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COMPONENT UNIT FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA

September 30, 1998

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

Release Date MAR 10 1999

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

We have audited the accompanying component unit financial statements of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury as of and for the year ended September 30, 1998, as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*, issued by the U.S. General Accounting Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of September 30, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

McMullen and Mancuso CPAs

January 8, 1999

Members

American Institute of Certified Public Accountants

Louisiana Society of Certified Public Accountants

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

BALANCE SHEET
PROPRIETARY FUND TYPE
September 30, 1998

ASSETS

CURRENT ASSETS

Cash	\$	145,528
Trade accounts receivable, (net of \$2,688 allowance for uncollectible accounts)		35,710
Parish grant receivable (Note M)		2,846
Accrued interest income		281
Prepaid insurance		10,475

Total Current Assets		194,840

RESTRICTED ASSETS (Note B)

Cash		351,868
Certificate of deposit		7,258

Total Restricted Assets		359,126

PROPERTY, PLANT AND EQUIPMENT (Note A2)

Water plant		3,206,196
Office furniture and equipment		10,670
Meters and equipment		275,213
Less accumulated depreciation		(1,052,030)
Land		13,814

Net Property, Plant and Equipment		2,453,863

OTHER ASSETS

Prepaid insurance on bonds		39,770
Bond issue costs, net of \$18,746 amortization		49,010
Bond discount, net of \$16,180 amortization		43,992
Perpetual servitude agreement (Note L)		8,000

Total Other Assets		140,772

TOTAL ASSETS

	\$	3,148,601
		=====

The accompanying notes are an integral part of these statements.

Waterworks District No. 7 of Wards 6 and 4
 Calcasieu Parish, Louisiana, a component unit of
 the Calcasieu Parish Police Jury
 BALANCE SHEET (CONTINUED)
 PROPRIETARY FUND TYPE
 September 30, 1998

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Payable from current assets:

Accounts payable	\$ 38,012
Accrued expenses:	
Compensation	8,590
Payroll taxes & retirement	5,642
Sales tax	901

Payable from restricted assets:

Customer deposits	55,321
Matured interest payable	33,715
Current maturities of bonds payable:	
General obligation bonds payable (Note D)	7,000
Revenue bonds payable (Note D)	25,000

Total Current Liabilities	174,181
---------------------------	---------

LONG TERM LIABILITIES (notes A2 and D)

General obligation bonds payable (net of current maturities)	233,000
Water revenue bonds payable (net of current maturities)	930,000

Total Long Term Liabilities	1,163,000
-----------------------------	-----------

TOTAL LIABILITIES

1,337,181

FUND EQUITY

Contributed capital (Note C):

Capital grants	1,082,000
Less amortization	(353,079)

Total Contributed Capital	728,921
---------------------------	---------

Retained Earnings:

Unreserved, undesignated	1,016,669
Reserved	65,830

Total Retained Earnings	1,082,499
-------------------------	-----------

TOTAL FUND EQUITY

1,811,420

TOTAL LIABILITIES AND FUND EQUITY

\$ 3,148,601

The accompanying notes are an integral part of these statements.

Waterworks District No. 7 of Wards 6 and 4
 Calcasieu Parish, Louisiana, a component unit of the
 Calcasieu Parish Police Jury

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS, PROPRIETARY FUND TYPE
 Year ended September 30, 1998

Operating revenues:	
Water revenue	\$ 372,565
Member fees	12,250
Service charge income	2,296
Late charge income	11,455

Total operating revenue	398,566
Operating expenses	(330,220)

Operating income	68,346
Non-operating revenues (expenses):	
Tax revenue (Note F)	71,971
Interest income	7,311
Interest expense	(84,323)
Revenue sharing	5,143
Miscellaneous	1,898
Parish grant (Note M)	35,000

Total non-operating revenues (expenses)	37,000

Net income	105,346
Amortization of contributed capital (Note C)	27,050

Increase in retained earnings	132,396
Retained earnings at beginning of year	950,103

Retained earnings at end of year	\$ 1,082,499
	=====

The accompanying notes are an integral part of these statements.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

STATEMENT OF CASH FLOWS
Year Ended September 30, 1998
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from operating activities:

