,820	90,610	452,690
2002	182,400	60,260	112,820	90,900	446,680
2003		58,140	109,550	94,320	412,010
2004		58,000	121,550	91,280	410,830
2005		56,550	123,050	91,400	411,000
2006		54,310	123,850	90,280	408,440
2007		51,820	124,360	92,040	408,220
2008		49,530	124,330	88,490	402,350
2009		47,090	113,990	99,630	361,710
2010		44,830	118,660	95,230	358,720
2011		42,530	118,840	95,580	356,950
2012		40,230	118,730	95,690	354,650
TOTAL	817,600	571,910	1,889,650	1,804,610	4,983,770

(Continued)

Under the terms of the bond indenture on outstanding 1930 Water Revenue bonds, dated November 1, 1931, 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 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 under the conditions specified below, all as provided and defined by applicable statute:

- 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 thereafter. 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."
- 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 maturity interest on and the principal of the Revenue Bonds.
- 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" and each time as the funds and/or investments in the "Revenue Bond Reserve Fund" shall equal \$70,000.
- 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 removal or extraordinary maintenance, repairs, replacements and additions, 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 balance in the "Revenue Bond Fund" under 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 shall be made from said "Replacement and Extension Fund" in such amounts as are necessary to eliminate the deficiency, respectively in said "Revenue Bond Fund" and in said "Revenue Reserve Fund."
- The refunding issue of 1982 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. 2:

	General Obligations	Revenue	Total
Bonds Payable June 30, 1997	1,626,000	\$ 1,712,000	\$ 3,338,000
Bonds Retired	(25,000)	(116,800)	(141,800)
Bonds Payable June 30, 1998	525,000	2,576,000	3,101,000
Bonds Payable June 30, 1996	715,000	2,897,000	3,612,000
Bonds Retired	(122,000)	(201,000)	(323,000)
Bonds Payable June 30, 1997	1,626,000	\$ 1,712,000	\$ 3,338,000
Current Portion:		191	198

(Continued)

**WATER WORKS DISTRICT NO. 1, WARD 1,
Calcasieu Parish, Louisiana**
Notes to the Financial Statements
June 30, 1997 and 1998

General Obligation	\$ 95,000	\$ 150,000
Revenue - 1983 A	56,000	56,000
Revenue - 1983 B	55,000	60,000
Revenue - 1983 C	45,000	61,000
Total Current Bonds Due For The Year Ended June 30	\$ 251,000	\$ 287,000

General Obligation Bonds

\$1,200,000 bonds dated April 1, 1982, due in installment of \$15,000-\$160,000 through April 1, 2012, interest at 14% (this issue accrued by levy and collection of ad valorem tax).

Revenue Bonds

\$1,075,000 Water Revenue Bonds (1983) dated November 1, 1977, due in semiannual installments of \$15,000-\$249,000 through November 1, 2001, interest at 6%.

\$4,210,000 Refunding issue dated June 9, 1990 to defuse bond issued for and advance refunding of the 3-8-88 issue in 1989. Semiannual installments with an average interest rate of 6.666% and varying principal payment until 2012.

C. Advance Refunding of 1983 Revenue Bonds and Defacement of the 1988 Refunding Issue

On February 15, 1988, the District issued \$115 million in Revenue bonds with interest rates that advanced them 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 \$1,082,815 were used to purchase securities as permitted. These securities were placed in an irrevocable trust with the Calcasieu Marine Boat Club, Lake Charles, Louisiana. The bonds were called by refund by March 1, 1988. The outstanding bonds were purchased 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 was 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 \$65,834 for the year ending June 30, 1988, the District is offset reduced its aggregate debt service payments by about \$1.26 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, 1990, the District issued \$1,200,000 in Revenue bonds with an average interest rate of 6.666% over the term of the bonds, to advance refund \$1,081,000 of outstanding 1983 Advance Refunding bonds 7 to 10%. The net proceeds \$1,282,799 (after payment of \$24,000 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 Advance Refunding issue bonds are considered to be defeased and the liability for these bonds has been removed from the District's balance sheet and underlying general ledger. The Trust Department of the Prudential Bank of Baton Rouge, Louisiana is the escrow agent.

Although the advance refunding resulted in a present value savings of approximately \$65,817 for the year ending June 30, 1990, the District is offset reduced its aggregate debt service payments by about \$399,238 over the next twenty five years despite the increase in bonded debt by \$231,000.

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, 1990. Nor is this gain

(Continued)

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 extraordinary item.

