

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

**Annual Financial Report
June 30, 2009 and 2008**

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 2/3/10

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Balance Sheet	7 - 8
Statements of Revenues, Expenses, and Changes in Net Assets	9
Statements of Cash Flows	10 - 11
Notes to Financial Statements	12 - 20
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	21 - 22
Schedule of Findings and Questioned Costs	23
Summary of Prior Year Findings	24



Broussard & Company
Certified Public Accountants

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, 2009 and 2008, 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.

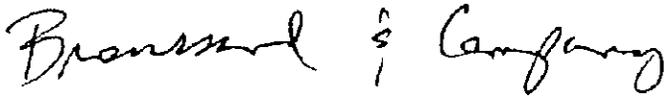
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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, 2009 and 2008, 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.

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 December 22, 2009, 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.

A handwritten signature in cursive script that reads "Bransford & Company". The ampersand is stylized and the letters are fluidly connected.

Lake Charles, Louisiana
December 22, 2009

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009**

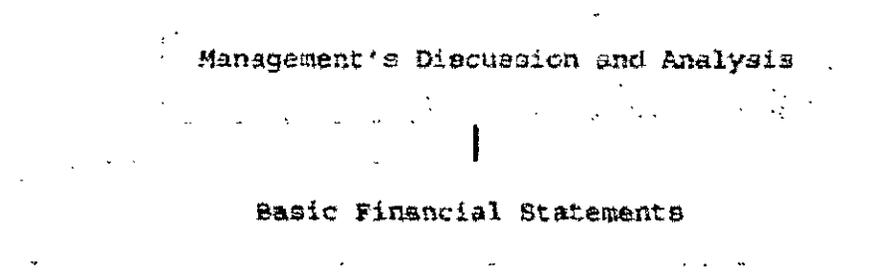
The Management's Discussion and Analysis of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2009. This document focuses on 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 2009 by \$2,448,087 (net assets) which represents a 2.5% increase from last fiscal year. Of this amount, \$890,088 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.
- ★ The District's operating revenue increased \$78,223 (or 12%), operating expenses increased \$34,169 (or 5%) and the net result from operating activities was a loss from operations of \$66,998.

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, 2009**

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

	2009	2008	2007
Current and other assets	\$ 1,711,306	\$ 2,029,769	\$ 2,020,512
Capital assets	3,658,370	3,501,561	3,555,097
Total assets	<u>5,369,676</u>	<u>5,531,330</u>	<u>5,575,609</u>
Other liabilities	233,769	313,804	242,024
Long-term debt outstanding	2,687,820	2,853,800	3,021,755
Total liabilities	<u>2,921,589</u>	<u>3,167,604</u>	<u>3,263,779</u>
Net assets:			
Invested capital assets, net of debt	954,350	647,761	587,304
Restricted	603,649	523,963	420,638
Unrestricted	890,088	1,192,002	1,303,888
Total net assets	<u>\$ 2,448,087</u>	<u>\$ 2,363,726</u>	<u>\$ 2,311,830</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009**

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 increased by \$32,465 or 62.56%, from June 30, 2008 to June 30, 2009.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 727,678	\$ 649,455	\$ 621,049
Operating expenses	<u>794,676</u>	<u>760,507</u>	<u>717,453</u>
Operating income (loss)	<u>(66,998)</u>	<u>(111,052)</u>	<u>(96,404)</u>
Non-operating revenues (expenses)	<u>151,359</u>	<u>162,948</u>	<u>194,364</u>
Net increase (decrease) in net assets	<u>\$ 84,361</u>	<u>\$51,896</u>	<u>\$ (81,844)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2009, the District had \$3,501,561 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 increase (including additions and deductions) of \$156,811, or 4.5%, over last year.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land and Right of Ways	\$ 21,150	\$ 21,150	\$ 21,150
Construction in Progress	389,009	89,922	- 0 -
Plant and Distribution System	5,739,949	5,724,749	5,678,704
Furniture, Fixtures, and Equipment	195,583	161,192	160,462
Less Accumulated Depreciation	<u>(2,687,321)</u>	<u>(2,495,452)</u>	<u>(2,305,219)</u>
Totals	<u>\$ 3,658,370</u>	<u>\$ 3,501,561</u>	<u>\$ 3,555,097</u>

This year's Major Capital additions included above were:

- Plant and distribution improvements \$315,000

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2009**

Debt

The District had \$2,687,820 in bonds outstanding at year-end, compared to \$2,853,800 last year, a decrease of 5.9 %. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end			
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue Bonds	\$ 1,577,846	\$ 1,675,192	\$ 1,769,513
General Obligation Bonds	1,109,974	1,178,608	1,252,242
Totals	<u>\$ 2,687,820</u>	<u>\$ 2,853,800</u>	<u>\$ 3,021,755</u>

