

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

---

**Annual Financial Report  
June 30, 2011 and 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 **DEC 07 2011**

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

**FINANCIAL STATEMENTS AT JUNE 30, 2011 AND 2010**

**TABLE OF CONTENTS**

	<u>EXHIBIT/SCHEDULE</u>	<u>PAGE</u>
Independent Auditors' Report		1
<b><u>Required Supplementary Information (GASB)</u></b>		
Management's Discussion and Analysis		3
<b><u>Basic Financial Statements</u></b>		
Balance Sheets	A	7
Statements of Revenue, Expenses, and Changes in Net Assets	B	8
Statements of Cash Flows	C	9
Notes to Financial Statements		11
<b><u>Louisiana Required Supplemental Information</u></b>		
<b><u>Schedules</u></b>		
Schedule of Fixed Assets and Accumulated Depreciation	1	22
Schedule of Fixed Assets and Accumulated Depreciation	1A	23
Schedule of Operating Expenses	2	24
Cash Balances	3	25
Schedule of Commissioners' Per Diem	4	26
Schedule of Insurance in Force	5	27
Schedule of Rates	6	28
<b><u>Governmental Accounting Report</u></b>		
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		29
<b><u>Other Attachments</u></b>		
Schedule of Findings and Questioned Costs		31

# STEVEN M. DEROUEN, CPA

P.O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE | (337) 513-4737 FAX  
steve@sderouencpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

---

*Certified Public Accountants*

---

## INDEPENDENT AUDITORS' REPORT

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

I have audited the accompanying statement of net assets of Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana, component unit of Calcasieu Parish Police Jury, as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits 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 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 1 of Ward 1 of Calcasieu Parish, Louisiana as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Other Required Supplemental information as listed in the table of contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Louisiana Required Information includes a 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.

In accordance with Government Auditing Standards, I have also issued a report dated November 15, 2011 on my consideration of Waterworks District 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

*Steven M. DeFouen CPA*

Lake Charles, Louisiana  
November 15, 2011

**WATER WORKS DISTRICT NO. 1, WARD 1**  
**CALCASIEU PARISH, LOUISIANA**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2011**

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, 2011. 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 \$11,109,835 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$10,349,631. The net assets increased by \$760,204 or 7.3%.

Total net assets are comprised of the following:

- (1) Capital assets, net of related debt, of \$7,402,560 included in property and equipment, net of accumulated depreciation, net of long term debt.
- (2) The balance of unrestricted net assets consists of \$3,707,275 which does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Total spending for all District activities was \$1,442,208 for the year, which is \$89,475 less than the charges for services, goods, and interest than the previous year. Operating revenues for the year increased by \$231,479 and operating expenses decreased \$107,579 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 Assets and the Comparative Statement of Revenues, Expenses and Change in Net Assets (Activity) provide both long range and short term information about the District's overall financial status. The Comparative Statement of Net Assets 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 assets increased by \$760,204 as a result of this year's operations.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation and regulation, or contractual obligations increased by \$126,588 from the previous fiscal year. The balance in net assets represents the accumulated results of all past year's operations.

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

**Condensed Statement of Net Assets - TABLE 1**

	<u>2011</u>	<u>2010</u>	<u>Dollar Change</u>	<u>Percent of Change</u>
Current Assets	5,057,941	4,990,764	67,177	1.35%
Capital Assets	10,400,851	9,643,943	756,908	7.85%
Other Assets	-	-	-	
Total Assets	<u>15,458,792</u>	<u>14,634,707</u>	<u>824,085</u>	<u>5.63%</u>
Current Liabilities	598,473	574,598	23,875	4.16%
Long term debt				
Outstanding	2,483,786	2,450,000	33,786	1.38%
Other liabilities	<u>1,266,698</u>	<u>1,260,478</u>	<u>6,220</u>	<u>0.49%</u>
Total liabilities	<u>4,348,957</u>	<u>4,285,076</u>	<u>63,881</u>	<u>1.49%</u>
Invest in Capital Assets net of Debt	7,402,560	6,768,944	633,616	9.36%
- Unrestricted	<u>3,707,275</u>	<u>3,580,687</u>	<u>126,588</u>	<u>3.54%</u>
Total Net Assets	<u><u>11,109,835</u></u>	<u><u>10,349,631</u></u>	<u><u>760,204</u></u>	<u><u>7.35%</u></u>

