

**WATERWORKS DISTRICT NO. 1
OF WARD 1 OF CALCASIEU
PARISH, LOUISIANA
Lake Charles, Louisiana**

**Annual Financial Report
June 30, 2014 and 2013**

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

FINANCIAL STATEMENTS AT JUNE 30, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information section completed by the District which is not a required part of the financial statements of the District. This information has been subjected to the auditing procedures applied in the examination of the financial statements and in my opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 3, 2014 on my consideration of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
September 3, 2014

**WATER WORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
Management's Discussion and Analysis
For the year ended June 30, 2014**

Our discussion and analysis of WATER WORKS DISTRICT NO.1, WARD 1's (District) financial performance provides an overview of the District's financial activities for the year ended June 30, 2014. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

As a result of this year's operations, assets exceeded liabilities by \$12,405,300 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$12,001,593. The net position increased by \$403,707 or 3.4%.

Total net position is comprised of the following:

(1) Capital assets, net of related debt, of \$9,869,758 included in property and equipment, net of accumulated depreciation, net of long term debt.

(2) The balance of unrestricted net position consists of \$2,535,542 which does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Total spending for all District activities was \$1,740,816 for the year, which is \$131,776 more than the charges for services, goods, and interest than the previous year. Operating revenues for the year increased by \$115,867 and operating expenses increased \$141,998 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (MD&A); the Financial Section (basic financial statements); and Louisiana Required Supplemental Information. The financial section includes notes that disclose in more detail the financial operations and position than is presented in the financial statements.

The Comparative Statement of Net Position and the Comparative Statement of Revenues, Expenses and Change in Net Position (Activity) provide both long range and short term information about the District's overall financial status. The Comparative Statement of Net Position includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial section reports net assets and how they have changed.

FINANCIAL ANALYSIS AS A WHOLE

As stated previously, net position increased by \$403,707 as a result of this year's operations.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation and regulation, or contractual obligations increased by \$145,671 from the previous fiscal year. The balance in net position represents the accumulated results of all past year's operations.

NET ASSETS - The table below summarizes the Comparative Statement of Net Position

Condensed Statement of Net Position - TABLE 1

	2014	2013	2012
Current Assets	3,917,280	3,717,241	4,121,551
Capital Assets	11,691,306	11,797,416	11,312,305
Other Assets	-	-	-
Total Assets	15,608,586	15,514,657	15,433,856
Current Liabilities	444,195	397,522	424,952
Long term debt			
Outstanding	1,466,828	1,837,459	2,172,635
Other liabilities	1,292,263	1,278,083	1,271,058
Total liabilities	3,203,286	3,513,064	3,868,645
Invest in Capital Assets net of Debt	9,869,758	9,611,722	8,830,165
- Unrestricted	2,535,542	2,389,871	2,735,046
Total Net Position	12,405,300	12,001,593	11,565,211

CHANGES IN NET ASSETS - The table below summarizes the changes in Net Position

Condensed Statement of Revenues, Expenses, and Changes in Net Position
TABLE 2

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating Income	2,535,488	2,419,621	2,526,553
Non Operating Income	<u>227,450</u>	<u>204,940</u>	<u>36,883</u>
Total Revenue	2,762,938	2,624,561	2,563,436
Depreciation	618,415	579,139	465,432
Operating Expenses	1,672,551	1,530,553	1,553,388
Non Operating Expenses	<u>68,265</u>	<u>78,487</u>	<u>89,240</u>
Total Expenses	<u>2,359,231</u>	<u>2,188,179</u>	<u>2,108,060</u>
Change in Net Position	<u>403,707</u>	<u>436,382</u>	<u>455,376</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The change in fiscal assets is disclosed in the notes to the financial statements. Significant capital additions were waterline overlays (\$209,679), directional boring rig (\$87,319) and new services (\$124,710).

LONG-TERM DEBT

The District had \$1,495,000 in bonds outstanding at year-end, compared to \$2,000,000 last year. A summary of this debt is shown in the table below.

