

**COMPONENT UNIT FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

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

SEPTEMBER 30, 2003

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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 general purpose 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, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Waterworks District No. 7 of Wards 6 and 4 management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. 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 the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, Louisiana, as of September 30, 2003 and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

McMullen and Marcassa, CPAs

McMullen and Marcassa, CPAs
March 1, 2004

Shelburne

Member Institute of Certified Public Accountants

Louisiana Society of Certified Public Accountants

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

BALANCE SHEET
 PROPRIETARY FUND TYPE
 September 30, 2009

ASSETS

CURRENT ASSETS

Cash (Note E)	\$	129,798
Trade Accounts Receivable, (net of \$5,004 allowance for uncollectible accounts)		51,540
Accrued Interest Income		67
Prepaid Insurance		8,615
Total Current Assets		189,960

RESTRICTED ASSETS (Note E)

Cash		299,890
Certificate of Deposits		8,325
Total Restricted Assets		308,215

PROPERTY, PLANT, AND EQUIPMENT (Note A)

Water Plant		3,080,470
Buildings		82,412
Office Furniture and Equipment		25,394
Motors and Equipment		428,190
Less Accumulated Depreciation		(1,589,789)
Land		28,564
Net Property, Plant and Equipment		2,047,147

OTHER ASSETS

Deferred Charges, (net of \$11,362 amortization)-(Note M)		88,165
Bond Issue Costs, (net of \$1,200 amortization)		11,829
Perpetual Service Agreements (Note L)		8,000
Total Other Assets		107,994
TOTAL ASSETS	\$	1,347,158

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

BALANCE SHEET (continued)
PROPRIETARY FUNDS/PF
September 30, 2003

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Payable from Current Assets	
Accounts Payable	\$ 28,681
Accrued Expenses	
Payroll	30,383
Payroll Taxes and Retirement	8,838
Sales Tax	131
DBE Fee	72
Current Maturities of Capital Loans (Note M)	9,834
Payable from Restricted Assets:	
Customer Deposits	65,124
Matured Interest Payable	18,447
Current Maturities of Bonds Payable	
General Obligation Bonds Payable (Note D)	11,080
Revenue Bonds Payable (Note E)	41,080
Total Current Liabilities	<u>221,699</u>

LONG TERM LIABILITIES

Capital Loans (net of current maturities) (Note M)	39,345
Payable from Restricted Assets:	
General Obligation Bonds Payable	
(net of current maturities) (Note D)	78,000
Water Revenue Bonds Payable	
(net of current maturities) (Note E)	774,088
Total Long Term Liabilities	<u>891,433</u>
TOTAL LIABILITIES	1,113,132

FUND EQUITY

Contributed Capital (Note C)	
Capital Grants	1,852,800
Less Reservations	<u>(623,338)</u>
Total Contributed Capital	929,462

Retained Earnings:

Unreserved, Undesignated	1,472,824
Reserved for Revenue Bond Retirement	<u>65,838</u>
Total Retained Earnings	<u>1,538,662</u>
TOTAL FUND EQUITY	1,538,662
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,538,662

The accompanying notes are an integral part of these statements.

**Waterworks District No. 7 of Wards 6 and 8
Caladen Parish, Louisiana, a component unit of
the Caladen Parish Police Jury**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS, PROPRIETARY FUND TYPE
Year Ended September 30, 2003**

Operating Revenues:	
Water Revenue	\$ 375,670
Member Fees	1,790
Pipe Revenues	1,894
Service Charge Income	1,243
Late Charge Income	17,292
Total Operating Revenue	<u>404,152</u>
Operating Expenses	<u>401,811</u>
Operating Income	2,341
Non-Operating Revenues (Expenses):	
Tax Revenue (Note F)	77,823
Interest Income	4,071
Interest Expense	(19,500)
Revenue Sharing	5,140
Miscellaneous Revenues	737
Miscellaneous Expenses	<u>(1,285)</u>
Total Non-Operating Revenues (Expenses)	<u>56,786</u>
Net Income	29,488
Amortization of Contributed Capital (Note C)	<u>27,658</u>
Increase in Retained Earnings	96,950
Retained Earnings at Beginning of Year	<u>1,482,124</u>
Retained Earnings at End of Year	<u>\$ 1,538,654</u>

The accompanying notes are an integral part of these statements.

