

**WATERWORKS DISTRICT 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana**

**Financial Statements
April 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 SEP 28 2011

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 6
Balance Sheets	7 - 8
Statements of Revenues, Expenses, and Changes in Net Assets	9
Statements of Cash Flows	10 - 11
Notes to Financial Statements	12 - 18
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	19 - 20
Schedule of Findings and Questioned Costs	21

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, Louisiana

I have audited the accompanying balance sheet of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, a component unit of Calcasieu Parish Police Jury, as of April 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 audits 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 in the first paragraph present fairly, in all material respects, the financial position of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, as of April 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.

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

Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana

In accordance with *Government Auditing Standards*, I have also issued a report dated August 5, 2011 on my consideration of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting and on 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 audits.

Steven M. DeBona, CPA

Lake Charles, Louisiana
August 5, 2011

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2011**

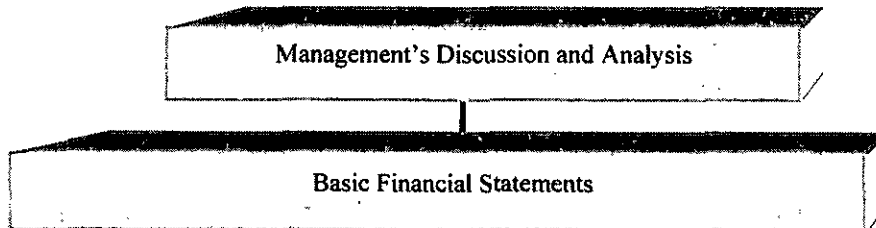
The Management's Discussion and Analysis of the Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended April 30, 2011. This document focuses on the current 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 2011 by \$1,489,102 which represents a 16.8% increase from last fiscal year. Of this amount, \$688,186 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.
- ★ The District's operating revenue decreased \$7,027 (or 1.3%) and the net results from activities increased by \$14,760 (or 149%).

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. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2011**

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 Balance Sheet; 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

	2011	2010	2009
Current and other assets	\$ 850,471	\$ 725,773	\$ 636,784
Capital assets	800,916	660,125	718,199
Total assets	<u>\$ 1,651,387</u>	<u>\$ 1,385,898</u>	<u>\$ 1,354,983</u>
Other liabilities	\$ 162,285	\$ 111,201	\$ 112,593
Total liabilities	<u>162,285</u>	<u>111,201</u>	<u>112,593</u>
Net assets:			
Invested capital assets, net of debt	800,916	660,125	718,199
Restricted	-0-	-0-	-0-
Unrestricted	<u>688,186</u>	<u>614,572</u>	<u>524,191</u>
Total net assets	<u>1,489,102</u>	<u>1,274,697</u>	<u>1,242,390</u>
Total liabilities and net assets	<u>\$ 1,651,387</u>	<u>\$ 1,385,898</u>	<u>\$ 1,354,983</u>

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.

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2011**

Net assets of the District increased by \$214,405, or 16.8%, from April 30, 2010 to April 30, 2011.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 537,495	\$ 544,522	\$ 526,734
Operating expenses	<u>(512,807)</u>	<u>(534,594)</u>	<u>(488,280)</u>
Operating income (loss)	<u>24,688</u>	<u>9,928</u>	<u>38,454</u>
Non-operating revenues (expenses)	<u>189,717</u>	<u>22,379</u>	<u>25,160</u>
Net increase (decrease) in net assets	<u>\$ 214,405</u>	<u>\$ 32,307</u>	<u>\$ 63,614</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of April 30, 2011, the District had \$800,916, net of accumulated depreciation, invested in a broad range of capital assets, including land, plant and distribution system, and furniture, fixtures, and equipment. (See Table below). This amount represents a net decrease (including additions and deductions) of \$61,201, or 7.9%, from last year.

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land and Right of Ways	\$ 8,857	\$ 8,857	\$ 8,857
Plant and Distribution System	1,863,196	1,800,551	1,800,551
Furniture, Fixtures, and Equipment	177,836	177,836	176,248
Construction in progress	134,925	-0-	-0-
Less Accumulated Depreciation	<u>(1,383,898)</u>	<u>(1,327,119)</u>	<u>(1,267,457)</u>
Totals	<u>\$ 800,916</u>	<u>\$ 660,125</u>	<u>\$ 718,199</u>

This year's Major Capital additions included above were:

- Mims Road Waterline Project \$ 112,695
- Water Pump and Motor \$ 28,286
- Noma Lane Waterline Extension \$ 23,050

Debt

The District had no bonds outstanding as of April 30, 2011, 2010 or 2009.

