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

**Annual Financial Report
June 30, 2000 and 1999**

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 12-06-00

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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 general purpose 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, 2000 and 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose 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, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 25, 2000, on our consideration of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control structure and a report dated September 25, 2000, on its compliance with laws and regulations.

Lake Charles, Louisiana
September 25, 2000
/dkb

Broussard & Company

SULPHUR OFFICE

704 First Avenue, Sulphur, Louisiana 70663
Phone: (318) 527-0010 Fax: (318) 527-0014

LAKE CHARLES OFFICE

1 Lakeshore Drive, Ste. 120, Lake Charles, Louisiana 70629
Phone: (318) 310-6600 Fax: (318) 310-6607

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Combined Balance Sheet - All Fund Types and Account Group
June 30,**

| | Governmental Fund Type | Proprietary Fund Type | Account Group | Totals (Memorandum | Only) |
|--|---------------------------|--------------------------|------------------------------|-----------------------|---------------------|
| | Debt Service | Enterprise | General Long-Term Debt | 2000 | 1999 |
| ASSETS | | | | | |
| Cash and equivalents | \$ 178,015 | \$ 247,635 | \$ - | \$ 425,650 | \$ 376,965 |
| Investments | 133,951 | 346,799 | - | 480,750 | 459,090 |
| Receivables (net of allowances of \$-0-) | | | | | |
| Taxes | 8,357 | 3,248 | - | 11,605 | 8,612 |
| Water sales | - | 53,428 | - | 53,428 | 50,317 |
| Unbilled water sales | - | 14,095 | - | 14,095 | 14,234 |
| Accrued interest | 70 | 2,993 | - | 3,063 | 1,327 |
| Prepaid expense | - | 10,597 | - | 10,597 | 9,125 |
| Due from debt service fund | - | 2,000 | - | 2,000 | 2,000 |
| Restricted assets: | | | | | |
| Cash and equivalents | - | 1,973,405 | - | 1,973,405 | 398,235 |
| Investments | - | 176,772 | - | 176,772 | 170,820 |
| Property, plant, and equipment: | | | | | |
| Land | - | 17,205 | - | 17,205 | 13,500 |
| Plant and distribution system | - | 4,045,128 | - | 4,045,128 | 4,045,128 |
| Furniture, fixtures, and equipment | - | 124,407 | - | 124,407 | 123,392 |
| Construction in Progress | - | 7,314 | - | 7,314 | - |
| Accumulated depreciation | - | (1,332,752) | - | (1,332,752) | (1,213,216) |
| Other assets | - | 150 | - | 150 | 150 |
| Deferred charges- bond issue costs, net | - | 123,334 | - | 123,334 | 126,577 |
| Amount available in debt service fund | - | - | 318,393 | 318,393 | 310,508 |
| Amount to be provided for retirement of long-term debt | - | - | 1,186,607 | 1,186,607 | (160,508) |
| TOTAL ASSETS | \$ 320,393 | \$ 5,815,758 | \$ 1,505,000 | \$ 7,641,151 | \$ 4,736,256 |

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
Combined Balance Sheet - All Fund Types and Account Group
June 30,**

| | Governmental Fund Type | Proprietary Fund Type | Account Group | Totals (Memorandum | Only) |
|--|---------------------------|--------------------------|------------------------------|-----------------------|---------------------|
| | Debt Service | Enterprise | General Long-Term Debt | 2000 | 1999 |
| LIABILITIES AND FUND EQUITY | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ 9,052 | \$ - | \$ 9,052 | \$ 6,116 |
| Accrued wages | - | 6,392 | - | 6,392 | 8,938 |
| Payroll and sales tax payable | - | 7,807 | - | 7,807 | 4,447 |
| Due to enterprise fund | 2,000 | - | - | 2,000 | 2,000 |
| Payable from restricted assets: | | | | | |
| Revenue bonds, | | | | | |
| Revenue bonds | - | 60,000 | - | 60,000 | 55,000 |
| Accrued interest | - | 10,155 | - | 10,155 | 10,350 |
| Customer deposits | - | 95,512 | - | 95,512 | 88,072 |
| General obligation bonds payable | - | - | 1,505,000 | 1,505,000 | 150,000 |
| Revenue bonds payable (net of current portion, unamortized discount and deferred loss) | - | 2,173,532 | - | 2,231,895 | 2,231,895 |
| Total Liabilities | 2,000 | 2,362,450 | 1,505,000 | 3,869,450 | 2,556,818 |
| Contributed capital | - | 2,499,771 | - | 2,499,771 | 1,031,367 |
| Retained earnings: | | | | | |
| Reserved for revenue bond retirement | - | 460,932 | - | 417,255 | 417,255 |
| Unreserved | - | 492,605 | - | 492,605 | 420,308 |
| Fund Balance- reserved for debt service | 318,393 | - | - | 318,393 | 310,508 |
| Total Retained Earnings/ Fund Balance | 318,393 | 3,453,308 | - | 3,771,701 | 2,179,438 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 320,393 | \$ 5,815,758 | \$ 1,505,000 | \$ 7,641,151 | \$ 4,736,256 |