**Waterworks District No. 7 of Wards 8 and 4
Caldwell Parish, Louisiana, a component unit of
the Caldwell Parish Police Jury**

**STATEMENT OF CASH FLOWS
Year Ended September 30, 2013**

INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows From Operating Activities

Operating Income	\$	2,941
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Amortization of Bond Costs	1,052	
Amortized Interest Expense	13,300	
Depreciation	130,008	
Change in Assets and Liabilities		
Decrease in Accounts Receivable	4,053	
Decrease in Accrued Interest Income	39	
Decrease in Prepaid Insurance	675	
Increase in Restricted Assets	(61,336)	
Increase in Accounts Payable	31,446	
Decrease in Interest Payable	(588)	
Decrease in Accrued Expenses	(4,833)	
Net Cash Provided by Operating Activities		138,181

Cash Flows From Non-Capital Financing Activities

Cash Provided from Ad Valorem Taxes	77,353	
Cash Provided from Revenue Sharing	5,143	
Cash Provided from Non-Operating Miscellaneous Income	737	
Cash Paid for Customer Deposits	(44,730)	
Cash Payments for Non-Operating Miscellaneous Expenses	(1,385)	
Net Cash Provided by Non-Capital Financing Activities		35,818

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

**STATEMENT OF CASH FLOWS (continued)
Year Ended September 30, 2007**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Capital and Related Financing

Activities:

Proceeds from Capital Lease Proceeds	\$	50,000
Redemption of Bonds		(20,000)
Interest Paid on Bonds and Capital Lease		(29,350)
Payments on Capital Lease		(1,000)
Payments for Asset Purchase		(100,000)
		<u>(100,000)</u>

**Net Cash Used for Capital and
Related Financing Activities**

\$ (200,000)

Cash Flows from Investing Activities:

Interest Earned on Investments	\$	<u>4,011</u>
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Net Cash Provided by Investing Activities

4,011

Net Increase in Cash and Cash Equivalents

17

Cash and Cash Equivalents Beginning of Year

120,700

Cash and Cash Equivalents End of Year (Note D)

\$ 120,718

Supplemental Disclosure:

Actual interest expense paid in the year ended September 30, 2007 was \$46,135.

**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, 2003**

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 33:2811. 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 5, 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.

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.

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.

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, 2003 was \$135,688.

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

**NOTES TO FINANCIAL STATEMENTS (continued)
September 30, 2009**

Property, Plant, and Equipment (continued)

Additions and deletions to property plant, and equipment for the year ended September 30, 2009 were as follows:

	Beginning of Year	Additions	Deletions	End of Year
Water Plant	\$ 3,655,740	\$ 10,739	\$ -	\$ 3,666,479
Buildings	82,415	-	-	82,415
Office Furniture and Equipment	15,505	9,799	-	25,304
Meters and Equipment	267,725	168,423	-	436,148
Totals	\$ 4,021,385	\$ 188,961	\$ -	\$ 4,210,346

Basis of Accounting

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

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 non-operating expense items are not considered. The budget for the District is not presented in these statements.

Risk Management

The Water District purchases liability bonds, worker's compensation coverage and general liability and property insurance from a commercial insurance carrier in order to manage its risks. During the year ended September 30, 2009, the District contributed \$18,391 in premiums. There were no significant reductions in insurance coverage from the prior year.

**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, 2003

Note B - Restricted Assets

Restricted assets were applicable to the following at September 30, 2003:

Water Depreciation and Contingency Fund	\$	15,544
Water Reserve Fund		85,000
Water Revenue Bond and Interest Sinking Fund		179,839
General Obligation Bond and Interest Sinking Fund		90,689
Customer Deposits Fund		8,929
Cash with Fiscal Agent		27
	\$	<u>308,029</u>

The Revenue Bond Resolution contains restrictive covenants which, among other things, require the establishment and maintenance of a "Water Revenue Bond and Interest Sinking Fund" (the "Sinking Fund") to assure 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 (5%) 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. In addition, a sum equal to five percent (5%) of the amount to be paid monthly into the "Sinking Fund" is required to be deposited monthly in the "Depreciation Fund" to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system.

An ad valorem tax is 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 are dedicated for such purposes are required to be restricted.

Louisiana Revised Statutes require that at least ten percent (10%) of the total amount of customer deposits be maintained in a cash reserve fund.

Note C - Contributed Capital

Contributed capital at September 30, 2003 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 systems. Contributed capital has been reduced in each year by the amount of \$27,080 of amortization recognized on assets constructed through such resources. At September 30, 2003 the unamortized amount of contributed capital was \$993,670.

**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, 2003**

Note C – Contributed Capital (continued)

Grants included in contributed capital at September 30, 2003 as follows:

<u>Agency</u>	<u>Project Number</u>	<u>Award Amount Received</u>
U. S. Department of Agriculture Farmer's Home Administration	507-16-48	\$ 723,000
State of Louisiana Department of Transportation and Development	507-16-48	280,000
State of Louisiana Department of Transportation and Development	507-10-82	<u>159,000</u>
Total		<u>\$ 1,082,000</u>

Note D – Bonds Payable

The following is a summary of bond transactions of the Waterworks District for the year ended September 30, 2003:

	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>
Outstanding at September 30, 2002	\$ 832,000	\$ 100,000
Refunded in Year	(17,000)	(11,000)
Outstanding at September 30, 2003	<u>\$ 815,000</u>	<u>\$ 89,000</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, 2003**

Note D - Bonds Payable (continued)

On April 1, 2002, the District issued \$100,000 in General Obligation Bonds with an average interest rate of 4.83 percent to refund outstanding 1990 series bonds with an average interest rate at 7.0 percent.