	2014	2013	2012
Revenue Bonds	1,495,000	1,755,000	2,000,000

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, customers, and others with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Water Works District No. 1, Ward 1, Calcasieu Parish's Superintendent, Gerald Hoffpauir, 265 Parish Road, Lake Charles, LA, phone number 337 855-7250.

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

EXHIBIT A

**Comparative Statement of Net Position
At June 30, 2014 and 2013**

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and equivalent-unrestricted	\$ 2,537,591	\$ 2,395,555
Cash and equivalent-restricted	296,637	282,668
Certificate of deposits - unrestricted	721,966	719,982
Accounts receivable	247,677	260,647
Other receivables	41,213	-
Inventory-materials and supplies	71,345	57,538
Interest receivable	851	851
Total Current Assets	<u>3,917,280</u>	<u>3,717,241</u>
Capital Assets		
Land	470,302	470,302
Depreciable assets	19,799,294	19,319,408
Less-Accumulated depreciation	(8,578,290)	(8,032,498)
Bond issue costs, net	-	40,204
Total Fixed Assets	<u>11,691,306</u>	<u>11,797,416</u>
Total Assets	<u>\$ 15,608,586</u>	<u>\$ 15,514,657</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Bonds payable (Note 4)	\$ 270,000	\$ 260,000
Contract payable (Note 6)	64,505	64,505
Accounts payable	85,168	41,976
Payroll and sales taxes payable	4,307	7,311
Interest payable -- payable from restricted assets	20,215	23,730
Total Current Liabilities	<u>444,195</u>	<u>397,522</u>
Long Term Debt		
Bonds payable (Note 4)	1,225,000	1,495,000
Contract Payable (Note 6)	241,828	342,459
Total Long Term Liabilities	<u>1,466,828</u>	<u>1,837,459</u>
Other Liabilities		
Customer deposits -- payable from restricted assets	186,255	172,075
Due to State of Louisiana/Act 319	1,106,008	1,106,008
Total Other Liabilities	<u>1,292,263</u>	<u>1,278,083</u>
Total Liabilities	3,203,286	3,513,064
Net Position		
Invested in capital assets, net of debt	9,869,758	9,611,722
Unrestricted	2,535,542	2,389,871
Total Net Position	<u>12,405,300</u>	<u>12,001,593</u>
Total Liabilities and Net Position	<u>\$ 15,608,586</u>	<u>\$ 15,514,657</u>

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

EXHIBIT B

**Comparative Statements of Revenue, Expenses and
Changes in Net Position for the years ended
June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Revenue		
Water Sales	\$ 2,332,530	\$ 2,243,777
Tapping, connection, and meter fees	202,958	175,844
Total Operating Revenue	<u>2,535,488</u>	<u>2,419,621</u>
Operating Expenses		
Production and distribution	914,841	845,705
General and administrative	757,710	684,848
Total Operating Expenses	<u>1,672,551</u>	<u>1,530,553</u>
Operating Revenue before depreciation	862,937	889,068
Depreciation	<u>618,415</u>	<u>579,139</u>
Net Operating Income after depreciation	244,522	309,929
Non-Operating Revenue		
Interest	3,394	4,910
Grant and other support	224,056	200,030
Total Non-Operating Revenue	<u>227,450</u>	<u>204,940</u>
Non-Operating Expenditures		
Interest	68,265	78,487
Total Non-Operating Expenditures	<u>68,265</u>	<u>78,487</u>
Non-Operating revenue (Expenditures)	<u>159,185</u>	<u>126,453</u>
Net Increase in Net Position	403,707	436,382
Net Position beginning of the year July 1,	<u>12,001,593</u>	<u>11,565,211</u>
Net Position end of year June 30,	<u>\$ 12,405,300</u>	<u>\$ 12,001,593</u>

The accompanying notes are integral to these financial statements.