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

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

	2011	2010	Dollar Change	Percent of Change
Operating Income	2,592,632	2,361,153	231,479	9.80%
Non Operating Income	66,327	227,797	(161,470)	(70.88)%
Total Revenue	2,658,959	2,588,950	70,009	2.70%
Depreciation	456,547	444,608	11,939	2.69%
Operating Expenses	1,341,414	1,448,993	(107,579)	(7.42)%
Non Operating Expenses	100,794	82,690	18,104	21.89%
Total Expenses	1,898,755	1,976,291	77,536	(3.92)%
Change in Net Assets	760,204	612,659	147,545	24.08%

As can be seen in table 2, the District's revenues increased in relation to the District's cash expenses which were due to a rate increase that took effect during the year.

**BUDGETARY HIGHLIGHTS**

As required by state statute the District adopts an annual budget to include operating, debt, and capital expenditures.

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets  
Budget to Actual FY 2011 - TABLE 3**

	Budget	Actual	Variance	Percent of Variance
Operating Income	2,277,810	2,592,632	314,822	13.82%
Non Operating Income	10,000	66,327	56,327	563.27%
Total Revenue	2,287,810	2,658,959	371,149	16.22%
Depreciation	425,000	456,547	(31,547)	(7.42)%
Operating Expense	1,424,009	1,341,414	82,595	5.80%
Non Operating Expenses	129,266	100,794	28,472	22.03%
Total Expenses	1,978,275	1,898,755	79,520	4.02%
Change in Net Assets	309,535	760,204	450,669	145.60%

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### *CAPITAL ASSETS*

The change in fiscal assets is disclosed in the notes to the financial statements and a detailed discussion of the current year's additions was presented above.

### *SHORT- TERM DEBT*

The debt service for the 2009 Series A Revenue Bond Issue will terminate in March of 2012, thereby reducing the District's remaining annual debt service over \$200,000 annually until the bond indebtedness from the 2009 Series B Revenue Bond issue has been terminated. In lieu of any unforeseen emergencies or further economical decline, the decreased debt service subsequent to 2012 should prolong the current water rate structure for several more years. However, during the next two years of debt service, the District will be focused on keeping operational cost down where possible.

### **LONG-TERM DEBT**

The 2009 Series B Revenue Bond issue in the amount of \$2,000,000 has a term of 10 years. Funds received from this issue are allocated to finance three major projects. They are (1) a new administrative building, (2) remaining work required on the backwash waste collection facilities for Plants A and B, and (3) renovations to the District's water storage facilities. In the unlikely event there are any remaining funds from these projects, the District can apply the residual funds towards the cost of drilling an additional well for Plant A.

During the 2010 fiscal year, the District met its obligation as prescribed by the arbitrage requirement set forth in the bond covenant to expend 10% (\$200,000) of the bond proceeds within 6 months of the origination date of the issue. The District has a further obligation to expend the remaining allocations within 3 years of the origination date of the issue. There should be no difficulty in meeting this obligation due to the fact that construction on all projects will be conducted simultaneously. During the 2011 fiscal year the District expended \$405,395 of the bond proceeds on construction projects.

### **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, 166 School Street, 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 Assets  
At June 30, 2011 and 2010**