**WATERWORKS DISTRICT NO. 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF APRIL 30, 2011**

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 Colleen Matte, Office Manager, Waterworks District No. 4 of Ward 4 of Calcasieu Parish.

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Balance Sheets
As of April 30,

ASSETS	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	\$ 704,845	\$ 552,599
Restricted assets:		
Cash and cash equivalent-meter deposits	83,288	82,303
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2011 & 2010	55,298	62,485
Prepaid insurance	7,040	28,386
Total Current Assets	850,471	725,773
PROPERTY, PLANT, AND EQUIPMENT		
Furniture, fixtures, and equipment	136,817	136,817
Parking lot	20,500	20,500
Trucks	41,019	41,019
Water wells	235,217	206,931
Water tank	277,972	277,972
Distribution system	984,157	961,107
Fluoridation system	24,214	24,214
Plant and buildings	321,136	309,827
	2,041,032	1,978,387
Accumulated depreciation	(1,383,898)	(1,327,119)
	657,134	651,268
Construction in progress	134,925	-
Land	8,857	8,857
Net Property, Plant, and Equipment	800,916	660,125
TOTAL ASSETS	\$ 1,651,387	\$ 1,385,898

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Balance Sheets (Continued)
As of April 30,

LIABILITIES AND NET ASSETS	2011	2010
CURRENT LIABILITIES		
Accounts payable	\$ 67,239	\$ 13,159
Payroll taxes payable	1,052	5,569
Accrued compensation	10,706	10,170
Total Current Liabilities	78,997	28,898
 CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS		
Meter deposits payable	83,288	82,303
Total Current Liabilities - Payable from Restricted Assets	83,288	82,303
 TOTAL LIABILITIES	 162,285	 111,201
 NET ASSETS		
Investment in capital assets, net of related debt	800,916	660,125
Unrestricted	688,186	614,572
Total Net Assets	1,489,102	1,274,697
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,651,387	 \$ 1,385,898

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended April 30,

	<u>2011</u>	<u>Percent</u>	<u>2010</u>	<u>Percent</u>
OPERATING REVENUES				
Water sales	\$ 504,589	93.9%	\$ 513,036	94.2%
Meter tap revenue	9,200	1.7%	7,500	1.4%
Service charges	2,253	0.4%	2,650	0.5%
Late charges/delinquent fees	21,453	4.0%	21,336	3.9%
Total Operating Revenues	<u>537,495</u>	<u>100.0%</u>	<u>544,522</u>	<u>100.0%</u>
OPERATING EXPENSES				
Salary - superintendent	78,849	14.7%	80,875	14.9%
Salary - office	59,438	11.1%	55,758	10.2%
Transmission labor	48,094	8.9%	48,651	8.9%
Contract labor	3,609	0.7%	9,179	1.7%
Insurance	71,086	13.2%	77,341	14.2%
Payroll taxes	13,868	2.6%	14,471	2.7%
Retirement benefit	9,640	1.8%	8,432	1.5%
Office supplies and postage	14,288	2.7%	13,507	2.5%
Meeting expense	4,380	0.8%	4,080	0.7%
Telephone and tower communications	10,215	1.9%	11,261	2.1%
Utilities	27,276	5.1%	21,837	4.0%
Billing and meter reading	21,016	3.9%	21,546	4.0%
Truck expense	4,735	0.9%	4,243	0.8%
Maintenance and repairs	46,709	8.7%	46,317	8.5%
Chemicals and supplies	15,269	2.8%	16,314	3.0%
Depreciation	56,779	10.6%	59,662	11.0%
Legal and professional	8,500	1.6%	22,532	4.1%
Equipment rental	11,218	2.1%	11,040	2.0%
Interest and bank charges	289	0.1%	-	0.0%
Miscellaneous	6,824	1.3%	6,455	1.2%
Bad debt expense	725	0.1%	1,093	0.2%
Total Operating Expenses	<u>512,807</u>	<u>95.4%</u>	<u>534,594</u>	<u>98.2%</u>
INCOME (LOSS) FROM OPERATIONS	<u>24,688</u>	<u>4.6%</u>	<u>9,928</u>	<u>1.8%</u>
NON-OPERATING REVENUES (EXPENSES)				
Grant proceeds	169,856	31.6%	-	0.0%
Interest income	4,277	0.8%	1,993	0.4%
Miscellaneous income	15,584	2.9%	20,386	3.7%
Total Non-Operating Revenues (Expenses)	<u>189,717</u>	<u>35.3%</u>	<u>22,379</u>	<u>4.1%</u>
CHANGE IN NET ASSETS	<u>214,405</u>	<u>39.9%</u>	<u>32,307</u>	<u>5.9%</u>
NET ASSETS - BEGINNING OF YEAR	<u>1,274,697</u>		<u>1,242,390</u>	
NET ASSETS - END OF YEAR	<u>\$ 1,489,102</u>		<u>\$ 1,274,697</u>	

