

**WATERWORKS DISTRICT NO. 8
OF WARDS 3 AND 8 OF
CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana**

**Annual Financial Report
June 30, 2006 and 2005**

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 3-7-07

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Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners
Waterworks District No. 8 of Wards 3
and 8 of Calcasieu Parish, Louisiana
Lake Charles, Louisiana**

We have audited the financial statements of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana as of June 30, 2006 and 2005, 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 on pages 3 through 6 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Commissioners
Waterworks District No. 8 of Wards 3
and 8 of Calcasieu Parish, Louisiana

In accordance with Government Auditing Standards, we have also issued a report dated February 15, 2007, on our consideration of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control structure and compliance with laws and regulations. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Broussard & Company

Lake Charles, Louisiana
February 15, 2007

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006**

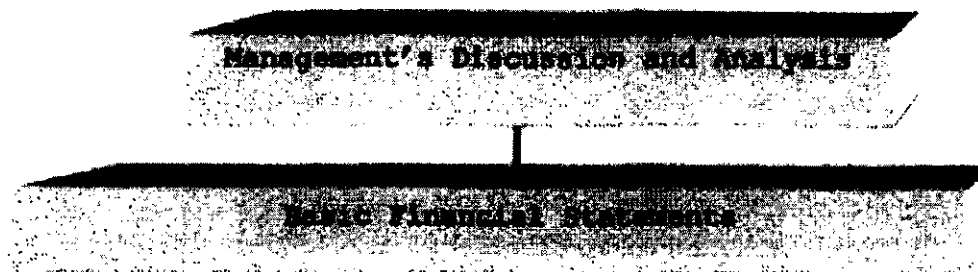
The Management's Discussion and Analysis of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- ★ The District's assets exceeded its liabilities at the close of fiscal year 2006 by \$2,213,869 (net assets) which represents a 3.57% decrease from last fiscal year. Of this amount, \$1,239,532 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.
- ★ The District's operating revenue increased \$59,246 (or 10.0%), operating expenses increased \$189,366 (or 31.3%) and the net result from operating activities was a loss from operations of \$150,216. Of the increase in operating expenses, \$26,829 was due to an increase in salaries and \$64,548 was due to an increase in repairs and maintenance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006**

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheet (pages 7 - 8) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 9) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 10 - 11) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2006	2005	2004
Current and other assets	\$2,267,730	\$2,409,133	\$2,438,181
Capital assets	3,310,067	3,386,286	3,449,324
Total assets	5,577,797	5,795,419	5,887,505
Other liabilities	224,689	249,191	314,720
Long-term debt outstanding	3,139,239	3,250,515	3,249,790
Total liabilities	3,363,928	3,499,706	3,564,510
Net assets:			
Invested capital assets, net of debt	579,582	478,050	525,050
Restricted	394,755	655,253	587,902
Unrestricted	1,239,532	1,162,410	1,210,043
Total net assets	\$2,213,869	\$2,295,713	\$2,322,995

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006**

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District decreased by \$81,844 or 3.6%, from June 30, 2005 to June 30, 2006.

	2006	2005	2004
Operating revenues	\$ 649,784	\$ 590,538	\$ 566,791
Operating expenses	800,000	610,635	553,733
Operating income (loss)	(150,216)	(20,046)	13,058
Non-operating revenues (expenses)	68,372	(7,185)	(37,717)
Net increase (decrease) in net assets	\$(81,844)	\$(27,281)	\$(24,659)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the District had \$3,310,067 net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (See Table below). This amount represents a net decrease (including additions and deductions) of \$76,219, or 2.3%, over last year.

	2006	2005	2004
Land and Right of Ways	\$ 21,150	\$ 21,150	\$ 21,150
Construction in Progress	- 0 -	- 0 -	- 0 -
Plant and Distribution System	5,335,120	5,248,305	5,163,641
Furniture, Fixtures, and Equipment	100,733	100,927	116,239
Less Accumulated Depreciation	(2,146,936)	(1,984,096)	(1,851,706)
Totals	\$ 3,310,067	\$ 3,386,286	\$ 3,449,324

This year's Major Capital additions included above were:

- Back-up Generator \$58,744

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2006**

Debt

The District had \$3,300,515 in bonds outstanding at year-end, compared to \$3,369,790 last year, a decrease of 2.1 %. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenue Bonds	\$ 1,859,239	\$ 1,970,515	\$ 1,989,790
General Obligation Bonds	<u>1,280,000</u>	<u>1,330,000</u>	<u>1,380,000</u>
Totals	<u>\$ 3,139,239</u>	<u>\$ 3,300,515</u>	<u>\$ 3,369,790</u>

The District's Series 2005 Revenue Refunding bonds are AAA rated, Series 2000 General Obligation bonds are BBB rated and Series 1997 Revenue Refunding bonds are un-rated.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathleen Compton, Office Manager, Waterworks District No. 8 Of Wards 3 And 8 of Calcasieu Parish.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Balance Sheet
As of June 30,**

ASSETS	2006	2005
CURRENT ASSETS		
Cash and equivalents	\$ 193,626	\$ 383,006
Investments	752,821	507,977
Receivables (net of allowances for uncollectibles of \$2,795 for 2006 and \$2,795 for 2005):		
Taxes	-	1,000
Water sales	57,189	50,170
Unbilled water sales	16,893	8,447
Other receivables	241	241
Prepaid expense	19,708	17,664
Total Current Assets	1,040,478	968,505
RESTRICTED ASSETS		
Cash and equivalents	891,040	839,010
Investments	214,506	474,103
Total Restricted Assets	1,105,546	1,313,113
PROPERTY, PLANT AND EQUIPMENT		
Plant and distribution system	5,335,120	5,248,305
Furniture, fixtures, and equipment	100,733	100,927
	5,435,853	5,349,232
Less accumulated depreciation	(2,146,936)	(1,984,096)
	3,288,917	3,365,136
Land	21,150	21,150
Net Property, Plant, and Equipment	3,310,067	3,386,286
OTHER ASSETS		
Other assets	150	150
Deferred charges, bond issue costs, net	121,556	127,365
Total Other Assets	121,706	127,515
TOTAL ASSETS	\$ 5,577,797	\$ 5,795,419

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Balance Sheet (Continued)
As of June 30,**

	2006	2005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 44,279	\$ 18,056
Accrued wages	25,673	36,170
Payroll and sales tax payable	8,671	4,555
Total Current Liabilities	78,623	58,781
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	24,663	25,685
Current portion of revenue bonds	100,000	75,000
Current portion of general obligation bonds	55,000	50,000
Customer deposits	121,403	114,725
Total Current Liabilities (Payable From Restricted Assets)	301,066	265,410
LONG-TERM LIABILITY		
Revenue bonds payable (net of current portion, unamortized discount, and deferred loss)	1,759,239	1,895,515
General obligation bonds payable (net of current portion)	1,225,000	1,280,000
Total Long-Term Liabilities	2,984,239	3,175,515
Total Liabilities	3,363,928	3,499,706
NET ASSETS		
Investment in capital assets (net of related debt)	579,582	478,050
Restricted for debt service	394,755	655,253
Unrestricted	1,239,532	1,162,410
Total Net Assets	2,213,869	2,295,713
TOTAL LIABILITIES AND NET ASSETS	\$ 5,577,797	\$ 5,795,419

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Statements of Revenue, Expense, and Changes in Net Assets
For the Years Ended June 30,**

	2006	2005
OPERATING REVENUES		
Water sales	\$ 601,894	\$ 557,899
Tap fees	33,020	16,900
Late charges	14,870	15,739
Total Operating Revenues	649,784	590,538
OPERATING EXPENSES		
Accounting and audit	14,400	15,053
Legal fees	11,101	469
Commissioner's fees	3,600	4,200
Office supplies and postage	10,266	12,892
Plant supplies	65,798	50,184
Miscellaneous	20,523	14,998
Repairs and maintenance	107,681	43,133
Insurance	80,614	67,494
Truck expense	19,346	11,619
Telephone	11,570	9,193
Utilities	40,305	28,431
Salaries	187,806	160,977
Meter reading	19,744	-
Payroll taxes	15,366	11,866
Amortization	14,601	5,131
Depreciation	169,629	166,832
Uniforms and cleaning	4,500	3,357
Retirement expense	3,150	3,462
Bad debt expense	-	1,343
Total Operating Expenses	800,000	610,634
INCOME (LOSS) FROM OPERATIONS	(150,216)	(20,096)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	153,290	118,212
Interest income	53,500	30,245
Interest and fiscal charges	(155,279)	(186,291)
Miscellaneous income	19,365	30,649
Gain (loss) sale of assets	(2,504)	-
Total Non-Operating Revenues (Expenses)	68,372	(7,185)
CHANGE IN NET ASSETS	(81,844)	(27,281)
NET ASSETS AT BEGINNING OF YEAR	2,295,713	2,322,994
NET ASSETS AT END OF YEAR	\$ 2,213,869	\$ 2,295,713

