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WATERWORKS DISTRICT NO. 5
OF WARD 3 OF CALCASIEU
PARISH, LOUISIANA
Lake Charles, Louisiana

Annual Financial Report
December 31, 1995 and 1994

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 7-31-96

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BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Calcasieu Parish Police Jury
Waterworks District No. 5 of Ward 3
of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the accompanying balance sheet of Waterworks District 5 of Ward 3 of Calcasieu Parish, Louisiana, as of December 31, 1995 and 1994, and the related statements of revenues, expenses, and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the district's 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, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB's Circular A-128, "Audits of State and Local Governments". 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 5 of Ward 3 of Calcasieu Parish, Louisiana as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Broussard & Company

Sulphur, Louisiana
June 13, 1996
/gho

LIABILITIES AND FUND EQUITY

	1995	1994
CURRENT LIABILITIES		
Accounts payable	\$ 8,710	\$ 1,439
Accrued payroll	3,276	-
Sales tax payable	706	680
Payroll taxes payable	-	2,798
Current portion - notes payable	-	2,954
Due to Sewer District No. 11	9,232	9,602
Total Current Liabilities	21,924	17,473
CURRENT LIABILITIES (Payable from Restricted Assets)		
Customer deposits	24,219	22,530
Interest payable	12,251	18,099
Current portion of revenue bonds	15,584	15,106
Current portion of general obligation bonds	2,067	1,957
Total Current Liabilities (Payable from Restricted Assets)	54,121	57,692
LONG-TERM LIABILITIES		
Revenue bonds (net of current portion)	338,604	349,728
General obligation bonds (net of current portion)	87,231	88,199
Total Long-Term Liabilities	425,835	437,927
Total Liabilities	501,880	513,092
FUND EQUITY		
Contributed capital	1,194,700	1,194,700
Retained earnings (accumulated deficit):		
Reserved by bond indenture	29,907	3,340
Unreserved	(67,903)	(109,686)
Total Fund Equity	1,156,704	1,088,354
 TOTAL LIABILITIES AND FUND EQUITY	 \$ 1,658,584	 \$ 1,601,446

WATERWORKS DISTRICT NO. 5 OF WARD 3
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana

Statement of Revenues, Expenses and Changes in Retained Earnings
For the Years Ended December 31,

	1995	1994
OPERATING REVENUES		
Water sales, fees, late charges and service revenue	\$ 253,691	\$ 281,208
OPERATING EXPENSES		
Salaries and wages	88,389	109,672
Payroll taxes	8,317	8,596
Commissioner per diem	3,300	4,980
Contract labor	682	1,082
Depreciation	65,596	64,505
Insurance	26,635	31,858
Legal and professional	8,911	9,425
Miscellaneous	2,054	2,973
Office supplies and expense	4,615	7,532
Postage	2,000	1,091
Plant supplies and chemicals	22,141	17,804
Repairs and maintenance	12,670	6,456
Telephone	6,704	7,114
Utilities	21,757	24,515
Vehicle expense	1,851	2,850
Bad debt expense	-	3,058
Total Operating Expenses	275,622	303,511
(LOSS) FROM OPERATIONS	(21,931)	(22,303)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes - sinking fund	10,358	7,957
Ad valorem taxes - maintenance	74,652	58,004
Interest income	5,416	1,351
Interest expense	(22,493)	(24,390)
Joint service agreement	19,957	17,144
Other	2,391	1,207
Total Non-Operating Revenues (Expenses)	90,281	61,273
NET INCOME	68,350	38,970
ACCUMULATED DEFICIT - January 1	(106,346)	(145,316)
ACCUMULATED DEFICIT - December 31	\$(37,996)	\$(106,346)

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

WATERWORKS DISTRICT NO. 5 OF WARD 3
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana

Statement of Cash Flows
Years Ended December 31,

Increase (Decrease) in Cash

	1995	1994
Cash Flows From Operating Activities:		
Operating income (loss)	\$(21,931)	\$(22,303)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	65,596	64,505
(Increase) in receivables	(23,170)	(7,820)
(Increase) decrease in prepaid insurance	156	(2,114)
Increase in accounts payable and other accrued expenses	1,557	4,193
(Decrease) increase in customer deposits	1,689	(8,130)
Total Adjustments	45,828	50,634
Net Cash Provided by Operating Activities	23,897	28,331
Cash Flows From Investing Activities:		
Purchase of investments	(168,477)	-
Interest income	5,416	1,351
Net Cash (Used) Provided by Investing Activities	(163,061)	1,351
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(5,766)	(21,106)
Principal payments on debt	(14,458)	(58,900)
Interest payments on debt	(22,493)	(22,958)
Net Cash (Used) by Capital and Related Financing Activities	(42,717)	(102,964)
Cash Flows From Non-Capital Financing Activities:		
Ad valorem taxes	85,010	65,961
Joint service agreement	19,957	17,144
Other	2,391	1,207
Net Cash Provided by Non-Capital Financing Activities	107,358	84,312
Net Increase (Decrease) in Cash	(74,523)	11,030
Cash and Cash Equivalents at Beginning of Year	124,800	113,770
Cash and Cash Equivalents at End of Year	\$ 50,277	\$ 124,800
Cash and Cash Equivalents:		
Cash - unrestricted	\$ 15,198	\$ 63,768
Cash - restricted	35,079	61,032
	\$ 50,277	\$ 124,800

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

WATERWORKS DISTRICT NO. 5 OF WARD 3
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana

Notes to Financial Statements
December 31, 1995 and 1994

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana, conform to generally accepted accounting principles as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of the more significant policies:

FINANCIAL REPORTING ENTITY

This report includes all funds and account group which are controlled by or dependent on the District. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, the Waterworks District No. 5 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana. The district is a component unit of the Calcasieu Parish Police Jury.

FUND ACCOUNTING

The accounts of the district are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

BASIS OF ACCOUNTING

The district uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM LIABILITIES

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the balance sheet.

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WATERWORKS DISTRICT NO. 5 OF WARD 3
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana

Notes to Financial Statements (Continued)
December 31, 1995 and 1994

Note 1 - Summary of Significant Accounting Policies (Continued)

Depreciation of all exhaustible fixed assets is charged as an expense against the operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Furniture and fixtures	5 - 20 years
Machinery and equipment	5 - 30 years
Vehicles	5 years
Buildings	10 - 40 years
Plant and distribution system	15 - 50 years

All fixed assets are stated at historical cost. Depreciation amounted to \$65,596 and \$64,505 for the years ended December 31, 1995 and 1994, respectively.

CASH AND CASH EQUIVALENTS

The district considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Note 2 - Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Parish in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

For the year ended December 31, 1995, taxes of 8.00 mills were levied on property with assessed valuations, net of homestead exemption, of \$10,694,750. Total taxes levied, net of pension funds, was \$82,867. Taxes receivable at December 31, 1995 were \$82,867, all of which were considered collectible. The 8.00 mills were dedicated as follows:

Maintenance fund	7.00 mills
Sinking fund	1.00 mills

Note 3 - Long-Term Debt

The following is a summary of long-term debt transactions of the district for the year ended December 31, 1995:

	Balance January 1, 1995	Additions	Reductions	Balance December 31, 1995
Revenue Bonds	\$ 364,834	\$ -	\$ 10,646	\$ 354,188
General Obligation Bonds	90,156	-	858	89,298
Notes Payable	2,954	-	2,954	-
	<u>\$ 457,944</u>	<u>\$ -</u>	<u>\$ 14,458</u>	<u>\$ 443,486</u>

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WATERWORKS DISTRICT NO. 5 OF WARD 3
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana

Notes to Financial Statements (Continued)
December 31, 1995 and 1994

Note 3 - Long-Term Debt (Continued)

Long-term debt at December 31, 1995 consists of the following:

Revenue Bonds:

\$250,000 Water Revenue Bonds (FMHA) dated March 13, 1979; due in annual installments of \$14,693 through March, 2019 at 5% interest	\$ 204,758
\$135,000 Water Revenue Bonds (FMHA) dated March 13, 1979; due in annual installments of \$9,785 through March, 2005 at 5% interest	70,460
\$125,000 Water Revenue Bonds (FMHA) dated September 9, 1982; due in annual installments of \$8,870 through September, 2007 at 5% interest	78,970
	\$ 354,188

General Obligation Bonds:

\$110,000 (FMHA) dated March 13, 1979; due in annual installments of \$6,465 through March, 2019 at 5% interest	\$ 89,298
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The annual requirements to amortize all debt outstanding as of December 31, 1995, including interest of \$218,998, are as follows:

Year December 31,	Revenue	General Obligation	Total
1996	\$ 33,348	\$ 6,465	\$ 39,813
1997	33,348	6,465	39,813
1998	33,348	6,465	39,813
1999	33,348	6,465	39,813
2000	33,348	6,465	39,813
2001 - 2019	347,049	116,370	463,419
	\$ 513,789	\$ 148,695	\$ 662,484

The general obligation bonds are to be retired from the avails of property taxes levied and collected within the limits of the district.

The revenue bonds, certificates of indebtedness and notes payable are to be retired from the income and revenues derived from the operation of the System of the Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana.

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WATERWORKS DISTRICT NO. 5 OF WARD 3
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana

Notes to Financial Statements (Continued)
December 31, 1995 and 1994

Note 4 - Accumulated Unpaid Vacation and Sick Pay

There was no liability for unpaid vacation and sick pay at December 31, 1995 and 1994.

Note 5 - Board of Commissioners' Per Diem

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the year are as follows:

Leonard Broussard	\$	180
Leo Castete		780
William Owens		780
Clara Montgomery		780
Preston Jenkins		540
Elge LeBlanc		240
Total	\$	<u>3,300</u>

Note 6 - Cash and Cash Equivalents

At December 31, 1995, the district has cash and cash equivalents (book balances) totaling \$50,277 as follows:

Demand deposits

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 1995, the district had \$50,277 in deposits secured from risk by \$100,000 of federal deposit insurance.

Note 7 - Contributed Capital

A summary of contributed capital follows:

Economic Development Administration	\$	454,000
Farmer's Home Administration		588,700
Ozark Regional Planning Commission		152,000
	\$	<u>1,194,700</u>



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REPORT ON THE INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Calcasieu Parish Police Jury
Waterworks District No. 5 of Ward 3
of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the financial statements of Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana, as of and for the year ended December 31, 1995, and have issued our report thereon dated June 13, 1996.

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 financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana, for the year ended December 31, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Waterworks District No. 5 of Ward 3 of 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 general purpose 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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories.

- *Cash receipts/revenues
- *Cash disbursements
- *Accounts payable
- *Purchases
- *Payroll
- *Accounts receivable

Calcasieu Parish Police Jury
Waterworks District No. 5 of Ward 3
of Calcasieu Parish, Louisiana

For all of the internal control structure categories listed above, 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.

A material weakness is a reportable condition in which the design or operation of the specific 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 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. 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 solely for the use of management and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report which, upon acceptance of state and federal audit agencies, is a matter of public record.

Bronson & Company

Sulphur, Louisiana
June 13, 1996
/gho



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COMPLIANCE REPORT BASED ON AN AUDIT OF
FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Calcasieu Parish Police Jury
Waterworks District No. 5 of Ward 3
of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the financial statements of Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana as of and for the year ended December 31, 1995, and have issued our report thereon dated June 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in the *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 financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, grants, and binding policies and procedures applicable to Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana is the responsibility of Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana compliance with certain provisions of laws, regulations, contracts, grants, and binding policies and procedures. However, the objective of our audit of the 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 indicate that with respect to the items tested Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana complied, in all material respects, with the provisions referred to in the preceding paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Waterworks District No. 5 of Ward 3 of Calcasieu Parish, Louisiana had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Broussard & Company

Sulphur, Louisiana
June 13, 1996
/gho