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**WATERWORKS DISTRICT NO. 11
OF WARDS 4 AND 7 OF
CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana**

**Financial Statements
June 30, 1999 and 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 NOV 10 1999

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BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District 11 or Wards 4 and 7
of Calcasieu Parish, Louisiana
Sulphur, Louisiana

We have audited the general purpose financial statements of Waterworks District 11 or Wards 4 and 7 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the years ended June 30, 1999 and 1998, 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 audits.

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 in the first paragraph present fairly, in all material respects, the financial position of Waterworks District 11 or Wards 4 and 7 of Calcasieu Parish, Louisiana, as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The year 2000 information on page 20 is not a required part of the basic 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 methods of measurement and presentation of supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Waterworks District 11 or Wards 4 and 7 of Calcasieu Parish, Louisiana is or will become year 2000 compliant, that the Waterworks District 11 or Wards 4 and 7 of Calcasieu Parish, Louisiana's year 2000 remediation efforts will be successful in whole or in part, or that the parties with which the Waterworks District 11 or Wards 4 and 7 of Calcasieu Parish, Louisiana does business are or will be year 2000 compliant.

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Board of Commissioners
Waterworks District 11 of Wards 4 and 7
of Calcasieu Parish, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated October 19, 1999, on our consideration of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control and compliance with laws and regulations.

Broussard & Company

Sulphur, Louisiana
October 19, 1999
/dkb

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Combined Balance Sheet - All Fund Types and Account Group
June 30, 1999**

	Governmental Fund Type	Proprietary Fund Type	Account Group
	Debt Service	Enterprise	General Long-Term Debt
ASSETS			
Cash and cash equivalents	\$ 27,884	\$ 83,412	\$ -
Investments	-	44,955	-
Receivables (net of allowances for uncollectibles of \$6,912 for 1999 and \$6,912 for 1998):			
Water sales	-	40,632	-
Unbilled water sales	-	16,200	-
Other	-	-	-
Prepaid expenses	-	1,646	-
Inventory, at cost	-	2,464	-
Due from debt service fund	-	-	-
Restricted assets:			
Cash and cash equivalents	-	215,797	-
Investments	-	28,480	-
Deferred charges	-	18,770	-
Property, Plant, and Equipment			
Plant and distribution system	-	2,765,848	-
Furniture, fixtures, and equipment	-	84,691	-
Less allowance for depreciation	-	(669,006)	-
Construction in progress	-	814,320	-
Land and right of ways	-	21,364	-
Amount available in debt service fund	-	-	27,884
Amount to be provided for retirement of general long-term debt	-	-	762,116
TOTAL ASSETS	\$ 27,884	\$ 3,469,573	\$ 790,000

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Combined Balance Sheet - All Fund Types and Account Group
June 30, 1999**

	Governmental Fund Type	Proprietary Fund Type	Account Group
	Debt Service	Enterprise	General Long-Term Debt
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ -	\$ 51,613	\$ -
Accrued wages	-	5,978	-
Payroll taxes and retirement payable	-	4,968	-
Sales tax payable	-	1,199	-
Payable from restricted assets:			
Current portion of revenue bonds	-	38,958	-
Accrued interest	-	1,644	-
Refundable customer deposits	-	52,750	-
General obligation bonds payable	-	-	790,000
Revenue bonds payable	-	1,271,343	-
Total Liabilities	-	1,428,453	790,000
Fund equity:			
Contributed capital	-	1,620,270	-
Retained earnings (deficit):			
Reserved for revenue bond retirement	-	116,751	-
Reserved for construction	-	34,173	-
Unreserved	-	269,926	-
Fund balance:			
Reserved for debt service	27,884	-	-
Total Retained Earnings/Fund Balance	27,884	2,041,120	-
TOTAL LIABILITIES AND FUND EQUITY	\$ 27,884	\$ 3,469,573	\$ 790,000

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Debt Service Fund
Statements of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30, 1999**

	1999	1998
REVENUES		
Ad Valorem Taxes	\$ 53,659	\$ 48,274
Interest Income	581	5,462
Total Revenues	54,240	53,736
EXPENDITURES		
Interest Expense	28,816	22,050
Principal retirement	10,000	260,000
Total Expenditures	38,816	282,050
Excess (Deficit) of Revenues Over Expenditures	15,424	(228,314)
Fund Balance at Beginning of Year	12,460	240,774
Fund Balance at End of Year	\$ 27,884	\$ 12,460

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Enterprise Fund
Statements of Revenues, Expenses, and Changes in Retained Earnings
For the Years Ended June 30,**