Note 3. - Summary of the changes in Fixed Assets

	February 1997	April 1997	July 1997	February 1998
Land	\$ 55,413	\$ 55	\$ 55	\$ 55,413
Building	152,366	-	-	152,366
Water System	6,596,487	714,130	-	7,310,617
Pumps	78,598	-	-	78,598
Vehicles	84,893	18,888	1,752	86,833
Equipment	99,251	32,128	-	131,379
Total	\$ 6,872,808	\$ 785,671	\$ 1,752	\$ 7,761,059
	February 1998	April 1998	July 1998	February 1999
Land	\$ 55,413	\$ 55	\$ 55	\$ 55,413
Building	142,004	5,150	-	147,154
Water System	6,983,083	817,408	-	7,800,491
Pumps	78,598	-	-	78,598
Vehicles	87,131	12,216	12,754	89,899
Equipment	83,968	6,897	-	90,865
Total	\$ 6,931,197	\$ 842,626	\$ 12,754	\$ 7,931,625

Note 4. - Ad Valorem Taxes

For the years ended June 30, 1997 and 1998, rates of 18 and 9 mills were levied on property with assessed valuations of \$18,388,158 and \$ 18,434,380 respectively. These amounts are reported net of increased exemptions and other statutory provisions. The tax year is based on the calendar year as follows: The District determines its millage by June 1, the Parish Tax Assessor files, 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 Plans

The Water Works District No. 1, Ward 1, enables the employees' contributions (up to 5% of gross wages) to absorb purchase money annuities through New York Life Insurance Company. The District has an obligation other than that of paying the current year's liability. The District paid \$9,908 in 1997 and \$80,271 in 1998 as its contribution to the annuities. The District incurs obligations for the annuity contracts liability New York Life paid, current, or future. Further, the District management is under an obligation to continue its voluntary contributions to each employee's annuity contract.

Note 6. - Debt to State of Louisiana/Act 399

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

Note 7. - Sales Taxes

Sales taxes are collected by the District as each received for water fees and paid to the State of Louisiana on a monthly basis. The tax collected on these collections from water fees for fiscal 1997 and 1998 are \$40,124 and \$13,668, respectively.

Note 8. - Litigation

There was no active, pending or contemplated litigation as June 30, 1997 and 1998.



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SUPPLEMENTAL SECTION



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

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

	Basis of Assets			Balance 6-30-98
	Balance 6-30-97	Addition	Reduction	
Land	85,410	80	-0-	85,490
Building	152,108	-0-	-0-	152,108
Distribution System	3,085,871	81,208	-0-	3,967,077
Water Works	245,523	-0-	-0-	245,523
Water Plant	1,481,945	332,648	-0-	2,813,481
Water Tank	688,948	100,000	-0-	806,728
Office Furniture	78,588	-0-	-0-	78,588
Vehicles	80,893	10,688	7,752	89,829
Equipment	50,357	37,174	-0-	127,821
Total	<u>6,873,054</u>	<u>762,234</u>	<u>7,752</u>	<u>7,778,378</u>

SCHEDULE I

Balance 8-30-87	Accumulated Depreciation		Balance 8-30-88
	Current Depreciation	Reduction	
0-	0-	0-	0-
70,488	3,048	0-	73,448
1,523,461	78,160	0-	1,601,654
175,028	8,143	0-	184,188
871,038	61,141	0-	932,217
303,618	22,262	0-	325,820
74,784	778	0-	75,562
58,147	10,260	7,751	60,656
<u>48,777</u>	<u>4,884</u>	<u>0-</u>	<u>53,741</u>
<u>2,823,258</u>	<u>188,683</u>	<u>7,751</u>	<u>3,005,258</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, 1997

	Basis of Assets			Balance 6-30-97
	Balance 6-30-96	Addition	Reduction	
Land	65,415	-0-	-0-	65,415
Building	152,108	-0-	-0-	152,108
Distribution System	3,749,037	126,634	-0-	3,875,671
Water Wells	248,523	-0-	-0-	248,523
Water Plant	1,441,580	39,452	-0-	1,481,032
Water Tank	546,000	241,118	-0-	787,118
Office Furniture	78,888	-0-	-0-	78,888
Vehicles	67,120	12,518	12,754	66,884
Equipment	63,080	6,367	-0-	69,447
Total	6,450,293	506,217	12,754	6,973,856

SCHEDULE 1A

Accumulated Depreciation			
<u>Balance</u> <u>5-30-95</u>	<u>Current</u> <u>Depreciation</u>	<u>Reuction</u>	<u>Balance</u> <u>5-30-97</u>
0-	0-	0-	0-
87,368	3,045	0-	90,413
1,488,868	74,773	0-	1,563,641
188,853	5,143	0-	193,996
810,858	51,177	0-	862,035
188,944	13,574	0-	202,518
74,288	468	0-	74,756
52,348	8,222	12,754	67,816
44,277	4,488	0-	48,765
<u>2,672,387</u>	<u>163,286</u>	<u>12,754</u>	<u>2,822,919</u>

The accompanying notes are integral to these financial statements.

SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED
JUNE 30, 1997 AND 1998

	1997	1998
Production and Distribution:		
Personal Services	184,368	113,679
Repairs and maintenance		
Equipment	5,283	6,677
Wells, plant & power	28,474	43,481
Taps & lines	20,430	20,600
Power	78,389	77,846
Chemical	60,744	42,763
Truck	21,078	18,247
Supplies	1,804	2,782
Equipment Rental	240	1,661
Total production & distribution expenses	<u>308,852</u>	<u>321,615</u>
General and Administrative:		
Personal service office	98,303	89,844
Personal service motor vehicle	20,489	18,510
Insurance	29,058	32,893
Office operations	6,677	8,674
Computer maintenance and software	4,763	4,270
Payroll taxes	18,262	18,973
Communications	4,109	8,001
Legal and professional	12,130	12,768
Utilities	3,789	3,246
Postage	13,489	14,338
Meeting expenses and per diem	7,208	7,750
Billing and collection	4,378	5,382
Miscellaneous	2,078	1,772
Amortization of bond issue costs	8,094	8,084
Employee benefits	87,766	42,481
Janitorial	7,388	9,588
Printing	767	287
Conferences, workshops & certificates	1,299	907
Bad Debt	3,680	3,820
Total general & administrative expenses	<u>395,451</u>	<u>302,463</u>

The accompanying notes are integral to these financial statements.

CASH BALANCES AT JUNE 30, 1997 AND 1998

	1997	1998
Detail of Cash Accounts and Liquid Investments:		
A. Certificates of deposits and savings	608,850	637,723
B. Interest National Bank revenue	314,838	343,268
C. Bank payroll	1,315	7,771
D. Sinking m/f/d	48,921	117,278
E. Cash on hand	400	400
F. Checking and CD - G.D. sinking account	238,833	221,214
G. Restricted cash - customer deposits	(48)	(278)
H. Certificate of Deposit for Construction PMB	1,108,328	728,884
Total	<u>2,319,345</u>	<u>2,095,868</u>

Division of Cash

Restricted:

A. Reserve for customer deposits	51,318	60,650
B. Sinking fund for bond interest	288,764	385,490
C. Bond extension and replacement	75,000	75,000
D. Bond revenue	70,000	70,000
E. Construction & capital purposes	1,715,936	1,384,287
Total Restricted Cash	<u>2,299,018</u>	<u>1,985,427</u>

Unrestricted Cash

	<u>60,326</u>	<u>59,342</u>
Total Restricted and Unrestricted Cash	<u><u>2,319,345</u></u>	<u><u>2,095,869</u></u>

The accompanying notes are integral to these financial statements

SCHEDULE OF COMMISSIONERS'
PER DIEM AND ATTENDANCE
FOR THE YEARS ENDED
JUNE 30, 1997 AND 1998

Commissioners:	Expiration of term	1998		1997	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
David Dotson	Sept. 1997	1,440	25	1,440	27
J.R. McCain	Sept. 2001	1,440	25	1,440	26
Heakell Nixon	Sept. 1998	1,440	26	1,440	29
Earl O'Guinn	Sept. 2000	1,440	25	1,440	30
Glen Franklin	Sept. 1999	1,440	26	1,440	29
Total Per Diem		<u>7,960</u>	<u>127</u>	<u>7,960</u>	<u>141</u>

The accompanying notes are integral to these financial statements.

SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 1997 AND 1998

Fire, Lightning and Extended Coverage	
(Subject to 50% Co-insurance)	
Contents of Water Treatment Building/Plant	250,000
Deep Well Pump	55,000
Office Building	75,000
Content of Office Building	50,000
Filter System	150,000
Back Hoe	15,000
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
Disabled Workmen's Compensation:	
(Limit to \$100,000)	100,000
General Liability and Property Damage:	500,000
Fidelity Bond:	10,000
(per employee)	

All 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 First 2,000 gallons - (minimum)	\$8.00
2. Class II - Commercial and Industrial First 10,000 gallons - (minimum)	\$15.00
3. Class III - Trailer Parks and Apartments (Multiple users through one meter) minimum per family unit with a basic allowance of 2,000 gallons per family unit.	\$8.00
All Customers - each 1,000 gallons in excess of the above	\$1.00

B. Deposits and Service Charges (Revised)

1. Deposits	
Residential	\$10.00
Residential (renter)	\$20.00
Commercial	\$30.00 TO \$100.00
Fire Hydrant Usage	\$20.00
Industrial (to be determined by Waterworks Div. 1)	-
2. Service Charges	
Turn on or transfer	\$10.00
After 4:00 p.m. or on weekends	\$20.00
Home change only	\$5.00
Collection charge	\$15.00
ADP Charge	\$10.00
Fire Hydrant Meter Rental (Per day)	\$10.00
Fire Hydrant Meter (Drabollers)	\$40.00
Plans and Specifications	
5,000 Min. (Plus \$2.00 per 1,000' over 5,000')	\$50.00
Inspection fee (\$1.00 per unit/ft) plus base rate of	\$50.00
Toppings Fee (24" X 34")	\$200.00
36", 48", & 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



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

**COMPARATIVE STATEMENTS OF
REVENUES AND EXPENSES
FOR THE YEARS ENDED
JUNE 30, 1955 THRU 1957**

Operating Revenue:	1955	1957	1956	1955	1954
Water Sales	1,214,643	1,182,500	1,052,453	940,400	832,785
Service	91,423	80,586	303,663	69,211	48,220
Total	<u>1,306,066</u>	<u>1,263,086</u>	<u>1,356,116</u>	<u>1,011,611</u>	<u>881,005</u>
Operating Expenses:					
Production and Distribution (A)	521,278	473,057	573,233	536,018	504,534
General and Administrative	302,463	303,451	266,043	274,602	264,880
Total	<u>823,741</u>	<u>776,508</u>	<u>839,276</u>	<u>810,620</u>	<u>769,414</u>
Net Income (Loss) From operations	482,325	486,578	516,840	200,991	111,591
Non-Operating Revenue and Expenses:					
Interest & Taxes	258,268	262,364	258,733	230,488	219,870
Miscellaneous	32,270	17,088	18,282	18,943	42,856
Interest Expense	(221,555)	(237,058)	(268,607)	(238,962)	(249,602)
Grant	-0-	-0-	-0-	-0-	-0-
Total	<u>68,983</u>	<u>7,394</u>	<u>8,408</u>	<u>14,471</u>	<u>13,124</u>
Net Income (Loss)	<u>551,308</u>	<u>493,972</u>	<u>525,248</u>	<u>215,462</u>	<u>124,715</u>
Customers (active)	5,880	5,293	5,085	4,885	4,500
Customer increase	283	218	370	182	180
Water Consumption in thousand gallons	520,537	494,000	478,605	458,064	410,381

(A) Includes Depreciation

SCHEDULE 7

2003	2002	2001	2000	1999	1998	1997
758,850	754,070	757,589	729,354	729,738	693,058	626,682
47,814	37,888	37,188	39,897	39,038	40,342	37,688
843,864	787,685	770,885	763,321	763,774	733,401	678,201
532,311	408,470	437,120	468,825	425,454	407,248	362,158
277,292	272,292	248,045	257,544	228,595	223,095	214,545
488,803	680,773	689,185	718,369	694,159	630,243	608,883
44,801	107,683	93,689	44,802	68,688	103,155	88,421
222,237	218,811	181,823	182,804	188,128	218,828	287,685
38,888	34,588	23,188	18,778	23,759	8,328	11,338
(234,583)	(280,188)	(288,887)	(388,578)	(317,188)	(311,878)	(324,288)
-0-	14,208	-0-	-0-	-0-	71,821	-0-
28,900	(14,488)	(61,878)	(182,318)	(187,270)	(11,851)	(188,358)
70,501	62,812	2,311	(37,807)	(17,935)	81,304	(32,858)
4,388	4,148	4,035	3,875	3,725	3,688	3,511
214	111	98	128	35	177	131
288,358	381,812	488,838	384,338	382,832	332,318	318,728



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STERMAN, WHITFIELD AND CO., P.C.

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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, 1997 and 1998, and have issued our report thereon dated October 30, 1998. 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 from material misstatement, we performed tests 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 of 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.