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30,**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 635,319	\$ 588,463
Payment to suppliers	(381,153)	(269,980)
Payment to employees	(216,819)	(165,719)
Other	-	(197)
Net Cash Provided (Used) by Operating Activities	<u>37,347</u>	<u>152,567</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments - net of maturities	(112,917)	(250,387)
Sale of investments	69,300	-
Interest income received	<u>54,522</u>	<u>30,245</u>
Net Cash Provided (Used) for Investing Activities	<u>10,905</u>	<u>(220,142)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(95,914)	(103,785)
Bond proceeds	-	1,964,033
Defeased long-term debt	-	(1,805,000)
Bond issuance cost	-	(106,024)
Principal paid on bonds	(125,000)	(120,000)
Interest paid on bonds	(156,301)	(190,105)
Ad valorem taxes received	154,290	118,405
Miscellaneous income received	30,645	26,789
Increase in customer deposits, net	<u>6,678</u>	<u>2,143</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(185,602)</u>	<u>(213,544)</u>
Net Increase (Decrease) in Cash	(137,350)	(281,119)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,222,016</u>	<u>1,503,135</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,084,666</u>	<u>\$ 1,222,016</u>
Cash and Cash Equivalents:		
Unrestricted	193,626	383,006
Restricted	<u>891,040</u>	<u>839,010</u>
	<u>\$ 1,084,666</u>	<u>\$ 1,222,016</u>

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Enterprise Fund
Statement of Cash Flows (Continued)
For the Year Ended June 30,**

	<u>2006</u>	<u>2005</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Income from operations	\$ (150,216)	\$ (20,096)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	184,230	171,963
(Increase) decrease in accounts receivable	(14,465)	(732)
(Increase) decrease in prepaid expense	(2,044)	(4,710)
Increase (decrease) in accounts payable and other accrued expenses	19,842	6,142
Total Adjustments	187,563	172,663
Net Cash Provided (Used) by Operating Activities	<u>\$ 37,347</u>	<u>\$ 152,567</u>
 Supplement Disclosure:		
Cash paid for interest	<u>\$ (156,301)</u>	<u>\$ (190,105)</u>

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements
June 30, 2006 and 2005**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of the more significant policies:

A. **Financial Reporting Entity**

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

Based on the foregoing criteria, Waterworks District No. 8 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana. The District is a component unit of the Calcasieu Parish Police Jury.

B. **Fund Accounting**

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

Basis of Accounting

The District has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments".

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

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

Note 1 - Summary of Significant Accounting Policies (Continued)

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 principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The District will not elect to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

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.

C. Fixed Assets

All fixed assets of the proprietary fund are recorded at historical costs. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. Pre-construction costs associated with the development of the water system, which includes engineering, legal, and interest costs are capitalized and will be amortized over their estimated useful lives using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The following estimated useful lives and methods are used to compute depreciation:

Plant and distribution system	15 - 40 Years	Straight Line
Furniture, fixtures and equipment	5 - 15 Years	Straight Line

Depreciation expense amounted to \$169,629 for the year ended June 30, 2006, and \$166,832 for the year ended June 30, 2005.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 and expenses during the reporting period. Actual results could differ from those estimates.

E. Reclassifications

Certain reclassifications have been made to the June 30, 2006 financial statements in order for them to be better compared to the June 30, 2005 financial statements.

F. Cash, Cash Equivalents and Investments

The District considers all demand deposits, interest-bearing demand deposits, time deposits, and short-term investments with an original maturity of three months or less to be cash equivalents. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955.