Operating Income		\$ 68,346
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization	5,117	
Depreciation	96,498	
Change in assets and liabilities:		
Increase in accounts receivable	(2,063)	
Increase in accrued interest income	(8)	
Increase in prepaid expenses	(2,254)	
Increase in grant receivable	(2,846)	
Increase in accounts payable	33,802	
Increase in accrued expenses	566	

Total adjustments		128,812

Net cash provided by operating activities		197,158

Cash flows from non-capital financing activities

Cash provided from ad valorem taxes	71,972	
Cash provided from other governments	5,143	
Cash provided from non-operating miscellaneous income	1,898	
Cash provided by customer deposits	8603	
Cash provided by parish grant	35,000	

Net cash provided from non-capital financing activities		122,616

Cash flows from capital and related financing activities

Principal paid on bonds	(31,000)	
Interest paid on bonds	(84,323)	
Cash payments for asset purchases	(222,254)	
Cash payments for land purchase	(9,514)	

Net cash used for capital and related financing activities		\$ (347,091)

The accompanying notes are an integral part of these statements.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

STATEMENT OF CASH FLOWS (continued)
Year ended September 30, 1998
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash flows from investing activities

Interest earned on investments	\$	7,311	

Net cash provided by investing activities			7,311

Net decrease in cash and cash equivalents			(20,006)
Cash and cash equivalents beginning of year			517,402

Cash and cash equivalents end of year	\$		497,396
			=====

The accompanying notes are an integral part of these statements.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS
September 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Waterworks District No. 7 of Wards 6 and 4 was created by the Calcasieu Parish Police Jury, as authorized by Louisiana Revised Statute 33:3811. The Waterworks District is governed by a five-member board of commissioners who are appointed by the police jury and are responsible for providing water service to users within the boundaries of the district.

In conformance with the National Council on Governmental Accounting, Statement 3, Waterworks District No. 7 of Wards 6 and 4 is a component unit of the Calcasieu Parish Police Jury, the governing body of the parish. The accompanying financial statements present information only on the fund maintained by Waterworks District No. 7 of Wards 6 and 4 and do not present information on the Calcasieu Parish Police Jury and the general government services provided by that governmental unit.

1. Fund Accounting

Waterworks District No. 7 of Wards 6 and 4 is organized and operated as an Enterprise Fund whereby a self-balancing set of accounts is maintained that comprise its assets, liabilities, fund equity, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges and ad valorem taxes.

2. Property, Plant and Equipment

The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Property, Plant and Equipment - Continued

Depreciation is provided in this enterprise fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives range from 5 to 40 years.

Depreciation expense for the year ended September 30, 1998 was \$100,997.

Additions to property, plant, and equipment for the year ended September 30, 1998 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Water plant	\$ 3,016,559	218,291	--	3,234,850
Construction in progress	--	--	--	--
Office furniture & equipment	10,670	--	--	10,670
Meters and equipment	242,596	8,463	(4,500)	246,559
Totals	\$ 3,269,825	\$226,754	(\$4,500)	\$3,492,079
	=====			

3. Basis of Accounting

The accrual basis of accounting is used by the Waterworks District with revenues being recognized when earned and expenses being recognized when incurred. Unbilled utility service receivable are recorded at year end.

Waterworks District No. 7 of Wards 6 and 4
 Calcasieu Parish, Louisiana, a component unit of
 the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
 September 30, 1998

4. Budgets and Budgetary Accounting

The District adopts a budget annually for operating expenses. The budget is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, revenues, nonoperating income and certain nonoperating expense items are not considered. The budget for the District is not presented in these statements.

NOTE B - RESTRICTED ASSETS

Restricted assets were applicable to the following at September 30:

		<u>1998</u>
Water Depreciation and Contingency Fund	\$	69,645
Water Reserve Fund		95,699
Water Revenue Bond and Interest Sinking Fund		105,767
General Obligation Bond and Interest Sinking Fund		80,730
Customer Deposits Fund		7,258
Cash with Fiscal Agent		27
	\$	----- 359,126 =====

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE B - RESTRICTED ASSETS (continued)

The Revenue Bond Resolution contains certain restrictive covenants which, among other things, require the establishment and maintenance of a "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund") to ensure the prompt payment of principal and interest installments as they become due. The Resolution requires that a sum equal to one-twelfth of the total amount of principal and interest falling due in the ensuing year be restricted on a monthly basis. The Resolution also requires that five percent of the amount to be paid into the "Sinking Fund" for the month be restricted until such time that the accumulated balance is equal to the highest combined principal and interest falling due in any year. An amount of \$575.00 is required to be deposited monthly into the "Depreciation Fund" to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system.