**Waterworks District No. 1 of Ward 1,
Calcasieu Parish, Louisiana
Moss Bluff, Louisiana
Statements of Cash Flows
For The Years Ended June 30,**

EXHIBIT C

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 2,548,458	\$ 2,442,274
Payments to suppliers and other	(892,671)	(820,718)
Payments to employees, benefits and payroll taxes	(744,915)	(714,562)
Net Cash Provided (Used) by Operating Activities	<u>910,872</u>	<u>906,994</u>
Cash Flows From Non-capital Financing Activities:		
Riverboat grant revenue and other revenues	<u>182,843</u>	<u>200,030</u>
Net cash (used) provided by non-capital financing activities	<u>182,843</u>	<u>200,030</u>
Cash Flows From Investing Activities:		
Interest income	<u>3,394</u>	<u>4,910</u>
Net Cash Provided (Used) by Investing Activities	<u>3,394</u>	<u>4,910</u>
Cash Flows From Capital and Related Financing Activities:		
Capital expenditures for plant and equipment	(522,873)	(1,074,299)
Principal payments on bonds	(260,000)	(245,000)
Principal payments on contract payable	(100,631)	(75,176)
Interest expense	(71,780)	(81,800)
Increase (decrease) in customer deposits	<u>14,180</u>	<u>7,025</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(941,104)</u>	<u>(1,469,250)</u>
Net Increase (Decrease) in Cash	156,005	(357,316)
Cash and Cash Equivalents - Beginning of Year	<u>2,678,223</u>	<u>3,035,539</u>
Cash and Cash Equivalents - End of Year	<u>2,834,228</u>	<u>2,678,223</u>
Cash and Cash Equivalents:		
Cash - unrestricted	2,537,591	2,395,555
Cash - restricted	<u>296,637</u>	<u>282,668</u>
	<u>\$ 2,834,228</u>	<u>\$ 2,678,223</u>

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

Waterworks District No. 1 of Ward 1,
 Calcasieu Parish, Louisiana
 Moss Bluff, Louisiana
 Statements of Cash Flows (Continued)
 For The Years Ended June 30,

EXHIBIT C

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Net operating income after depreciation	\$ 244,522	\$ 309,929
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	658,619	579,139
Bad debts	10,104	7,925
Change in assets and liabilities:		
(Increase) decrease in receivables	(28,243)	22,653
(Increase) decrease in inventory	(13,807)	26,465
Increase (decrease) in accounts payable	43,192	(39,831)
Increase (decrease) in payroll and sales taxes payable	(3,515)	714
	<u>666,350</u>	<u>597,065</u>
Total Adjustments		
	<u>\$ 910,872</u>	<u>\$ 906,994</u>
Net Cash Provided (Used) by Operating Activities		

The accompanying notes are an integral part of the financial statements. 10

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

**NOTES TO THE FINANCIAL STATEMENTS AT
JUNE 30, 2014 AND 2013**

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

The accounting and reporting policies of Water District No. 1 conform to generally accepted accounting policies applicable to state and local governments. The following significant accounting policies were applied in the preparation of the accompanying financial statements.

Note 1 **Summary of Significant Accounting Policies**

Reporting Entity

The financial statements include all accounts of the Water District No. 1's operations. According to GASB 61 *The Financial Reporting Entity*, the Water District is considered a component unit of the Calcasieu Parish Police Jury for financial reporting purposes.

Method of Accounting

On July 1, 2002 the Water District No. 1 adopted the provisions of Statement No. 34 of the Governmental Accounting Standards Board - "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities that includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows.

Note 1

Summary of Significant Accounting Policies (Continued)

For Water District No. 1, the adoption of Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflection of capital contributions as a change in net assets.

The financial statements of the Water District No. 1 are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Water District No. 1 come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Funds

The District records, maintains and presents all of its financial information and data using one fund. That fund is a proprietary fund as described above. The District presents its financial statements as a business type activity and there are no governmental type funds.

Note 1

Summary of Significant Accounting Policies (Continued)

Deposits and Investments

Water District No. 1's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Water District No. 1's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulation. The reported value of the pool is the same as the fair value of the pool shares. The carrying amount of the District's investment in LAMP was \$50,532 as of June 30, 2014 and \$50,517 as of June 30, 2013.