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
<b>Current Assets</b>		
Cash and equivalent-unrestricted	\$ 1,525,713	\$ 1,354,314
Cash and equivalent-restricted	2,401,800	2,317,118
Certificate of deposits - unrestricted	713,351	708,611
Accounts receivable	348,803	295,407
Other receivables	-	171,902
Prepaid expenses	-	80,982
Inventory-materials and supplies	66,998	60,350
Interest receivable	1,276	2,080
<b>Total Current Assets</b>	<u>5,057,941</u>	<u>4,990,764</u>
<b>Capital Assets</b>		
Land	469,664	469,416
Construction in Process	510,174	126,529
Depreciable assets	16,399,229	15,585,891
Less-Accumulated depreciation	(7,029,906)	(6,595,325)
Bond issue costs, net	51,690	57,432
<b>Total Fixed Assets</b>	<u>10,400,851</u>	<u>9,643,943</u>
<b>Total Assets</b>	<u>\$ 15,458,792</u>	<u>\$ 14,634,707</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Bonds payable (Note 4)	\$ 450,000	\$ 425,000
Contract payable (Note 6)	64,505	-
Accounts payable	51,685	88,724
Payroll and sales taxes payable	1,565	1,684
Interest payable -- payable from restricted assets	30,718	59,190
<b>Total Current Liabilities</b>	<u>598,473</u>	<u>574,598</u>
<b>Long Term Debt</b>		
Bonds payable (Note 4)	2,000,000	2,450,000
Contract Payable (Note 6)	483,786	-
<b>Total Long Term Liabilities</b>	<u>2,483,786</u>	<u>2,450,000</u>
<b>Other Liabilities</b>		
Customer deposits -- payable from restricted assets	160,690	154,470
Due to State of Louisiana/Act 319	1,106,008	1,106,008
<b>Total Other Liabilities</b>	<u>1,266,698</u>	<u>1,260,478</u>
<b>Total Liabilities</b>	4,348,957	4,285,076
<b>Net Assets</b>		
Invested in capital assets, net of debt	7,402,560	6,768,944
Unrestricted	3,707,275	3,580,687
<b>Total Net Assets</b>	<u>11,109,835</u>	<u>10,349,631</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 15,458,792</u>	<u>\$ 14,634,707</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 Assets for the years ended  
June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Operating Revenue		
Water Sales	\$ 2,419,589	\$ 2,186,266
Tapping, connection, and meter fees	<u>173,043</u>	<u>174,887</u>
Total Operating Revenue	2,592,632	2,361,153
Operating Expenses		
Production and distribution	712,194	842,090
General and administrative	<u>629,220</u>	<u>606,903</u>
Total Operating Expenses	<u>1,341,414</u>	<u>1,448,993</u>
Operating Revenue before depreciation	1,251,218	912,160
Depreciation	<u>456,547</u>	<u>444,608</u>
Net Operating Income after depreciation	794,671	467,552
Non-Operating Revenue		
Interest	9,658	10,766
Grant and other support	<u>56,669</u>	<u>217,031</u>
Total Non-Operating Revenue	<u>66,327</u>	<u>227,797</u>
Non-Operating Expenditures		
Interest	<u>100,794</u>	<u>82,690</u>
Total Non-Operating Expenditures	<u>100,794</u>	<u>82,690</u>
Non-Operating revenue (Expenditures)	<u>(34,467)</u>	<u>145,107</u>
Net Increase in Net Assets	760,204	612,659
Net assets beginning of the year July 1,	<u>10,349,631</u>	<u>9,736,972</u>
Net Assets end of year June 30,	\$ <u>11,109,835</u>	\$ <u>10,349,631</u>

**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>2011</u>	<u>2010</u>
<b>Cash Flows From Operating Activities:</b>		
Receipts from customers and users	\$ 2,539,236	\$ 2,390,448
Payments to suppliers	(819,585)	(979,139)
Payments to employees	(478,134)	(460,547)
Net Cash Provided (Used) by Operating Activities	<u>1,241,517</u>	<u>950,762</u>
<b>Cash Flows From Non-capital Financing Activities:</b>		
Riverboat grant revenue and other revenues	127,753	20,000
Transfer (to) from unrestricted assets-non-cash equivalent	(4,740)	(708,611)
Transfer (to) from restricted assets-non-cash equivalent	-	171,013
Net cash (used) provided by non-capital financing activities	<u>123,013</u>	<u>(517,598)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest income	10,462	8,808
Net Cash Provided (Used) by Investing Activities	<u>10,462</u>	<u>8,808</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Capital expenditures for plant and equipment	(570,865)	(418,444)
Bond proceeds	-	2,875,000
Principal payments on bonds	(425,000)	(385,000)
Defeased long-term debt	-	(815,000)
Bond issuance cost	-	(57,433)
Interest expense	(129,266)	(41,660)
Increase (decrease) in customer deposits	6,220	4,700
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,118,911)</u>	<u>1,162,163</u>
<b>Net Increase (Decrease) in Cash</b>	<b>256,081</b>	<b>1,604,135</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u><b>3,671,432</b></u>	<u><b>2,067,297</b></u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u><b>3,927,513</b></u></u>	<u><u><b>3,671,432</b></u></u>
<b>Cash and Cash Equivalents:</b>		
Cash - unrestricted	1,525,713	1,354,314
Cash - restricted	2,401,800	2,317,118
	<u><u><b>\$ 3,927,513</b></u></u>	<u><u><b>\$ 3,671,432</b></u></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>2011</u>	<u>2010</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Net operating income after depreciation	\$ 794,671	\$ 467,552
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	456,547	444,608
Bad debts	6,519	6,066
Change in assets and liabilities:		
(Increase) decrease in receivables	(53,396)	29,295
(Increase) decrease in inventory	(6,648)	17,773
(Increase) decrease in prepaid expenses	80,982	(80,982)
(Increase) decrease in other receivables	-	71,084
Increase (decrease) in accounts payable	(37,039)	(4,029)
Increase (decrease) in payroll and sales taxes payable	(119)	(605)
<b>Total Adjustments</b>	<u>446,846</u>	<u>483,210</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,241,517</u>	<u>\$ 950,762</u>