On April 1, 2002, the District issued \$832,000 in Water Revenue Bonds with an average interest rate of 5.29 percent to refund outstanding 1990 series bonds with an average interest rate at 7.8 percent.

Bonds payable consists of the following at September 30, 2003:

Revenue Bonds:

\$832,000 Water Revenue Bonds, Series 2002, due in annual principal installments of \$17,000 - \$79,000 through November 1, 2016, plus interest at 5.29% \$ 832,000

General Obligation Bonds:

\$100,000 General Obligation Refunding Bonds, Series 2002, due in annual principal installments of \$11,000 - \$14,000 through May 1, 2010, plus interest currently at 4.8% and varying to 5% (this issue secured by levy and collection of all valorem taxes) 88,000

Less current maturities (52,000)

904,000
(52,000)
\$ 852,000

The annual requirements to amortize all debt outstanding as of September 30, 2003 is as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Revenue</u> <u>Principal</u>	<u>Bonds</u> <u>Interest</u>	<u>Obligation</u> <u>Principal</u>	<u>Bonds</u> <u>Interest</u>
2004	41,000	42,029	11,000	4,340
2005	43,000	39,897	11,000	3,690
2006	45,000	37,480	12,000	3,390
2007	48,000	35,000	13,000	3,190
2008	50,000	32,428	14,000	2,100
Thereafter	<u>588,000</u>	<u>190,226</u>	<u>28,000</u>	<u>2,100</u>
	<u>\$ 815,000</u>	<u>\$ 337,000</u>	<u>\$ 89,000</u>	<u>\$ 18,540</u>

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

**NOTES TO FINANCIAL STATEMENTS (continued)
September 30, 2003**

Note E – Cash and Investments

At September 30, 2003 the book balance of the District's deposits was \$437,740 and the bank balance was \$437,851. Restricted Cash of \$308,822 is included in the following schedule.

	<u>Carrying Amount</u>		<u>Bank Balance</u>
Insured (FDIC)			
CD	\$ 8,918	\$	8,928
BDA	284,403		284,314
Uninsured:			
Collateral held by pledging bank's trust department in District's name	<u>144,405</u>		<u>144,489</u>
	<u>\$ 437,740</u>		<u>\$ 437,851</u>

Note F – Ad Valorem Taxes

For the year ended September 30, 2003 taxes of 0.91 mills were levied in 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 2002 property tax calendar that is applicable to the District:

1. Levy date - October, 2002
2. Billing date - November, 2002
3. Collection dates - December, 2002 - May, 2003
4. Due dated - On receipt
5. Delinquent date - December 31, 2002
6. Lien date - June, 2003

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, 2003.

**Waterworks District No. 1 of Wards 6 and 4
Calcasieu Parish, Louisiana, a component unit of
the Calcasieu Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2000**

Note G – Flow of Funds: Restrictions on Use – Utilities Revenues

Under the terms of the bond resolution on outstanding Water Revenue Bonds dated April 2, 1993, all income and revenues of every nature, earned and derived from operation of the waterworks system are pledged and dedicated to the retirement of said bonds, 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 in to which there would otherwise be default.

The establishment and maintenance of a Water Depreciation and Contingency fund by transferring from the Operating Account a sum equal to 3.0% of the amount to be paid monthly into the Sinking Fund each month to use 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 bond 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 the required amount into the above noted funds, may be used for the purpose of selling and/or paying bonds or for any other lawful corporate purpose as the Governing Authority may determine.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2005**

Notes II – Retirement System

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

Current year payroll was \$131,178, of which \$125,903 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 Final Benefit:

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.

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 7% of the member's final compensation multiplied by his years of creditable service under certain conditions outlined in the statute.

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 statute, the benefits range from 30% to 80% 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.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2003**

Note II – Retirement System (continued)

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

Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate. Employee 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/her option, a lump sum payment from the Deferred Retirement Option

Plan fund equal to the payments made to that fund on his/her behalf, a true annuity based upon his/her 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 1958 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 \$11,755 in the year ended September 30, 2003.

Employer Contributions

Employer contributions are actuarially determined every fiscal year according to statutory process. Written notices of these rates are provided to employees annually. Employer rates are 3.25% for Plan A and 1.0% for Plan B. The District contributed \$9,588 on behalf of its employees for the year ended September 30, 1993, \$8,028 for the year ended September 30, 2002, and \$9,125 for September 30, 2001.