GASB Statement No. 40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.

Foreign currency risk: Not applicable to 2a7-like pools

Note 1

Summary of Significant Accounting Policies (Continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Receivables and Payables

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

Inventories and Prepaid Items

Materials and supplies inventory is valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. The Water District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

Capital Assets

Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Water District No. 1 maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Note 1

Summary of Significant Accounting Policies (Continued)

Infrastructure fixed assets (water lines and systems) that are immovable and of value are reported in accordance with the Water District No. 1's policies. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not considered material and is not included as part of the capitalized value of assets constructed.

All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

Type of Asset	Service Life
Water Plant and Buildings	7-44 years
Transmission and Distribution System	3-44 years
Distribution and Maintenance	5-10 years
Administration and Office Buildings	25-30 years
Furniture and Equipment	3-8 years
Transportation Equipment	3 years

Compensated Absences

Water District No. 1 provides that employees may be away from work for vacation or for illness. Other types of leave-of-absence are provided for employees in order to fulfill personal obligations and other responsibilities. The district does not have a policy for employees to accrue any compensated absences.

Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to three weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31st of each year.

Bond Discounts, Bond Issuance and Prepaid Loan Costs

Bond discounts and bond issuance costs are being amortized on the interest method over term of the related obligation. Prepaid loan costs are being amortized on the straight-line method, which approximates the interest method, over the term of the related obligation. Bonds payable are reported net of the applicable bond discount. Bond discounts are presented as a reduction to revenue bonds on the accompanying financial statements.

Note 1

Summary of Significant Accounting Policies (Continued)

Restricted Net Assets

On July 1, 2002 the Water District adopted the provisions of GASB Statement No. 34. Statement 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, statement of activities and changes in net assets and a statement of cash flows. It requires classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital asset, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws of regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - The component of net asset consist of net assets that do not meet definition of "restricted" or "invested in capital assets, net of related debt."

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are either unusual in nature or infrequent in occurrence.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 **Summary of Significant Accounting Policies (Continued)**

Risk Management

Water District No. 1 has purchased commercial insurance to manage risk in the following areas; building and contents, boiler and machinery, general liability, commercial automobile, directors and officers liability coverage, excess directors and officers liability, public official bonding, public employees blanket bond, workmen's compensation liability and employee health. There have been no significant reductions in insurance coverage in any area.

Note 2 **Stewardship, Compliance and Accountability**

Budget Information

The annual budget is a management tool that assists users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and accordingly; no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget.

Note 3 **Deposits with Financial Institutions and Investments**

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2014 and 2013, the carrying amounts of deposits were \$3,556,194 and \$3,397,405 and the bank balances were \$3,632,130 and \$3,479,337, respectively.

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. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash is either insured under FDIC or pledged collateral is held by a third party for other deposits.

Note 4**Bonds Payable**

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

	<u>Revenue Bonds Payable</u>
Bonds Payable June 30, 2013	\$ 1,755,000
Bonds Issued	
Bonds Retired and Defeased	<u>(260,000)</u>
Bonds Payable June 30, 2014	<u>\$ 1,495,000</u>
Bonds Payable June 30, 2012	\$ 2,000,000
Bonds Issued	
Bonds Retired and Defeased	<u>(245,000)</u>
Bonds Payable June 30, 2013	<u>\$ 1,755,000</u>

\$2,000,000 Water Revenue Bonds, Series B; dated December 9, 2009; Due in annual installments including interest at 4.09% of \$285,900 to \$336,749 through the year 2019.

Total Debt Payable at June 30, 2014 is as follows:

<u>Year Ending June 30</u>	<u>2009 B Series</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	61,146	270,000	331,146
2016	50,102	285,000	335,102
2017	38,446	295,000	333,446
2018	26,380	315,000	341,380
2019	10,498	330,000	340,498
TOTAL	<u>186,572</u>	<u>1,495,000</u>	<u>1,681,572</u>

Notes to the Financial Statements are continued on the following page.