The District's Series 2006 General Obligation Refunding bonds are un-rated, Series 2005 Revenue Refunding bonds are AAA 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	2009	2008
CURRENT ASSETS		
Cash and equivalents	\$ 120,812	\$ 388,551
Investments	434,212	577,341
Receivables (net of allowances for uncollectibles of \$1,000 for 2009 and \$1,804 for 2008):		
Water sales	69,505	53,875
Unbilled water sales	8,910	6,900
Other receivables	241	241
Prepaid expense	15,921	7,143
Total Current Assets	649,601	1,034,051
RESTRICTED ASSETS		
Cash and equivalents	373,857	312,783
Investments	564,495	551,427
Total Restricted Assets	938,352	864,210
PROPERTY, PLANT AND EQUIPMENT		
Plant and distribution system	5,739,949	5,724,749
Furniture, fixtures, and equipment	195,583	161,192
Construction in progress	389,009	89,922
	6,324,541	5,975,863
Less accumulated depreciation	(2,687,321)	(2,495,452)
	3,637,220	3,480,411
Land	21,150	21,150
Net Property, Plant, and Equipment	3,658,370	3,501,561
OTHER ASSETS		
Other assets	150	150
Deferred charges, bond issue costs, net	123,203	131,358
Total Other Assets	123,353	131,508
TOTAL ASSETS	\$ 5,369,676	\$ 5,531,330

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,**

LIABILITIES AND NET ASSETS	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable	\$ 47,654	\$ 131,060
Accrued wages	35,294	32,719
Payroll and sales tax payable	<u>6,788</u>	<u>6,015</u>
Total Current Liabilities	<u>89,736</u>	<u>169,794</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest	16,200	19,475
Current portion of revenue bonds	110,000	105,000
Current portion of general obligation bonds	65,000	75,000
Customer deposits	<u>127,833</u>	<u>124,535</u>
Total Current Liabilities (Payable From Restricted Assets)	<u>319,033</u>	<u>324,010</u>
LONG-TERM LIABILITY		
Revenue bonds payable (net of current portion, unamortized discount, and deferred loss)	1,467,846	1,570,192
General obligation bonds payable (net of current portion)	<u>1,044,974</u>	<u>1,103,608</u>
Total Long-Term Liabilities	<u>2,512,820</u>	<u>2,673,800</u>
Total Liabilities	<u>2,921,589</u>	<u>3,167,604</u>
NET ASSETS		
Investment in capital assets (net of related debt)	954,350	647,761
Restricted for debt service	603,649	523,963
Unrestricted	<u>890,088</u>	<u>1,192,002</u>
Total Net Assets	<u>2,448,087</u>	<u>2,363,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,369,676</u></u>	<u><u>\$ 5,531,330</u></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
Statements of Revenue, Expense, and Changes in Net Assets
For the Years Ended June 30,**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Water sales	\$ 688,355	\$ 602,841
Tap fees	23,280	27,305
Late charges	16,043	19,309
Total Operating Revenues	<u>727,678</u>	<u>649,455</u>
OPERATING EXPENSES		
Accounting and audit	19,575	17,760
Legal fees	1,536	891
Commissioner's fees	5,700	3,420
Office supplies and postage	20,449	16,614
Plant supplies and maintenance	74,015	109,762
Miscellaneous	21,336	21,054
Insurance	87,486	83,560
Truck expense	25,377	25,947
Telephone	12,743	12,513
Utilities	38,145	39,655
Salaries	222,164	168,963
Meter reading	23,261	23,289
Payroll taxes	17,391	13,228
Amortization	20,946	23,738
Depreciation	191,869	190,233
Uniforms and cleaning	5,298	5,185
Retirement expense	6,146	4,695
Bad debt expense	1,239	-
Total Operating Expenses	<u>794,676</u>	<u>760,507</u>
INCOME (LOSS) FROM OPERATIONS	(66,998)	(111,052)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	233,942	225,536
Interest income	19,663	52,766
Interest and fiscal charges	(114,068)	(124,290)
Miscellaneous income	11,822	8,936
Gain (loss) sale of assets	-	-
Total Non-Operating Revenues (Expenses)	<u>151,359</u>	<u>162,948</u>
CHANGE IN NET ASSETS	84,361	51,896
NET ASSETS AT BEGINNING OF YEAR	<u>2,363,726</u>	<u>2,311,830</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,448,087</u>	<u>\$ 2,363,726</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
For the Year Ended June 30,**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	\$ 710,038	\$ 647,523
Payment to suppliers	(405,827)	(292,881)
Payment to employees	(236,980)	(185,240)
Other	(14,586)	5,953
Net Cash Provided (Used) by Operating Activities	<u>52,645</u>	<u>175,355</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments - net of maturities	(12,065)	(37,207)
Sale of investments	130,061	-
Interest income received	19,663	52,766
Net Cash Provided (Used) for Investing Activities	<u>137,659</u>	<u>15,559</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(348,678)	(135,967)
Principal paid on bonds	(180,000)	(185,000)
Interest paid on bonds	(117,343)	(124,531)
Ad valorem taxes received	233,942	225,536
Miscellaneous income received	11,812	8,397
Increase(decrease) in customer deposits, net	3,298	3,606
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(396,969)</u>	<u>(207,959)</u>
Net Increase (Decrease) in Cash	(206,665)	(17,045)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>701,334</u>	<u>718,379</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 494,669</u>	<u>\$ 701,334</u>
Cash and Cash Equivalents:		
Unrestricted	120,812	388,551
Restricted	373,857	312,783
	<u>\$ 494,669</u>	<u>\$ 701,334</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,**