The Parochial Employees' Retirement System of Louisiana issues a stand-alone financial report and can be obtained by contacting their office.

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

**NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2003**

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 Equivalents

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.

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 – Deferred Charges

The remaining unamortized issuance costs associated with the Series 1991 General Obligation and Revenue Bonds are being amortized as a component of interest expense over the life of the current bonds.

**Waterworks District No. 3 of Wards 6 and 4
Caldesia Parish, Louisiana, a component unit of
the Caldesia Parish Police Jury**

**NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2003**

Note B – Capital Lease

The District entered into a Lease – Purchase Agreement on May 15, 2003, with First Security Leasing, for \$30,000 as partial payment on the new Mobile Radio Motor System. The Agreement was assigned to Cameron State Bank on August 6, 2003. The Lease is payable in sixty (60) monthly installments of \$549, including interest, at 3.5%. Final payment is due May 15, 2008.

Future scheduled maturities of the Capital Lease are as follows:

Year Ending September 30,

2004	\$	9,834
2005		10,184
2006		10,346
2007		10,921
2008		7,485
	\$	<u>48,770</u>

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

**SCHEDULE OF OPERATING EXPENSES
PROPRIETARY FUND TYPE**

Year Ended September 30, 2005

Amortization	\$ 1,032
Advertising	375
Board Per Diem	2,858
Bad Debts	152
Bank Charges	2,876
Chemicals	8,919
Contract Labor	125
Depreciation	135,808
Dues and Subscriptions	969
Fiscal Agent Charges	380
Fuel	6,097
Insurance	34,581
Office Expenses	2,544
Payroll Taxes and Retirement	12,410
Permits and Licenses	375
Postage	3,883
Professional Services	4,525
Professional Development	1,768
Rent	81
Repairs and Maintenance	8,201
Salaries	131,179
Supplies	19,549
Telephone	5,339
Travel and Meals	1,032
Uniforms	1,400
Utilities	<u>25,128</u>
Total	<u>\$ 466,811</u>

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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 ACCOUNTING STANDARDS**

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

We have audited the general purpose 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, 2003, and have issued our report thereon dated March 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Waterworks District No. 7 of Wards 6 and 4, 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 Waterworks District No. 7 of Wards 6 and 4, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Waterworks District No. 7 of Wards 6 and 4, 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. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-04.

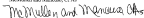
Members

American Institute of Charter Public Accountants
Louisiana Society of Charter Public Accountants

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. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

This report is intended solely for the information and use of the Waterworks District No. 7 of Wards 6 and 4, Calcasieu Parish, a component unit of the Calcasieu Parish Police Jury management, and the Legislative Auditor of the State of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties.

McMullen and Messure, CPAs



March 1, 2004

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

For the Year Ended September 30, 2003

Finding 2003-1 – Segregation of Duties

Criteria - The District should maintain strong internal controls over the receipt of cash, which includes proper segregation of duties.

Condition - The same District employee marks customer payments on the billing report, prepares deposit slips daily and then enter payments into the computer system to credit against the customer's account.

Cause - Now that the bank no longer handles the receipt of customer deposits, the District needs to strengthen controls over cash receipts and segregate duties.

Effect - There is an absence of appropriate segregation of duties consistent with appropriate internal control objectives over cash receipts.

Recommendation - We recommend that the employee accepting cash payments, opening the mail and completing the deposit slips not be the same employee that enters the customer payments in the computer. These duties should be separated between the two office employees. Although it is difficult to have an adequate overall internal control design because of the size of the District's office, we believe this recommendation would strengthen the controls over the cash receipts process.

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

SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

For the Year Ended September 30, 2003

Fiscal Year Finding Initials	Fiscal Year Assigned	Description of Finding	Corrective Action Taken (Yes, No, Partly)	Planned Corrective Action/Next Corrective Action Taken
Section I - Internal Control and Compliance Material to the Financial Statements:				
		<u>There were no prior year findings.</u>		
Section II - Management Letter:				
2002-03	2003	The District should have a formal vacation policy which is communicated to all employees.	Yes	Management believes that this information is relevant and is adequate.
2002-03	2003	The District should have timely procedures on all employees that handle cash.	Yes	The District should timely implement on the respective employees.
2002-03	2003	The District should maintain proper control over the receipt of cash.	Partly	The District has implemented proper control over cash receipts, however, further improvement of cash is necessary.

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

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2000

<u>Ref. No.</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
<u>2000-02</u>	<u>Further segregation of duties is recommended in the handling of cash receipts.</u>	<u>One employee will receive and schedule customer receipts and a second employee will enter customer payments in the computer.</u>	<u>Jim Wilkins</u>	<u>June 30, 2001</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Section II - Management Letter:				
_____	<u>There were no current year comments.</u>	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____