Note 4 **Bonds Payable (Continued)**

Total Debt Payable at June 30, 2013 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>2009 B Series</u>		
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2014	71,780	260,000	331,780
2015	61,146	270,000	331,146
2016	50,102	285,000	335,102
2017	38,446	295,000	333,446
2018	26,380	315,000	341,380
2019	10,498	330,000	340,498
TOTAL	<u>258,352</u>	<u>1,755,000</u>	<u>2,013,352</u>

Note 5 **Summary of the Changes in Fixed Assets**

	Balance 6-30-13	Add	Delete	Balance 6-30-14
Land	470,302	--	--	470,302
Building	1,261,801	68,846	--	1,330,647
Water System	17,388,568	352,162	--	17,740,730
Furniture	76,720	--	--	76,720
Vehicles	228,725	47,599	15,995	260,329
Equipment	363,593	87,319	60,045	390,867
Total	19,789,709	555,926	76,040	20,269,595

Note 5 **Summary of the Changes in Fixed Assets (continued)**

	Balance 6-30-12	Add	Delete	Balance 6-30-13
Land	470,218	84	--	470,302
Building	1,261,802	--	--	1,261,802
Water System	16,173,065	1,215,503	--	17,388,568
Furniture	63,168	13,552	--	76,720
Vehicles	200,795	61,222	33,292	228,725
Equipment	363,593	--	--	363,593
Total	18,532,641	1,290,361	33,292	19,789,710

Note 6 **Contract Payable**

The District entered into a contract during the fiscal year ended June 30, 2011, for the renovation and long-term maintenance of two ground storage tanks. The contract is for ten years, with payments totaling \$86,998 annually. The annual payment includes a maintenance cost. The maintenance part of the contract can be terminated at any time during the contract period which would result in the total amount of the renovation amount due at that time. The initial amount of the contract payable for renovations was \$645,048. The amount due for renovations at June 30, 2014 was \$306,333 and \$406,964 for June 30, 2013.

Note 7 **Pension Plan**

The Water Works District No. 1, Ward 1, 403(b) plan matches the employees' contributions (up to 10% of gross wages) to obtain purchase money annuities through New York Life Insurance Company. The District has no obligation other than that of paying the current year's liability. The District paid \$48,226 in 2014 and \$47,018 in 2013, as its contribution to the annuities. The District has no obligation for the annuity contracts held by New York Life past, current, or future. Further, the District management is under no obligation to continue its voluntary contributions to each employee's annuity contract.

Note 8 *Due to State of Louisiana/Act 319*

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

Note 9 *Litigation*

There was no active, pending or contemplated litigation at June 30, 2014 and 2013.

Note 10 *Restricted Cash and Certificates of Deposit*

Restricted cash and certificates of deposit include monies restricted for bond requirements and refundable customer deposits.

Note 11 *Subsequent Events*

The District evaluated its June 30, 2014 financial statements for the subsequent events through September xx, 2014, the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

End of Notes to the Financial Statements

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

SCHEDULE 1

**SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 2014**

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2013</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2014</u>	<u>Balance 6/30/2013</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2014</u>
Land	470,302	-	-	470,302	-	-	-	-
Building	1,261,801	68,846	-	1,330,647	220,412	31,607	-	252,019
Distribution System	7,567,200	352,162	-	7,919,362	3,523,580	173,395	-	3,696,975
Water Wells	406,742	-	-	406,742	345,008	9,450	-	354,458
Water Plant	6,251,501	-	-	6,251,501	2,562,780	245,740	-	2,808,520
Water Tank	3,163,125	-	-	3,163,125	920,538	113,494	-	1,034,032
Office Furniture	76,720	-	-	76,720	43,049	5,296	-	48,345
Vehicles	228,725	47,599	15,995	260,329	116,151	30,776	12,578	134,349
Equipment	363,593	87,319	60,045	390,867	300,980	8,657	60,045	249,592
Total	<u>19,789,709</u>	<u>555,926</u>	<u>76,040</u>	<u>20,269,595</u>	<u>8,032,498</u>	<u>618,415</u>	<u>72,623</u>	<u>8,578,290</u>