Note 2 - Ad Valorem Taxes

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

For the year ended December 31, 2006, taxes of 14.14 mills were levied on property with net assessed valuations of approximately \$12,399,840. Total taxes levied, net of pension funds, were \$153,290. The 14.14 mills were dedicated as follows:

Maintenance fund	6.14 mills
Sinking fund	8.00 mills

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

Note 3 - Changes in Long-Term Debt

The following is a summary of bond payable transactions of the District for the year ended June 30, 2006:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 2005	\$ 1,330,000	\$ 1,970,515	\$ 3,300,515
Bonds issued	-	-	-
Bonds retired	(50,000)	(75,000)	(125,000)
Bond discount & deferred loss amortization(net)	-	<u>(36,276)</u>	<u>(36,276)</u>
Outstanding at July 1, 2006	<u>\$ 1,280,000</u>	<u>\$ 1,859,239</u>	<u>\$ 3,139,239</u>

Long-term debt at June 30, 2006 consists of the following:

General obligation bonds:

\$1,505,000 General Obligation Waterworks Improvement Bonds, Series 2000, of Waterworks District No. 8 of Wards 3 and 8 of the Parish Calcasieu, Louisiana; dated April 1, 2000; due in annual installments including interest at 5.75% to 8% of \$95,907 to \$144,130 through the year 2020; \$1,280,000

Revenue bonds:

\$2,455,000 Waterworks Revenue Refunding Bonds, Series 1997; dated January 1, 1997; \$1,805,000 defeased June 21, 2005; Payments remaining through June 1, 2007 \$80,000

\$1,985,000 Water Revenue Refunding Bonds, Series 2005; dated June 21, 2005; Due in annual installments including interest at 3.00% to 3.95% of \$69,300 to \$171,949 through the year 2021 \$1,985,000

The District issued the above bonds to refund the Series 1997 Refunding Revenue Bonds. The proceeds provided the resources to purchase U. S. Government Securities for all future debt service payments of \$1,805,000 of revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed. The refunding was undertaken to reduce total future debt service payments over the next 16 years by \$154,106 and resulted in an economic gain of \$121,692. The reacquisition price exceeded the net carrying amount of the old debt by \$190,829. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the life of the refunded debt.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

Note 3 - Changes in Long-Term Debt (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2006, are as follows:

<u>General Obligation Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	55,000	74,233	129,233
2008	60,000	71,070	131,070
2009	65,000	67,620	132,620
2010	70,000	63,883	133,883
2011	75,000	59,857	134,857
2012-2016	455,000	228,850	683,850
2017-2021	<u>500,000</u>	<u>76,470</u>	<u>576,470</u>
Total	<u>\$ 1,280,000</u>	<u>\$ 641,983</u>	<u>\$ 1,921,983</u>

<u>Revenue Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	100,000	71,280	171,280
2008	105,000	67,125	172,125
2009	105,000	63,975	168,975
2010	110,000	60,750	170,750
2011	115,000	57,346	172,346
2012-2016	620,000	228,678	848,678
2017-2021	745,000	105,637	850,637
2022	<u>165,000</u>	<u>3,259</u>	<u>168,259</u>
Total	<u>\$ 2,065,000</u>	<u>\$ 658,050</u>	<u>\$ 2,723,050</u>

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

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

Note 4 - Cash, Cash Equivalents, and Investments

At June 30, 2006, the District had cash and cash equivalents (book balances) totaling \$1,084,666 of which \$1,084,466 is in demand deposits and \$200 is cash in hand.

At June 30, 2006, the District had investments totaling \$967,358 of which \$699,511 is invested in the Louisiana Asset Management Pool, Inc. (LAMP) and \$267,847 in certificates of deposits.

Under Louisiana Revised Statutes 39:2955, the District may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having a principal offices in Louisiana. 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 value of the pledged securities plus the federal deposit insurance must at all times 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.

Additionally, Louisiana statues allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA - R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

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.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

Note 4 - Cash, Cash Equivalents, and Investments (Continued)

The District has not formally adopted deposit and investment policies that limit the District's allowable deposits or investments and address the specific types of risk that the District may be exposed.

Credit risk. As of June 30, 2006, the District's investments in LAMP were rated AAAM by Standards & Poor's