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, 2011 AND 2010**

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. The criteria for including organizations as component units within the Water District No. 1's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (and can be sued in its own name)
- The Parish holds the corporate powers of the District
- The Parish appoints all of the Board of Commissioners
- The Parish is able to impose its will on the organization

Based on the above criteria Water District No. 1 is considered a component unit of the Calcasieu Parish, Louisiana Government. The Police Jury is the governing body of the parish government.

Note 1

Summary of Significant Accounting Policies (Continued)

Method of Accounting (Conversion to GASB 34)

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.

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. Under Governmental Accounting Standards Board Statement No. 20, the Water District No. 1 has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

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.

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 \$50,403 as of June 30, 2011 and \$50,313 as of June 30, 2010.

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 31<sup>st</sup> 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.

**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, 2011 and 2010, the carrying amounts of deposits were \$4,640,864 and \$4,380,043 and the bank balances were \$4,688,900 and \$4,400,128, 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, 2009	\$ 1,200,000
Bonds Issued	2,875,000
Bonds Retired and Defeased	<u>(1,200,000)</u>
Bonds Payable June 30, 2010	<u>\$ 2,875,000</u>
Bonds Payable June 30, 2010	\$ 2,875,000
Bonds Issued	
Bonds Retired and Defeased	<u>(425,000)</u>
Bonds Payable June 30, 2011	<u>\$ 2,450,000</u>

The District issued the bonds listed below, Water Revenue Refunding Bonds 2009, Series A, to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$815,000 of the Water Revenue Refunding Bonds Series, 2002 A. As a result, \$815,000 of the Water Revenue Refunding Bonds Series, 2002 A, are considered to be defeased and the liability has been removed. This advance refunding was undertaken to reduce total future debt service payments over the next two years by \$41,516.

\$875,000 Water Revenue Refunding Bonds, Series A; dated December 9, 2009; Due in annual installments including interest at 2.47% of \$435,806 to \$455,558 through the year 2012.

\$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.

**Note 4**      **Bonds Payable (Continued)**

The refunding and revenue bonds resulted in unamortized bond issue costs of \$57,433. This is being amortized through the year 2019 using the effective interest method for the amount of the new bonds issued. The proceeds of the new bond issue, Water Revenue Bonds, 2009 B, were deposited in a construction fund and will be used to pay for constructing, improving, extending and acquiring the waterworks system.

Total Debt Payable at June 30, 2011 is as follows:

<u>Year Ending June 30</u>	<u>2009 A Series</u>			<u>2009 B Series</u>			<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Debt Service</u>
2012	11,115	450,000	461,115	81,800	-	81,800	542,915
2013				81,800	245,000	326,800	326,800
2014				71,780	260,000	331,780	331,780
2015				61,146	270,000	331,146	331,146
2016				61,146	270,000	331,146	331,146
2017 - 2019				67,280	955,000	1,022,280	1,022,280
<b>TOTAL</b>	<u>11,115</u>	<u>450,000</u>	<u>461,115</u>	<u>424,952</u>	<u>2,000,000</u>	<u>2,424,952</u>	<u>2,886,067</u>

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

	<u>Balance 6-30-10</u>	<u>Add</u>	<u>Delete</u>	<u>Balance 6-30-11</u>
Land	469,416	248	--	469,664
Building	231,530	--	--	231,530
Water System	14,760,074	790,387	--	15,550,461
Furniture	56,548	--	--	56,548
Vehicles	177,086	44,630	24,619	197,097
Equipment	360,653	2,940	--	363,593
<b>Total</b>	<b>16,055,307</b>	<b>838,205</b>	<b>24,619</b>	<b>16,868,893</b>

**Note 5**      **Summary of the changes in Fixed Assets (Continued)**

	Balance 6-30-09	Add	Delete	Balance 6-30-10
Land	461,340	8,076	--	469,416
Building	211,530	20,000	--	231,530
Water System	14,485,551	274,523	--	14,760,074
Furniture	51,547	5,001	--	56,548
Vehicles	173,487	13,653	10,054	177,086
Equipment	357,164	14,758	11,269	360,653
<b>Total</b>	<b>15,740,619</b>	<b>336,011</b>	<b>21,323</b>	<b>16,055,307</b>

**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, 2011 was \$548,291.

**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 \$41,647 in 2011 and \$42,885 in 2010, 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, 2011 and 2010.