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

SCHEDULE 1A

**SCHEDULE OF FIXED ASSETS AND
ACCUMULATED DEPRECIATION
AT JUNE 30, 2013**

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2012</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2013</u>	<u>Balance 6/30/2012</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2013</u>
Land	470,218	84	-	470,302	-	-	-	-
Building	1,261,801	-	-	1,261,801	188,795	31,617	-	220,412
Distribution System	7,319,203	247,997	-	7,567,200	3,354,572	169,008	-	3,523,580
Water Wells	406,742	-	-	406,742	335,558	9,450	-	345,008
Water Plant	5,918,246	333,255	-	6,251,501	2,324,880	237,900	-	2,562,780
Water Tank	2,528,873	634,252	-	3,163,125	836,330	84,208	-	920,538
Office Furniture	63,168	13,552	-	76,720	38,521	4,528	-	43,049
Vehicles	200,795	61,222	33,292	228,725	126,027	23,416	33,292	116,151
Equipment	363,593	-	-	363,593	281,968	19,012	-	300,980
Total	<u>18,532,639</u>	<u>1,290,362</u>	<u>33,292</u>	<u>19,789,709</u>	<u>7,486,651</u>	<u>579,139</u>	<u>33,292</u>	<u>8,032,498</u>

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

SCHEDULE 2

SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Production and Distribution:		
Personal Services	\$ 277,576	\$ 271,694
Repair & Maintenance:		
Equipment	38,104	25,017
Wells, plant & power	144,839	128,349
Taps & Lines	94,426	103,012
Power	135,030	117,875
Chemical	143,828	128,860
Truck	52,372	45,433
Supplies	7,046	4,195
Administrative fee to state for safe drinking water	21,620	21,270
Total production & distribution expenses	<u>914,841</u>	<u>845,705</u>
General and Administrative:		
Personal service-office	196,611	185,401
Personal service-meter reading	56,191	57,427
Insurance	101,783	101,923
Office operations	8,147	7,997
Computer maintenance and software	6,968	11,964
Payroll taxes	43,165	39,231
Communications	14,678	11,745
Legal and professional	21,356	21,051
Utilities	11,653	10,089
Postage	35,312	19,839
Meeting expenses and per diem	12,599	12,013
Billing and collection	15,390	22,460
Miscellaneous	4,781	981
Amortization of bond issue costs	40,204	5,743
Employees benefits	168,368	161,523
Janitorial	4,654	4,278
Conferences, workshops & certificates	5,746	3,258
Bad Debt	10,104	7,925
Total general & administrative expenses	<u>\$ 757,710</u>	<u>\$ 684,849</u>

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

SCHEDULE 3

CASH BALANCES AT JUNE 30, 2014

Detail of Cash Accounts and Liquid Investments:

Name of Bank	<u>General Ledger</u>	<u>Bank Cash Balance</u>
A. Jeff Davis Bank	4,875	8,167
B. Capital One MM	200,631	200,631
C. Cash on hand	800	-
D. Chase Bank	1,605,420	1,605,420
E. Chase Bank	980,832	1,025,512
F. Customer Refund	(8,862)	18,958
G. City Savings CD	174,443	174,640
H. City Savings CD	547,523	548,270
I. Louisiana Investment Pool	50,532	50,532
Total	<u>3,556,194</u>	<u>3,632,130</u>

Division of Cash

Restricted:

A. Reserve for customer deposits	186,255
B. Sinking fund for bond interest	110,382
Total Restricted Cash	<u>296,637</u>

Unrestricted Cash	<u>3,259,557</u>
Total Restricted and Unrestricted Cash	<u><u>3,556,194</u></u>