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Cash Flows
For the Years Ended April 30,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 544,682	\$ 530,913
Payments to suppliers	(250,154)	(290,120)
Payments to employees	(185,845)	(189,156)
Other	-	321
Net Cash Provided (Used) in Operating Activities	108,683	51,958
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned	4,277	1,993
Other income	15,584	20,386
Net Cash Provided (Used) in Investing Activities	19,861	22,379
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(145,169)	(1,588)
Grant proceeds	169,856	-
Net Cash (Used) in Capital and Related Financing Activities	24,687	(1,588)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153,231	72,749
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	634,902	562,153
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 788,133	\$ 634,902
 Cash and Cash Equivalents:		
Restricted - meter deposits	\$ 83,288	\$ 82,303
Unrestricted	704,845	552,599
	\$ 788,133	\$ 634,902

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

WATERWORKS DISTRICT NO. 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Cash Flows (Continued)
For the Years Ended April 30,

	2011	2010
Reconciliation of Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 24,688	\$ 9,928
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	56,779	59,662
(Increase) decrease in receivables	7,187	(13,515)
(Increase) decrease in prepaid expenses	21,346	(2,725)
Increase (decrease) in accounts payable	1,679	(88)
Increase (decrease) in accrued compensation	536	(3,872)
Increase (decrease) in payroll taxes	(4,517)	1,248
Increase (decrease) in restricted refundable meter deposits	985	1,320
Total Adjustments	83,995	42,030
Net Cash Provided (Used) by Operating Activities	\$ 108,683	\$ 51,958

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements
April 30, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies

Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury in 1971. The District is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. 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.

Financial Reporting Entity

As more fully described in paragraph one above, the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of: (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the police jury to impose its will on that organization and/or;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Because the police jury appoints a voting majority of the District's board members, the District was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the police jury, or the other governmental units that comprise the financial reporting entity.

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.

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 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 has elected not to implement 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.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the balance sheet.

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.

Property, Plant, Equipment, and Construction in Progress

Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Property, plant, and equipment are stated at historical cost. Expenditures for major renewals or betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of all exhaustible property, plant and equipment is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Furniture, fixtures, and equipment	3 – 10 years
Trucks	5 years
Water wells	10 – 50 years
Water tank	10 – 50 years
Distribution system	10 – 50 years
Plant and buildings	20 – 40 years
Land improvements	15 years

Depreciation amounted to \$56,779 and \$59,662 for the years ended April 30, 2011 and 2010, respectively.

Cash and Cash Equivalents

The District considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2011 and 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management

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

Note 2 - Meeting Expense

Members of the Board of Commissioners are currently paid a \$60 per diem allowance for attending board meetings. The total expenses for meetings during the current year and the prior year are as follows:

<u>Member</u>	<u>April 30, 2011</u>		<u>April 30, 2010</u>	
	<u>Total Number Meetings</u>	<u>Expense</u>	<u>Total Number Meetings</u>	<u>Expense</u>
Richard A. Hebert	14	\$ 900	14	\$ 840
Joey Glass	14	840	14	840
Kenneth Cochran	14	960	14	840
Occie Norton	14	780	14	840
O.L. Johnson	12	900	12	720
		<u>\$ 4,380</u>		<u>\$ 4,080</u>

Note 3 - Accrued Vacation and Compensation

The District's liability for accumulated unpaid vacation and compensation as of April 30, 2011 and 2010, totaling \$10,706 and \$10,170, respectively, has been accrued at prevailing wage rates.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2011 and 2010

Note 4 - Retirement Benefits

The District implemented a Simplified Employee Pension Plan (SEPP) for its employees during the year ended April 30, 1987. This is a defined contribution plan. The District currently contributes 6% of the salary of qualifying full-time employees to this plan. The contributions for years 2011 and 2010 were \$9,640 and \$8,432, respectively.

Note 5 - Cash, Cash Equivalents, and Certificates of Deposit

At April 30, 2011 and 2010, the District had cash, cash equivalents, and certificates of deposit (book balances) totaling \$788,133 and \$634,902, respectively.