**Note 10**      **Restricted Cash and Certificates of Deposit**

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

**Note 11**      **Prior Year Balances**

Certain prior year amounts may have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported total net assets.

**Note 12**      **Subsequent Events**

The District evaluated its June 30, 2011 financial statements for the subsequent events through November 15, 2011, 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, 2011**

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2010</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2011</u>	<u>Balance 6/30/2010</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2011</u>
Land	469,416	248	-	469,664	-	-	-	-
Building	231,530	-	-	231,530	183,407	3,207	-	186,614
Distribution System	7,141,145	75,257	-	7,216,402	3,031,234	160,843	-	3,192,077
Water Wells	406,742	-	-	406,742	316,411	9,697	-	326,108
Water Plant	5,345,312	53,132	-	5,398,444	1,954,524	184,047	-	2,138,571
Water Tank	1,866,875	661,998	-	2,528,873	709,999	63,042	-	773,041
Office Furniture	56,548	-	-	56,548	34,402	772	-	35,174
Vehicles	177,086	44,830	24,619	197,097	133,286	10,021	21,966	121,341
Equipment	360,653	2,940	-	363,593	232,062	24,918	-	256,980
<b>Total</b>	<u>18,055,307</u>	<u>838,205</u>	<u>24,619</u>	<u>18,868,893</u>	<u>6,595,325</u>	<u>456,547</u>	<u>21,966</u>	<u>7,029,906</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, 2010**

	<u>Basis of Assets</u>			<u>Accumulated Depreciation</u>				
	<u>Balance 6/30/2009</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance 6/30/2010</u>	<u>Balance 6/30/2009</u>	<u>Current Depreciation</u>	<u>Reduction</u>	<u>Balance 6/30/2010</u>
Land	461,340	8,078	-	469,416	-	-	-	-
Building	211,530	20,000	-	231,530	172,763	10,644	-	183,407
Distribution System	6,910,988	230,157	-	7,141,145	2,874,908	156,326	-	3,031,234
Water Wells	406,742	-	-	406,742	306,711	9,700	-	316,411
Water Plant	5,300,946	44,366	-	5,345,312	1,771,600	182,924	-	1,954,524
Water Tank	1,866,875	-	-	1,866,875	663,260	46,739	-	709,999
Office Furniture	51,547	5,001	-	56,548	30,263	4,139	-	34,402
Vehicles	173,487	13,653	10,054	177,086	133,458	9,681	9,863	133,286
Equipment	<u>357,184</u>	<u>14,758</u>	<u>11,269</u>	<u>360,653</u>	<u>218,886</u>	<u>24,445</u>	<u>11,269</u>	<u>232,062</u>
Total	<u>15,740,619</u>	<u>336,011</u>	<u>21,323</u>	<u>16,055,307</u>	<u>6,171,849</u>	<u>444,608</u>	<u>21,132</u>	<u>6,595,325</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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>Production and Distribution:</b>		
Personal Services	224,751	252,299
<b>Repair &amp; Maintenance:</b>		
Equipment	22,316	12,707
Wells, plant & power	145,972	191,946
Taps & Lines	80,776	56,283
Power	110,248	112,988
Chemical	61,385	156,202
Truck	41,864	35,861
Supplies	4,287	3,468
Administrative fee to state for safe drinking water	20,595	20,336
<b>Total production &amp; distribution expenses</b>	<u>712,194</u>	<u>842,090</u>
<b>General and Administrative:</b>		
Personal service-office	167,535	156,700
Personal service-meter reading	51,853	50,943
Insurance	90,756	78,132
Office operations	15,052	15,802
Computer maintenance and software	8,244	6,528
Payroll taxes	33,876	35,068
Communications	13,972	15,432
Legal and professional	19,924	36,930
Utilities	5,728	5,676
Postage	25,654	26,415
Meeting expenses and per diem	8,058	8,112
Billing and collection	10,914	7,323
Miscellaneous	893	605
Amortization of bond issue costs	5,743	10,072
Employees benefits	157,121	139,151
Janitorial	4,000	4,125
Conferences, workshops & certificates	3,378	3,822
Bad Debt	6,519	6,066
<b>Total general &amp; administrative expenses</b>	<u>629,220</u>	<u>606,903</u>