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned. As of June 30, 2006, the District had \$1,091,672 in demand deposits (bank balances before outstanding checks or deposits in transit) and \$267,847 in certificates of deposits. These deposits are secured from risk by \$300,000 of federal deposit insurance and \$1,059,519 of pledged securities held by the custodial bank in the name of the fiscal agent bank. Even though the pledged securities are considered uncollateralized, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent bank has failed to pay deposited funds upon demand.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,150	\$ - 0 -	\$ - 0 -	\$ 21,150
Construction in Progress	- 0 -	- 0 -	- 0 -	- 0 -
Capital Assets Being Depreciated:				
Plant and Distribution System	5,248,305	89,544	(2,729)	5,335,120
Furniture, Fixtures, & Equipment	<u>100,927</u>	<u>6,370</u>	<u>(6,564)</u>	<u>100,733</u>
Total Capital Assets being Depreciated	5,349,232	95,914	(9,293)	5,435,853
Less Accumulated Depreciation	<u>1,984,096</u>	<u>169,629</u>	<u>(6,789)</u>	<u>2,146,936</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>3,365,136</u>	<u>(73,715)</u>	<u>(2,504)</u>	<u>3,288,917</u>
Total Capital Assets, Net	<u>\$3,386,286</u>	<u>\$(73,715)</u>	<u>\$ (2,504)</u>	<u>\$3,310,067</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

Note 6 - Board of Commissioners' Fees

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

Helen Duhon	\$ 900
Teresa Ryan	900
Leroy Pronia	60
Laurie Ezell	120
Rodney Frey	720
Keith Thibodeaux	<u>900</u>
Total	<u>\$ 3,600</u>

Note 7 - Accumulated Vacation and Sick Leave

Employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

Note 8 - Restricted Assets

Restricted assets consist of cash and investments restricted for the retirement of the District's revenue bonds and repayment of refundable customer deposits. Restricted assets as of June 30, 2006 consists of the following:

Construction Fund	\$ 408,754
Bond Sinking Fund	233,682
Depreciation and Contingency Fund	165,958
Reserve Fund	174,778
Customer Deposits	<u>122,374</u>
	<u>\$ 1,105,546</u>

Note 9 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Note 10 - Deferred Compensation

The District has adopted a Simple IRA Plan that covers most of their employees with over one year of service. The employee deferrals and employer matching contributions are fully vested and non-forfeitable. The District follows the policy of funding the retirement plan contributions as accrued. During the year employees deferred \$6,921 for the year ended June 30, 2006, and \$6,840 for the year ended June 30, 2005. The matching contributions by the district were \$3,512 for the year ended June 30, 2006, and \$3,417 for the year ended June 30, 2005.

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

Board of Commissioners
Waterworks District 8 of Wards 3 and 8
of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the financial statements of the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated February 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-1.

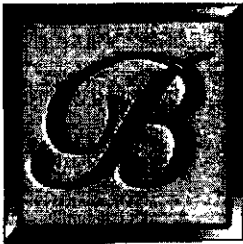
Board of Commissioners
Waterworks District 8 of Wards 3 and 8
of Calcasieu Parish, Louisiana

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described is not a material weakness.

This report is intended for the information of the management of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, the Legislative Auditor of the State of Louisiana, and the Calcasieu Parish Police Jury 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.

Broussard & Company

Lake Charles, Louisiana
February 15, 2007



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

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

Board of Commissioners
Waterworks District 8 of Wards 3 and 8
of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

We have audited the financial statements of the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated February 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as item 2006-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2006-1.

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**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006**

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on financial statements.
2. Instances of noncompliance noted in B-2.
3. Reportable conditions in internal control - Refer to B-1, 2006-1.

B. GAGAS Findings:

1. 2006-1- Segregation of Duties

A proper segregation of duties is not possible due to the small number of people involved in the District's day-to-day operations.

2. 2006-2 - Late Filing of Audit Report

Condition: The June 30, 2006 financial statements were not filed with the Legislative Auditor's office by January 31, 2007.

Criteria: State law requires that audited financial statements be filed with the Legislative Auditor by six months after year end. The District obtained a one month extension for the year ended June 30, 2006.

Response: Due to circumstances caused by Hurricane Rita, the auditing firm had unavoidable delays in completing the audit.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Summary of Prior Year Findings
For the Year Ended June 30, 2005**

2005-1 - Segregation of Duties

A proper segregation of duties is not possible due to the small number of people involved in the District's day-to-day operations.

2005-2 - Misuse of public assets

- Plant supplies were discovered missing from a construction site for an extension of the District. Upon investigation by District personnel, it appears that the supplies were sold to a third party by an employee of the District.
- One item of used equipment owned by the District was found to be in the possession of an employee of the District.
- Another item of used equipment was found to be in possession of a third party contractor. Subsequent to the discovery of this finding, the item in question has been returned to the District.
- The District also alleges that an employee of the District has used equipment owned by the District for personal reasons.

The above information has been forwarded to the District Attorney, Sheriff and Police Jury and is under investigation.