Stetson, Whitfield and Co., PC
Stetson, Whitfield, and Co. PC
Certified Public Accountants
Orange, TX
October 30, 1998



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STIERMAN, WHITFIELD AND CO., P.C.

A Department of
CERTIFIED PUBLIC ACCOUNTANTS

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MANAGEMENT LETTER

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, 1997 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 intentions 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.

We consider finding 1 for the prior year to be a reportable condition. The remaining findings for the prior year and the new findings for the current year we do not consider reportable conditions as referred to in our professional standards. However, we feel that consideration and action on these items would strengthen the District's policies and procedures regarding stewardship of the District's assets with a minimum of cost.

Prior Year's Findings(EY97)

Finding No. 1:

The prior year's audit report was not filed within the prescribed six months after the fiscal year end.

The auditor had a personal situation which prevented him from complying. The auditor's emergency situation did not permit him to make alternate arrangements, which if the events of death and illness in the family could have been foreseen would have been done. The auditor wrote the Legislative Auditor and the Legislative audit committee a full, detailed letter. There is no further action required since the current audit is being filed in a timely manner.

Status: This was a one time event due to unique health issues of the auditor and it has not occurred again. No further action is necessary.

Finding No. 2:

We found the overall controls for cash receipts adequately designed and that personnel were complying with those controls. We noted that the daily reconciliation of cash receipts to the transaction register compared total collections to the bank deposit slip. We recommended that the computer program be modified to subtotal cash and checks and that these totals then be compared to the currency and checks on the related deposit ticket. Again, we found that a reconciliation between the transaction register and the bank deposit was being made and additional procedure be done only to strengthen the controls described above.

Status: The District implemented procedures to reconcile the daily cash to the bank deposit slip. A copy of the bank deposit slip is physically compared to the daily computerized list of transactions generated by the billing and collection system. These reconciliations are retained for inspection by the outside auditor. No further action is necessary.

Finding No. 3:

We found that the accounts receivable are not being reconciled at least monthly to the cash receipts and the various management reports. These amounts are reconciled annually by the outside auditor. We recommended that accounts receivable be reconciled daily and that the reconciliation, with supporting reports for all non-cash entries, be reviewed and signed by the superintendent. Further, we recommended that the reconciled accounts receivable be compared to the general ledger accounts receivable monthly.

Status: The reconciliation was not possible with the current computer program. The District has bought and is now installing a new computerized billing and collection system. This system will provide the necessary computer generated reports to permit this reconciliation with a minimum of manual computation. This process will be evaluated during the next year and will be a point of inquiry on the next audit.

Current Year's Findings (CY88)

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 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 related 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.

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.

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.

Stevenson Whitfield and Co., PC
Stevenson, Whitfield and Co., PC
Certified Public Accountants
October 30, 1988



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**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	
FSYI-1 Failure to audit reports as required by Legislative order	One time event. No further action required.
SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
NO FEDERAL AWARDS	
SECTION III MANAGEMENT LETTER	
FSYI-2 Daily cash transactions per computerized billing and collection system not reconciled to bank deposit slip.	The District implemented procedures to reconcile the daily cash to the bank deposit slip. A copy of the bank deposit slip is physically compared to the daily computerized list of transactions generated by the billing and collection system. These reconciliations are retained for inspection by the outside auditor. No further action necessary.
FSYI-3 The Accounts Receivable general ledger control account was not reconciled monthly to cash collection, adjustments to accounts and new charges.	The reconciliation was not possible with the current computer program. The District has bought and is now installing a new computerized billing and collection system. This system will provide the necessary computer generated reports to permit this reconciliation with a minimum of manual computation. This process will be evaluated during the next year and will be a point of inquiry on the next audit.
FSYI-4 The computerized billing and collection system was not preparing a report for the Superintendant which would permit him to review all adjustments to customer accounts after their initial payments. This report would provide control over the entry of adjustments to individual customer accounts by providing appropriate supervisory review of these transactions.	The Superintendant 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 manual customer related adjustments, corrections to customer meter readings and other corrections such as a reduction of amount billed for whatever reason. The last item 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.

PTSD-2 The District was implementing a new computerized filing and collection system. This system should be reviewed to assure that all the content aspects that were reported by the prior system are contained. Additionally, the system should be tested for validity and reliability.

The District will engage the vendor to assist in testing the new computer and filing and collection system's input, processing and output controls to assure the system is fully debugged. This will be a priority and done as soon as possible.

End of Corrective Plan of Action