In prior years, tax was levied, assessed and imposed on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, for the purpose of paying the principal and interest on the General Obligation Bonds. Tax revenues received that were dedicated for such purpose are required to be restricted.

Louisiana Revised Statutes require that at least ten percent of the total amount of customer deposits be maintained in a cash reserve fund.

NOTE C - CONTRIBUTED CAPITAL

Contributed capital at September 30, 1998 consists of grants received in 1984, 1985, and 1986 which were restricted by the grantors to be used for construction of and improvements to the waterworks system. Contributed capital has been reduced in each year by the amount of \$27,050 of amortization recognized on assets constructed through such resources. At September 30, 1998 the unamortized amount of contributed capital was \$728,920.

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE C - CONTRIBUTED CAPITAL (continued)

Grants included in contributed capital at September 30, 1998 are as follows:

<u>Agency</u>	<u>Project Number</u>	<u>Award Amount Received</u>
U.S. Department of Agriculture Farmer's Home Administration	507-10-48	\$723,000
State of Louisiana Department of Transportation and Development	507-10-48	\$200,000
State of Louisiana Department of Transportation and Development	507-10-62	\$159,000
Total		----- \$1,082,000 =====

NOTE D - LONG-TERM LIABILITIES

The following is a summary of bond transactions of the Waterworks District for the year ended September 30, 1998:

	Revenue Bonds	General Obligation Bonds
	-----	-----
Outstanding at September 30, 1997	\$980,000	\$246,000
Issued in year	--	
Redeemed in year	25,000	6,000
Outstanding at September 30, 1998	----- \$955,000 =====	----- \$240,000 =====

Waterworks District No. 7 of Ward 6
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

Bonds payable consists of the following at September 30, 1998:

Revenue Bonds:

\$1,085,000 Water Revenue Bonds,
dated November 1, 1991, due in
annual principal installments of
\$20,000 - \$85,000 through
November 1, 2016, plus interest
currently at 6.6% and varying to 7% \$ 955,000

General Obligation Bonds:

\$277,000 Waterworks System Bonds,
dated November 1, 1991; due in
annual principal installments
of \$4000 - \$22,000 through
May 1, 2017, plus interest
currently at 6.6% and varying to 7%
(this issue secured by levy and
collection of ad valorem taxes) 240,000

Less current maturities 1,195,000
32,000

Long-Term Portion \$ 1,163,000

The annual requirements to amortize all debt outstanding as of
September 30, 1998 are as follows:

Year Ending September 30,	Revenue Principal	Bonds Interest	Obligation Principal	Bonds Interest
1999	\$25,000	\$65,565	\$7,000	\$16,712
2000	30,000	63,750	7,000	16,250
2001	30,000	61,770	8,000	15,788
2002	30,000	59,790	8,000	15,260
2003	35,000	57,575	9,000	14,700
Thereafter	805,000	454,475	201,000	114,450
	<u>\$955,000</u>	<u>\$762,925</u>	<u>\$240,000</u>	<u>\$193,160</u>

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE E - CASH AND INVESTMENTS

At September 30, 1998 the book balance of the District's deposits was \$504,803 and the bank balance was \$506,580.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC):		
CD	\$7,258	\$7,258
DDA	350,401	350,401
Uninsured:		
Collateral held by pledging bank's trust department in District's name	146,845	148,921
	-----	-----
Totals	\$504,504	\$506,580
	=====	=====

NOTE F - AD VALOREM TAXES

For the year ended September 30, 1998 taxes of 9.89 mills were levied on all the taxable property in Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, and dedicated for maintenance and operational purposes.