	2009	2008
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Income from operations	<u>\$ (66,998)</u>	<u>\$ (111,052)</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	212,815	213,971
(Increase) decrease in accounts receivable	(16,836)	(941)
(Increase) decrease in prepaid expense	(8,778)	4,962
Increase (decrease) in accounts payable and other accrued expenses	<u>(67,558)</u>	<u>68,415</u>
Total Adjustments	<u>119,643</u>	<u>286,407</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 52,645</u></u>	<u><u>\$ 175,355</u></u>
 Supplement Disclosure:		
Cash paid for interest	<u><u>\$ (117,343)</u></u>	<u><u>\$ (124,531)</u></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, 2009 and 2008**

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, 2009 and 2008**

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 greater than \$500 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 \$191,869 for the year ended June 30, 2009, and \$190,233 for the year ended June 30, 2008.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2009 and 2008**

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. Accounts Receivable

Accounts receivable are stated at cost less an allowance for doubtful accounts. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

E. Reclassifications

Certain reclassifications have been made to the June 30, 2009 financial statements in order for them to be better compared to the June 30, 2008 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, 2009, taxes of 15.89 mills were levied on property with net assessed valuations of approximately \$22,066,459. Total taxes earned, net of pension funds, were \$233,942. The 15.89 mills were dedicated as follows:

Maintenance fund	5.89 mills
Sinking fund	10.00 mills

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2009 and 2008**

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, 2009:

	General Obligation	Revenue	Total
Outstanding at July 1, 2008	\$ 1,178,608	\$ 1,675,192	\$ 2,853,800
Bonds issued	-	-	-
Bonds retired and defeased	(75,000)	(105,000)	(185,000)
Deferred loss	-	-	-
Bond discount & deferred loss amortization(net)	6,366	10,679	12,791
Outstanding at June 30, 2009	<u>\$ 1,109,974</u>	<u>\$ 1,576,617</u>	<u>\$ 2,686,591</u>

Long-term debt at June 30, 2009 consists of the following:

General obligation bonds:

\$1,505,000 General Obligation Waterworks Improvement Bonds, Series 2000; 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; \$1,030,000 defeased November 29, 2006; Payments remaining through April 1, 2010 \$70,000

\$1,140,000 General Obligation Refunding Bonds, Series 2006; dated November 29, 2006; due in annual installments including interest at 3.75% to 4.15% of \$28,803 to \$145,810 through the year 2020; \$1,110,000

The District issued the above bonds to General Obligation Refunding Bonds, 2006 Series, 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 \$1,030,000 of the General Obligation Bonds, Series 2000. The District is obligated to future debt service of \$195,000. As a result, \$1,030,000 of the General Obligation Bonds, Series 2000, is 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 thirteen years by 118,282.

Revenue bonds:

\$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 \$1,755,000

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA**
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

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

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.

The annual requirements to amortize all debt outstanding as of June 30, 2009, are as follows:

<u>General Obligation Bonds</u>			
Year Ending June 30,	Principal	Interest	Total
2010	80,000	48,026	128,026
2011	90,000	43,627	133,627
2012	90,000	40,251	130,251
2013	95,000	36,832	131,832
2014	100,000	33,174	133,174
2015-2019	585,000	102,566	687,566
2020-2021	<u>140,000</u>	<u>5,810</u>	<u>145,810</u>
Total	<u>\$ 1,180,000</u>	<u>\$ 310,286</u>	<u>\$ 1,490,286</u>

<u>Revenue Bonds</u>			
Year Ending June 30,	Principal	Interest	Total
2010	110,000	60,750	170,750
2011	115,000	57,346	172,346
2012	115,000	53,781	168,781
2013	120,000	50,020	170,020
2014	125,000	45,976	170,976
2015-2019	695,000	159,452	854,452
2020-2022	<u>475,000</u>	<u>28,345</u>	<u>503,345</u>
Total	<u>\$ 1,755,000</u>	<u>\$ 455,670</u>	<u>\$ 2,210,670</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, 2009 and 2008**

Note 4 - Cash, Cash Equivalents, and Investments

At June 30, 2009, the District had cash and cash equivalents (book balances) totaling \$494,668 of which \$494,368 is in demand deposits and \$300 is cash in hand.