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
Debt Service Fund
Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30

| | 2000 | 1999 |
|--|------------|------------|
| REVENUES | | |
| Ad valorem taxes | \$ 148,835 | \$ 155,313 |
| Revenue sharing funds | 4,726 | 4,726 |
| Interest income | 9,693 | 7,847 |
| | 163,254 | 167,886 |
| EXPENDITURES | | |
| Interest and fiscal charges | 5,369 | 13,879 |
| Principal retirement | 150,000 | 140,000 |
| | 155,369 | 153,879 |
| Excess of Revenues Over (under) Expenditures | 7,885 | 14,007 |
| FUND BALANCE AT BEGINNING OF YEAR | 310,508 | 296,501 |
| FUND BALANCE AT END OF YEAR | \$ 318,393 | \$ 310,508 |

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
Statements of Revenues, Expenses, and Changes in Retained Earnings
For the Years Ended June 30,

| | 2000 | 1999 |
|---|------------|------------|
| OPERATING REVENUES | | |
| Water sales | \$ 515,106 | \$ 513,425 |
| Tap fees | 20,100 | 15,637 |
| Late charges | 6,483 | 6,917 |
| | 541,689 | 535,979 |
| OPERATING EXPENSES | | |
| Accounting and audit | 11,100 | 11,790 |
| Legal fees | 1,025 | - |
| Commissioners fees | 3,960 | 3,240 |
| Office supplies and postage | 9,855 | 9,366 |
| Plant supplies | 40,311 | 32,970 |
| Miscellaneous | 4,627 | 2,737 |
| Repairs and maintenance | 13,700 | 14,642 |
| Insurance | 46,595 | 39,434 |
| Truck expense | 12,153 | 7,037 |
| Telephone | 8,813 | 7,369 |
| Utilities | 22,138 | 21,434 |
| Salaries | 147,104 | 116,994 |
| Payroll taxes | 11,703 | 9,295 |
| Dues and fees | 2,396 | 391 |
| Amortization | 3,679 | 4,245 |
| Depreciation | 119,536 | 121,359 |
| Uniforms and cleaning | 2,735 | 2,788 |
| Equipment rental | 10,764 | 5,416 |
| | 472,194 | 410,507 |
| INCOME FROM OPERATIONS | 69,495 | 125,472 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Ad valorem taxes-maintenance | 57,690 | 51,078 |
| Interest income | 60,733 | 27,801 |
| Interest and fiscal charges | (124,032) | (125,146) |
| Miscellaneous income | 15,492 | 18,214 |
| Gain(loss) sale of assets | - | 1,352 |
| | 9,883 | (26,701) |
| Net Income | 79,378 | 98,771 |
| Add current year's depreciation on fixed assets acquired by funds externally restricted for construction that reduces contributed capital | 36,596 | 36,596 |
| Increase in Retained Earnings | 115,974 | 135,367 |
| RETAINED EARNINGS AT BEGINNING OF YEAR | 837,563 | 702,196 |
| RETAINED EARNINGS AT END OF YEAR | \$ 953,537 | \$ 837,563 |