Pledged collateral and FDIC

<u>Bank</u>	<u>Total</u>	<u>FDIC</u>	<u>Collateral</u>	<u>(Over)/short</u>
Capital One	219,589	219,589	-	-
City Savings	722,910	250,000	586,680	(113,770)
Chase	2,630,932	500,000	2,240,000	(109,068)
Jeff Davis	8,167	8,167	-	-

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

SCHEDULE 4

**SCHEDULE OF COMMISSIONERS'
PER DIEM AND ATTENDANCE
FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013**

Commissioners:	Expiration of term	2014		2013	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
Rev. Joseph Thomas	Sept. 2017	2,400	24	2,400	24
Donna DeBarge	Sept. 2018	2,200	22		
John Walther	Sept. 2016	2,400	24	2,400	24
Haskell Nixon	Sept. 2013	-	-	1,800	18
Earl O'Quinn III	Sept. 2015	2,300	23	2,300	23
Glen Franklin	Sept. 2014	<u>2,400</u>	<u>24</u>	<u>2,400</u>	<u>24</u>
Total Per Diem		<u>11,700</u>	<u>117</u>	<u>11,300</u>	<u>119</u>

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

SCHEDULE 5

**SCHEDULE OF INSURANCE IN FORCE
June 30, 2014**

Fire, Lightning and Extended Coverage:

Combined Limit:	
Buildings	1,000,000
Comprehensive General and Automobile Liability:	
Bodily Injury:	
Each person	1,000,000
Each accident	1,000,000
Uninsured Motorist	500,000
Underinsured Motorist	500,000
Standard Workman's Compensation:	
(Limits to \$100,000)	1,000,000
General Liability and Property Damage:	1,000,000
Fidelity Bond:	10,000
(per employee)	
Public Officials Liability	1,000,000
Pollution (Limited) Coverage	
Each Occurrence	1,000,000
Aggregate	3,000,000

WATER WORKS DISTRICT NO. 1, WARD 1
CALCASIEU PARISH, LOUISIANA
MOSS BLUFF, LOUISIANA
 June 30, 2014
SCHEDULE OF RATES

SCHEDULE 6

A. Water Rate Classification and Schedule:

1. Class I - Residential - One (1) user on Owner's property	
Minimum for 0 to 2,000 gallons	\$13.00
Per 1,000 gallons thereafter	\$2.70
2. Class II - Commercial and Industrial	
Minimum for 0 to 3,000 gallons	\$21.50
Per 1,000 gallons thereafter	\$2.70
3. Class III - Trailer Parks and Apartments (Multiple users through one meter)	
Minimum for 0 to 2,000 gallons	\$14.00
Per 1,000 gallons thereafter	\$2.70

B. Deposits and Service Charges (Revised)

1. Deposits	
Residential	\$10.00
Residential (renter)	\$75.00
Commercial	\$30.00 TO \$100.00
Fire Hydrant Set Up	\$20.00
Industrial (to be determined by Waterworks No. 1)	-0-
2. Service Charges	
Turn on or transfer	\$15.00
After 4:30 p.m. or on weekends	\$30.00
Name change only	\$0.00
Collection charge	\$15.00
NSF Checks	\$10.00
Fire Hydrant Meter Rental (Per day) plus usage	\$30.00
Tapping Fee (5/8" X 3/4")	\$950.00
(1")	\$1,300.00
All other sizes (Cost of labor & materials)	

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

D. No free service will be allowed.

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

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

I have audited 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, the financial statements of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's basic financial statements, and have issued my report thereon dated September 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, I considered Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control. Accordingly, I do not express an opinion on the effectiveness of Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of Ward 1 of Calcasieu Parish, Louisiana's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
September 3, 2014

**WATERWORKS DISTRICT NO. 1 OF WARD 1
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Schedule of Findings and Responses
June 30, 2014**

A. Summary of Independent Auditor's Results:

1. Unmodified opinion on financial statements.
2. Significant deficiencies and material weaknesses in internal control – none reported.
3. Noncompliance material to the financial statements – none reported.

B. GAGAS Finding:

None reported.

C. Prior Year Findings:

None reported.