The following is a schedule of the 1997 property tax calendar that is applicable to the District:

- (1) Levy date: October, 1997
- (2) Billing date: November, 1997
- (3) Collection dates: December, 1997 to May, 1998
- (4) Due dates: On receipt
- (5) Delinquent date: December 31, 1997
- (6) Lien date: June, 1998

These taxes, less certain uncollectibles, collection costs and adjustments, plus minor amounts of prior year taxes are reported for the fiscal year ended September 30, 1998.

Waterworks District No. 7 of Ward 6
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE G - FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUES

Under the terms of the bond resolution on outstanding Water Revenue Bonds dated November 01, 1991, all income and revenues of every nature, earned or derived from operation of the waterworks system are pledged and dedicated to the retirement of said bonds, subject only to the prior payment of the reasonable and necessary expenses of operating and maintaining the system. Such revenue is to be deposited into a separate and special bank account to be administered in the following order of priority and for the following purposes:

The payment of all reasonable and necessary expenses of administration, operation and maintenance of the system.

The establishment and maintenance of a Water Revenue Bond and Interest Sinking Fund by transferring from the Operating Account each month an amount constituting 1/12 of the next maturing installment including interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

The establishment and maintenance of a Water Reserve Fund by transferring from the Operating Account each month an amount at least equal to 5.0% of the amount to be paid into the Sinking Fund described above until there shall have been accumulated in the Reserve account an amount equal to the maximum principal and interest requirements in any one maturity year. The money in said account is to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default.

Waterworks District No. 7 of Ward 6
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE G - FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUE
(CONTINUED)

The establishment and maintenance of a Water Depreciation and Contingency Fund by transferring from the Operating Account the sum of \$575 each month to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time if there is not sufficient money for payment in the other bond funds.

The balance of the excess funds on deposit in the Water Revenue Fund, after the transfer of required amount into the above noted funds, may be used for the purpose of calling and/or paying bonds or for any other lawful corporate purpose.

NOTE H - RETIREMENT SYSTEM

Full-time employees are members of the Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (PERS), which is the administrator of a cost sharing multiple-employer plan.

Current year payroll was \$102,298, all of which was covered by the Plan.

Any person who is a permanent employee and works at least 28 hours a week and whose compensation is paid wholly or partly by a covered employer is covered by this system.

PLAN BENEFITS

Plan A Fund Benefits:

Any member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55 or 10 years of creditable service and is at least age 60.

Waterworks District No. 7 of Ward 6
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE H - RETIREMENT SYSTEM (CONTINUED)

The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service; however, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary (last 12 months) or the final average compensation.

A member is eligible to retire and receive disability benefits if he has at least 5 years of creditable service, is not eligible for normal retirement and suffers disability which has been certified by the State Medical Disability Board. The rate is 3% of the member's final compensation multiplied by his years of creditable service under certain conditions outlined in the statutes.

Upon death of a member with 5 or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, the benefits range from 30% to 60% of the member's final compensation.

Deferred Retirement Option

In lieu of terminating employment and accepting a service retirement allowance, any member who has been an active contributing member for one full year after becoming eligible for a normal retirement allowance may elect to participate in the Deferred Retirement Option Plan, and defer the receipt of benefits.

The duration of participation in the plan shall be specified and shall not exceed two years.

Waterworks District No. 7 of Ward 6
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE H - RETIREMENT SYSTEM (CONTINUED)

Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate. Employer contributions shall continue to be payable by the employer during the person's participation in the plan, but payments of employee contributions shall cease upon the effective date of the person's commencement of participation in the plan.

The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, shall be paid into the Deferred Retirement Option Plan Fund, which shall not earn interest.

Upon termination of employment at the end of the specified period of participation, a participant in the plan shall receive, at his option, a lump sum payment from the Deferred Retirement Option Plan Fund equal to the payments made to that fund on his behalf, a true annuity based upon his account in that fund, or any other method of payment approved by the Board of Trustees.

CONTRIBUTIONS

The actuarially required employer contribution for Plan A was determined by adding to the normal cost an amortization payment on the unfunded accrued liability which was based on a 40 year annuity with payments increasing at 4% per year. This payment method conforms to legislation passed during 1988 by the Louisiana Legislature.