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,**

| | 2000 | 1999 |
|---|--------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Income from operations | \$ 69,495 | \$ 125,472 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 123,214 | 125,604 |
| (Increase) decrease in accounts receivable | (4,114) | (7,470) |
| (Increase) decrease in accrued interest receivable | (1,735) | 1,203 |
| (Increase) in prepaid expense | (1,472) | (2,934) |
| Increase in accounts payable and other accrued expenses | 3,557 | (705) |
| Increase in customer deposits | 7,440 | 5,685 |
| Total Adjustments | 126,890 | 121,383 |
| Net Cash Provided (Used) by Operating Activities | 196,385 | 246,855 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments - net of maturities | (22,334) | (22,162) |
| Interest income | 60,733 | 27,801 |
| Net Cash Provided (Used) for Investing Activities | 38,399 | 5,639 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Capital expenditures | (12,034) | (34,358) |
| Principal payments on revenue bonds | (55,000) | (55,000) |
| Interest on revenue bonds | (122,831) | (125,146) |
| Ad valorem taxes | 57,690 | 51,078 |
| Proceeds from General Obligation Bonds | 1,505,000 | - |
| Miscellaneous income | 15,492 | 18,214 |
| Other | - | (650) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 1,388,317 | (145,862) |
| Net Increase (Decrease) in Cash | 1,623,101 | 106,632 |
| Cash and Cash Equivalents at Beginning of Year | 597,939 | 491,307 |
| Cash and Cash Equivalents at End of Year | \$ 2,221,040 | \$ 597,939 |
| Cash and Cash Equivalents Comprised of: | | |
| Unrestricted | \$ 247,635 | \$ 199,704 |
| Restricted | 1,973,405 | 398,235 |
| | \$ 2,221,040 | \$ 597,939 |

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, 2000 and 1999**

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 generally accepted accounting principles 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.

GASB No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governments are given the option whether or not 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. The following is a summary of the more significant policies:

A. Financial Reporting Entity

This report includes all funds and account group 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 funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUND

Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2000 and 1999**

Note 1 - Summary of Significant Accounting Policies (Continued)

PROPRIETARY FUND

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.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total 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. Depreciation will be provided over the estimated useful lives using the straight-line method.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2000 and 1999**

Note 1 - Summary of Significant Accounting Policies (Continued)

Depreciation expense for the period ending June 30, 2000 was \$119,536.

The estimated useful lives are as follows:

| | |
|-----------------------------------|---------------|
| Plant and distribution system | 20 - 40 years |
| Furniture, fixtures and equipment | 5 - 15 years |

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. *Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.*

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenditures are recognized when they are incurred.

E. Total Columns on Combined Statements - Overview

Total Columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination's have not been made in the aggregation of this data.

F. Supplemental Disclosures of Cash Flow Information - Enterprise Fund

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

Cash paid during the year for interest was \$124,033.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2000 and 1999**

Note 1 - Summary of Significant Accounting Policies (Continued)

G. 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, 1999, taxes of 20.83 mills were levied on property with gross assessed valuations of \$16,207,870 less homestead and other exemptions of \$5,475,000. The 20.83 mills were dedicated as follows:

| | |
|------------------|-------------|
| Maintenance fund | 5.83 mills |
| Sinking fund | 15.00 mills |

H. 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.

Note 2 - Long-Term Debt

The following is a summary of bond payable transactions of the District for the year ended June 30, 2000 reported in the general long-term debt account group:

| | General Obligation |
|-----------------------------|-----------------------|
| Outstanding at July 1, 1999 | \$ 150,000 |
| Bonds issued | 1,505,000 |
| Bonds retired | (150,000) |
| Outstanding at July 1, 2000 | \$ 1,505,000 |

Long-term debt at June 30, 2000 consists of the following:

General obligation bonds:

| | |
|--|-------------|
| \$1,505,000 General Obligation Refunding Bonds, Series 1994, 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; | \$1,505,000 |
|--|-------------|

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2000 and 1999**

Note 2 - Changes in Long-Term Debt (Continued)

Revenue bonds:

\$2,455,000 Waterworks Revenue Refunding Bonds, Series 1997; dated January 1, 1997; due in annual installments including interest at 3.95% to 5.55% of \$178,645 to \$183,697 through December 1, 2021; net of an amortized discount of \$12,678 and deferred loss of \$33,791. \$ 2,233,531

The District issued the above bonds to refund the revenue bonds that were due to Farmer's Home Administration. The refunding was undertaken to reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of the old debt by \$36,627. 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 balance of the deferred loss net of amortization at June 30, 2000 is \$33,791.

The annual requirements to amortize all debt outstanding as of June 30, 2000, including interest payments of \$2,831,835, are as follows:

| <u>Year Ending June 30,</u> | <u>General Obligation</u> | <u>Revenue</u> | <u>Total</u> |
|---------------------------------|-------------------------------|---------------------|---------------------|
| 2001 | \$ 50,554 | \$ 180,553 | \$ 231,107 |
| 2002 | 125,708 | 177,928 | 303,636 |
| 2003 | 127,908 | 180,145 | 308,053 |
| 2004 | 129,708 | 177,171 | 306,879 |
| 2005 | 131,108 | 178,998 | 310,106 |
| Thereafter | <u>2,094,642</u> | <u>3,015,943</u> | <u>5,110,585</u> |
| | <u>\$ 2,659,628</u> | <u>\$ 3,910,738</u> | <u>\$ 6,570,366</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.