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

**SCHEDULE 3**

**CASH BALANCES AT JUNE 30, 2011**

**Detail of Cash Accounts and Liquid Investments:**

Name of Bank	Account Number	General Ledger	Bank Cash Balance
A. Jeff Davis Bank	65001038	1,897	1,903
B. Capital One MM	8071385702	316,268	316,268
C. Cash on hand		600	-
D. Chase Bank	835482084	2,032,872	2,032,872
E. Chase Bank	835482084	1,140,111	1,166,089
F. Customer Refund	2201481001	(8,477)	13,493
G. First Federal CD	50722184-11	88,786	88,786
H. First Federal CD	50722192-12	305,053	305,053
I. City Savings CD	6014844-10	172,313	172,767
J. City Savings CD	6014844-11	541,038	541,266
K. Louisiana Investment Pool	LA-01-0421-7158	50,403	50,403
Total		4,640,864	4,688,900

**Division of Cash**

Restricted:

A. Reserve for customer deposits	160,690
B. Sinking fund for bond interest	208,238
C. Construction & capital purposes	2,032,872
Total Restricted Cash	2,401,800

Unrestricted Cash	2,239,064
Total Restricted and Unrestricted Cash	4,640,864

**Pledged collateral and FDIC**

Bank	Total	FDIC	Collateral	(Over)/short
Capital One	329,761	250,000	757,742	(677,981)
City Savings	714,033	250,000	468,027	(3,994)
First Federal	393,839	250,000	157,820	(13,981)
Chase	3,198,961	1,416,089	3,083,837	(1,300,965)
Jeff Davis	1,903	1,903	-	-

**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, 2011 AND 2010**

Commissioners:	Expiration of term	2011		2010	
		Per Diem	Meetings Attended	Per Diem	Meetings Attended
Rev. Joseph Thomas	Sept. 2012	1,440	24	1,440	24
John Walther	Sept. 2011	1,440	24	1,440	24
Haskell Nixon	Sept. 2013	1,380	23	1,380	23
Earl O'Quinn III	Sept. 2015	1,440	24	1,440	24
Glen Franklin	Sept. 2014	<u>1,440</u>	<u>24</u>	<u>1,440</u>	<u>24</u>
<b>Total Per Diem</b>		<u><u>7,140</u></u>	<u><u>119</u></u>	<u><u>7,140</u></u>	<u><u>119</u></u>

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

**SCHEDULE 5**

**SCHEDULE OF INSURANCE IN FORCE  
June 30, 2011**

---

**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, 2011  
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 Usage	\$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)	\$10.00
Fire Hydrant Meter (Installation)	\$10.00
Plans and Specifications	
5,000 Min. (Plus \$2.00 per 1,000' over 5,000')	\$50.00
Inspection fee (\$1.00 per unit/lot) plus base rate of	\$50.00
Tapping Fee (5/8" X 3/4")	\$700.00
3/4", 1-1/2", & 2" (Cost of labor & materials)	

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

**D. No free service will be allowed.**

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

# STEVEN M. DEROUEN, CPA

P.O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE | (337) 513-4737 FAX  
steve@sderouencpa.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

---

*Certified Public Accountants*

---

**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  
Lake Charles, Louisiana

I have audited the financial statements of Waterworks District No. 1 of Ward 1 as of and for the year ended June 30, 2011, and have issued my report thereon dated November 15, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit we considered Waterworks District No. 1 of Ward 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 1 of Ward 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements of Waterworks District No. 1 are free of material misstatement, I 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, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Waterworks District No. 1 of Ward 1 and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Handwritten signature of Jean M. DeRouen CPA in black ink.

Lake Charles, Louisiana  
November 15, 2011



**WATERWORKS DISTRICT NO. 1 OF WARD 1  
OF CALCASIEU PARISH, LOUISIANA  
Lake Charles, Louisiana  
Schedule of Findings and Questioned Costs  
June 30, 2011**

**A. Summary of Independent Auditor's Results:**

1. Unqualified 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:**

2010-01 Under Collateralized Bank Balance

The District was under collateralized at one financial institution by \$24,586 as of June 30, 2010. The financial institution has corrected this deficiency.