At June 30, 2009, the District had investments totaling \$998,707 of which \$625,494 is invested in the Louisiana Asset Management Pool, Inc. (LAMP) and \$373,213 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.

OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

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, 2009, 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, 2009, the District had \$502,896 in demand deposits (bank balances before outstanding checks or deposits in transit) and \$373,602 in certificates of deposits. These deposits are secured from risk by \$457,542 of federal deposit insurance and \$1,138,460 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, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and Right of Ways	\$ 21,150	\$ - 0 -	\$ - 0 -	\$ 21,150
Construction in Progress	89,922	299,087	-0-	389,009
Capital Assets Being Depreciated:				
Plant and Distribution System	5,724,749	15,200	-0-	5,739,949
Furniture, Fixtures, & Equipment	<u>161,192</u>	<u>34,391</u>	-0-	<u>195,583</u>
Total Capital Assets being Depreciated	5,885,941	49,591	-0-	5,935,532
Less Accumulated Depreciation	<u>2,495,452</u>	<u>191,869</u>	-0-	<u>2,687,321</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>3,390,489</u>	<u>(142,278)</u>	-0-	<u>3,248,211</u>
Total Capital Assets, Net	<u>\$3,501,561</u>	<u>\$ 156,811</u>	<u>\$ -0-</u>	<u>\$3,658,370</u>

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	\$ 1,080
Leroy Pronia	1,200
Rodney Frey	1,200
Keith Thibodeaux	1,080
Deborah Fontenot	<u>1,140</u>
Total	<u>\$ 5,700</u>

WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
 Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

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, 2009 consists of the following:

Customer Deposits	\$128,503
Debt Services Funds	<u>809,849</u>
	<u>\$938,352</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. The matching contributions by the district were \$6,146 for the year ended June 30, 2009, and \$4,695 for the year ended June 30, 2008.

Note 10 - Subsequent Events

In May 2009, the Financial Accounting Standards Board issued Statement 165, Subsequent Events, to incorporate the accounting and disclosure requirements for subsequent events to U. S. generally accepted accounting principles. Statement 165 introduces new terminology, defines a date through which management must evaluate subsequent events, and list the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. The District adopted statement 165 as of June 30, 2009, which is the required effective date.

The District evaluated its June 30, 2009 financial statements for subsequent events through December 22, 2009, the date the financial statements were available to be issued. The District entered into a loan agreement with the Department of Health as of October 2009. The District's loan amount in October 2009 was for \$209,000 and was incurred for plant and distribution improvements of the District.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2009 and 2008**

NOTE 15 – Construction in Progress

The District had construction in progress at June 30, 2009 for plant and distribution improvements of \$389,009. Approximately, \$385,000 remained on the construction contract as of June 30, 2009.



Broussard & Company
Certified Public Accountants

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, 2009, and have issued our report thereon dated December 22, 2009. 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.

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 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. 8'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish's financial statements that is more than inconsequential will not be prevented or detected by Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish's internal control. We consider items 2009-01 and 2009-02 to be significant deficiencies.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Waterworks District No. 8's internal control.

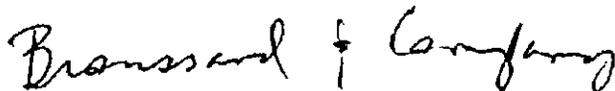
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-02 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of Waterworks District No. 8 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.



Lake Charles, Louisiana
December 22, 2009

**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, 2009**

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2009-01; material weakness in internal control – refer to B. 2009-02.

B. GAGAS Findings:

1. 2009-01- 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.

Management has considered this deficiency and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to adequately segregate duties. This a repeat finding.

2009-02 Financial Statement Reporting

The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

**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, 2008**

2008-01 Segregation of Duties - A proper segregation of duties is not feasible due to the small number of people involved in the District's day-to-day operations.

2008-02 Financial Statement Reporting – The District maintains its books and records on the modified cash basis of accounting. The District relies on the auditing firm to assist in adjusting the modified cash basis books to accrual basis and to assist in the preparation of external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the District's internal control structure and because of the limitations of the accounting staff, the design of the District's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.