Note 3 - Cash, Cash Equivalents, and Investments

At June 30, 2000, the District had cash, cash equivalents and certificates of deposit (book balances) totaling \$2,728,564.

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 June 30, 2000, the District had \$2,734,428 in deposits (collected bank balances).

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 2000 and 1999**

Note 3 - Cash, Cash Equivalents, and Investments (Continued)

These deposits are secured from risk by \$300,000 of federal deposit insurance and \$2,650,744 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). However, one of the District's financial institutions had pledged less than the required amount by \$126,891.

Even though the pledged securities are considered uncollateralized (Category 3) 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 state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments. 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.

Investments held in LAMP at June 30, 2000 of \$328,013 are valued at their fair value. In accordance with GASB Codification Section 150.165, the investment in LAMP, is not categorized in the risk categories provided by GASB because the investment is a pool of funds not evidenced by securities that exist in physical or book entry form.

A reconciliation of cash and investments as shown on the combined balance sheet follows:

| | |
|--------------------------------|---------------------|
| Cash on hand | \$ 200 |
| Carrying amount of deposits | 2,398,855 |
| Carrying amount of investments | <u>657,522</u> |
| | <u>\$ 3,056,577</u> |

Note 4 - Contributed Capital

Contributed capital at June 30, 2000 consists of the following:

| | |
|---|--------------------|
| General obligation bonds | \$2,705,000 |
| Capitalized interests costs on general obligation bonds | 198,141 |
| Depreciation on assets acquired from contributed capital | (469,050) |
| Non-refundable customer deposits | <u>65,680</u> |
| | <u>\$2,499,771</u> |

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
 OF CALCASIEU PARISH, LOUISIANA
 Lake Charles, Louisiana
 Notes to Financial Statements (Continued)
 June 30, 2000 and 1999**

Note 5 - 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:

| | |
|-----------------|----------|
| Teresa Ryan | \$ 840 |
| Helen Duhon | 900 |
| Laurie Ezell | 660 |
| Rodney Frey | 720 |
| Curtis Armentor | 840 |
| Total | \$ 3,960 |

Note 6 - 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 7 - 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, 2000 consists of the following:

| | |
|-----------------------------------|--------------|
| Construction Fund | \$ 1,528,125 |
| 1997 Bond Sinking Fund | 217,414 |
| Depreciation and Contingency Fund | 117,885 |
| 1997 Reserve Fund | 195,788 |
| Customer Deposits | 90,965 |
| | \$ 622,052 |

Note 8 - 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 9 - Construction in Progress

As of June 30, 2000, the District had \$7,314 of construction in progress on a ground storage tank. The remaining construction commitment is approximately \$293,000. The estimated date of completion is October, 2000.



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 general purpose 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, 2000, and have issued our report thereon dated September 25, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 general purpose 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 an instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings and questioned costs as item 2000-1.

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 general purpose financial statements and not to provide assurance 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 general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2000-2.

SULPHUR OFFICE

704 First Avenue, Sulphur, Louisiana 70663
Phone: (337) 527-0010 Fax: (337) 527-0014

LAKE CHARLES OFFICE

1 Lakeshore Drive, Ste. 120, Lake Charles, Louisiana 70629
Phone: (337) 439-6600 Fax: (337) 439-6647 / (337) 310-6648

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 in amounts that would be material in relation to the general purpose 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 that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is 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. However, this report is a matter of public record and its distribution is not limited.

Broussard & Company

Lake Charles, Louisiana
September 25, 2000
/dkb

**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, 2000**

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on general purpose financial statements.
2. The audit disclosed one instance of noncompliance considered material to the financial statements of the District.
3. Reportable conditions in internal control - Refer to B-1, 2000-2.

B. GAGAS Findings:

2000-1 = Pledged Collateral

One of the financial institutions of the District was \$126,891 deficient in required pledged collateral. Subsequent to June 30, 2000, the financial institution pledged the required amount of funds.

Recommendation

The District should monitor the pledged collateral requirements on an interim basis.

2000-2 = 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.

**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, 2000**

1999-1 Finding: There was not a proper segregation of duties in the District.

 Recommendation: It is not cost effective to add any additional personnel. The Board will
 take a more active role in the financial operations of the District.