Member Contributions:

Member contributions, established by Statute at 9.50% of total compensation for Plan A and at 2.0% of salary in excess of \$1,200 for Plan B, are deducted from the member's salary. Employees contributed \$8,114 in the year ended September 30, 1998.

Waterworks District No. 7 of Ward 6
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE H - RETIREMENT SYSTEM (CONTINUED)
Employer Contributions:

Employer contributions are actuarially determined every fiscal year according to statutory process. Written notice of these rates is provided to employers annually. Employer rates are 7.75% for Plan A and 1.0% for Plan B. The District contributed \$7,928 on behalf of its employees for the year ended September 30, 1998.

NOTE I - COMPENSATED ABSENCES

The District does not accrue compensated absences as they do not have a formal policy regarding compensated absences. Terminated employees do not receive compensation for unused time.

NOTE J - CASH AND CASH EQUIVALENT

For purposes of the statement of cash flows, the Waterworks District considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

NOTE K - MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Waterworks District No. 7 of Ward 6
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

NOTES TO FINANCIAL STATEMENTS - CONTINUED
September 30, 1998

NOTE L - PERPETUAL SERVITUDE

In June, 1995, the Waterworks District entered into a perpetual servitude agreement for the right to drill and maintain water wells, construct and maintain water lines, and to perform such other tasks as may be reasonably related to the operation and maintenance of water wells on the property located next to the Waterworks District main office. The total cost of the agreement was \$8,000.

NOTE M - CALCASIEU PARISH POLICE JURY GRANT

In July, 1998, the Waterworks District was awarded a grant from the Calcasieu Parish Police Jury in the amount of \$35,000. The proceeds were dedicated for the purpose of the construction of the Perkins Booster Station.

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION

WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY

September 30, 1998

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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION**

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, for the year ended September 30, 1998, which is presented in the preceding section of this report. The supplemental information presented hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the component unit financial statements, and in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

McMullen and Mancuso, CPAs

January 8, 1999

Waterworks District No. 7 of Ward 6 and 4
 Calcasieu Parish, Louisiana, a component unit of
 the Calcasieu Parish Police Jury

SCHEDULES OF OPERATING EXPENSES
 PROPRIETARY FUND TYPE

Year ended September 30, 1998

Amortization	\$	5,117
Advertising		342
Board per diem		2,850
Bad Debts		2,349
Bank charges		2,809
Chemicals		7,372
Contract labor		400
Depreciation		100,997
Dues and subscriptions		842
Fiscal agent charges		2,850
Fuel		5,135
Insurance		17,187
Miscellaneous		1,471
Office expense		3,202
Payroll taxes and retirement		9,193
Permits and licenses		286
Postage		3,189
Professional services		3,820
Professional development		1,634
Rent		658
Repairs and maintenance		12,743
Salaries		103,078
Supplies		12,963
Telephone		3,558
Travel and meals		1,966
Uniforms		1,867
Utilities		22,342

Total	\$	330,220
		=====

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE

(Based on an audit of the component unit financial statements
performed in accordance with Government Auditing Standards)

WATERWORKS DISTRICT NO. 7 OF WARDS 6 AND 4
CALCASIEU PARISH, LOUISIANA, A COMPONENT UNIT OF
THE CALCASIEU PARISH POLICE JURY

September 30, 1998

McMullen and Mancuso
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

We have audited the component unit financial statements of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended September 30, 1998 and have issued our report thereon dated December , 1998.

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

Compliance with laws, regulations, contracts, and grants applicable to the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, is the responsibility of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. 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*.

This report is intended for the information of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

McMullen and Mancuso
Members

January 8, 1999

American Institute of Certified Public Accountants
Louisiana Society of Certified Public Accountants

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
for the year ended September 30, 1998

Findings: There were no findings in the year.

McMullen and Mancuso
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees

Waterworks District No. 7 of Wards 6 and 4
Calcasieu Parish, Louisiana

We have audited the component unit financial statements of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended September 30, 1998, and have issued our report thereon dated December , 1998.

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

The management of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Members

American Institute of Certified Public Accountants

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In planning and performing our audit of the component unit financial statements of Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana for the year ended September 30, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 component unit 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, management, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Maureen and Monique, CPAs

January 8, 1999