These deposits are stated at cost, which approximates market. 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 agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At April 30, 2011, the District had \$793,939 in deposits (collected bank balances). These deposits are secured from risk by \$304,435 of federal deposit insurance and \$619,047 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

At April 30, 2010, the District had \$667,115 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$488,513 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, 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 has failed to pay deposited funds upon demand.

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. Additionally, Louisiana statutes 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 registered with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2011 and 2010

Note 6 - Restricted Assets

Restricted assets include monies set aside by the Board for refundable meter deposits.

The composition of restricted cash is set forth below:

	2011	2010
Cash and Cash Equivalents	\$ 83,288	\$ 82,303

Note 7 - Cash Flow Information

No cash was paid for interest for fiscal years ended April 30, 2011 and 2010.

Note 8 - Capital Assets

Capital asset activity for the year ended April 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 8,857	\$ -0-	\$ -0-	\$ 8,857
Construction in Progress	-0-	134,925	-0-	134,925
Capital Assets Being Depreciated:				
Plant and Distribution System	1,800,551	62,645	-0-	1,863,196
Furniture, Fixtures, & Equipment	177,836	-0-	-0-	177,836
Total Capital Assets being Depreciated	1,978,387	62,645	-0-	2,041,032
Less Accumulated Depreciation	1,327,119	56,779	-0-	1,383,898
Total Capital Assets Being Depreciated, Net of Depreciation	651,268	5,866	-0-	657,134
Total Capital Assets, Net	\$ 660,125	\$ 140,791	\$ -0-	\$ 800,916

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 2011 and 2010

Note 8 - Capital Assets (Continued)

Capital asset activity for the year ended April 30, 2010 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land	\$ 8,857	\$ -0-	\$ -0-	\$ 8,857
Capital Assets Being Depreciated:				
Plant and Distribution System	1,800,551	-0-	-0-	1,800,551
Furniture, Fixtures, & Equipment	<u>176,248</u>	<u>1,588</u>	<u>-0-</u>	<u>177,836</u>
Total Capital Assets being Depreciated	1,976,799	1,588	-0-	1,978,387
Less Accumulated Depreciation	<u>1,267,457</u>	<u>59,662</u>	<u>-0-</u>	<u>1,327,119</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>709,342</u>	<u>(58,074)</u>	<u>-0-</u>	<u>651,268</u>
Total Capital Assets, Net	<u>\$ 718,199</u>	<u>\$ (58,074)</u>	<u>\$ -0-</u>	<u>\$ 660,125</u>

Note 9- Construction in Progress

The District had a construction project in progress at April 30, 2011 for the expansion of the water distribution system. The total cost incurred as of the fiscal year end was \$134,925. Approximately \$8,917 remained on the construction contract at April 30, 2011 with an expected completion date of July 2011.

Note 10- 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.

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**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. 4 of Ward 4
of Calcasieu Parish, Louisiana
Sulphur, Louisiana

I have audited the financial statements of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana as of and for the year ended April 30, 2011, and have issued my report thereon dated August 5, 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 my audit I considered Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterworks District No. 4's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting that I consider to be a material weakness and other deficiencies that I consider to be significant deficiencies.

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. I consider Item 2011-02 on the Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider Item 2011-01 on the Schedule of Findings to be a significant deficiency.

Board of Commissioners
Waterworks District No. 4 of Ward 4
of Calcasieu Parish, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements of Waterworks District No. 4 of Ward 4 of Calcasieu Parish are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as Item 2011-03.

Waterworks District No. 4 of Ward 4 of Calcasieu Parish's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Waterworks District No. 4 of Ward 4 of Calcasieu Parish's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management of Waterworks District No. 4 of Ward 4 of Calcasieu Parish 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.

Steven M. DeRover, CPA

Lake Charles, Louisiana
August 5, 2011

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended April 30, 2011

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on financial statements.
2. Significant deficiencies in internal control – refer to B. 2011-01; material weakness in internal control – refer to B. 2011-02.
3. Instance of noncompliance noted – refer to B. 2011-03

B. GAGAS Findings:

2011-01 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. This is a repeat finding.

Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.

2011-02 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. This is a repeat finding.

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.

2011-03 Bid Law Compliance – During the process of bidding a construction project, the District discovered that it had failed to bid materials for the project even though required by Louisiana law.

Management has implemented controls to prevent this issue from reoccurring and will closely monitor the bid process and verify all applicable laws are followed in the future.

C. Prior Year Findings:

2010-01 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.

2010-02 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.