	1999	1998
OPERATING REVENUES		
Water sales	\$ 442,724	\$ 421,706
Tap fees	20,600	32,787
Total Operating Revenues	463,324	454,493
OPERATING EXPENSES		
Salaries	121,157	95,311
Payroll taxes	10,651	6,820
Retirement expense	1,319	1,716
Meter reading	10,252	8,494
Insurance	35,585	23,861
Legal and accounting fees	12,036	12,037
Office supplies	8,389	11,008
Plant supplies	49,182	45,470
Repairs and maintenance	33,197	7,232
Truck expense	4,284	4,400
Utilities and telephone	19,626	18,865
Water purchases	17,311	14,217
Depreciation	73,257	72,932
Amortization expense	1,075	-
Bank charges	1,760	735
Dues and fees	965	1,665
Commissioners per diem	5,880	5,680
Bad debt expense	-	3,807
Miscellaneous	2,618	1,525
Total Operating Expenses	408,544	335,775
INCOME FROM OPERATIONS	54,780	118,718
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes - maintenance	26,898	31,219
Interest income	29,378	7,326
Miscellaneous income	45,695	995
Interest expense	(85,756)	(91,680)
Total Non-Operating Revenues (Expenses)	16,215	(52,140)
NET INCOME	70,995	66,578
Add current year's depreciation on fixed assets acquired by funds externally restricted for construction that reduced contributed capital	23,704	23,704
Increase in Retained Earnings	94,699	90,282
RETAINED EARNINGS AT BEGINNING OF YEAR	326,151	235,869
RETAINED EARNINGS AT END OF YEAR	\$ 420,850	\$ 326,151

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Enterprise Fund
Statement of Cash Flows
For the Year Ended June 30,**

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from operations	\$ 54,780	\$ 118,718
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,332	72,932
Provision for bad debts	-	3,807
Decrease (increase) in accounts receivable	(35)	(1,275)
(Increase) decrease in prepaid expense	(259)	(170)
Decrease in due from debt service	4,952	(21,739)
Increase (decrease) in accounts payable and other accrued expenses	31,949	22,518
Net Cash Provided (Used) by Operating Activities	165,719	194,791
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(73,495)	-
Redemption of certificates of deposit	94,329	-
Interest earned	29,378	7,326
Net Cash Provided (Used) for Investing Activities	50,212	7,326
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(874,302)	(54,716)
Bond proceeds	-	800,000
Principal payments on revenue bonds	(42,045)	(34,668)
Ad valorem taxes	26,898	31,219
Interest expense	(85,756)	(91,680)
Other	44,724	4,290
Net Cash Provided (Used) by Capital and Related Financing Activities	(930,481)	654,445
Net Increase (Decrease) in Cash	(714,550)	856,562
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,013,759	157,197
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 299,209	\$ 1,013,759
Cash and Cash Equivalents Comprised of:		
Unrestricted	\$ 83,412	\$ 119,150
Restricted	215,797	894,609
	\$ 299,209	\$ 1,013,759

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements
June 30, 1999 and 1998**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Waterworks District No. 11 of Wards 4 and 7 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. The following is a summary of the more significant policies:

A. Financial Reporting Entity

This report includes all funds and account groups 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. 11 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. 11 of Wards 4 and 7 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 one broad fund category 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. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

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.

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.

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.

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

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

Note 1 - Summary of Significant Accounting Policies (Continued):

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

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

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

Depreciation expense amounted to \$73,257 for the year ended June 30, 1999, and \$72,932 for the year ended June 30, 1998.

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.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

Note 1 - Summary of Significant Accounting Policies (Continued):

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 eliminations have not been made in the aggregation of this data.

F. Supplemental Disclosures of Cash Flow Information - Enterprise Fund

Cash paid during the year for interest was \$84,354.

G. 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.

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

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, 1998, taxes of 16.51 mills were levied on property with net assessed valuations of approximately \$5,400,000. Total taxes levied, net of pension funds, were \$80,467. The 16.51 mills were dedicated as follows:

Maintenance fund	5.51 mills
Sinking fund	11.00 mills

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

Note 3 - Changes in Long-Term Debt

The following is a summary of bond and note payable transactions of the District for the year ended June 30, 1999:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 1998	\$ 800,000	\$ 1,352,346	\$ 2,152,346
Bonds Retired	<u>10,000</u>	<u>42,045</u>	<u>52,045</u>
Outstanding at June 30, 1999	<u>\$ 790,000</u>	<u>\$ 1,310,301</u>	<u>\$ 2,100,301</u>

Long-term debt at June 30, 1999 consists of the following:

General obligation bonds:

\$800,000 General Obligation Bonds, Series 1998, of Waterworks District No. 11 of Wards 4 and 7 of the Parish of Calcasieu, Louisiana; dated June 1, 1998; due in annual installments including interest at 4.10% to 5.10% through the year 2018	<u>\$ 790,000</u>
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Revenue bonds:

\$1,375,000 Water Revenue Bonds; dated June 25, 1987; due in annual installments including interest at 6.50% of \$106,535 through June 25, 2017	<u>\$ 1,086,629</u>
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Revenue bonds:

\$250,000 Water Revenue Bonds; dated June 30, 1991; due in equal annual installments including interest at 6.75% of \$19,865 through June 25, 2021	<u>\$ 223,672</u>
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**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

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

The annual requirements to amortize all debt outstanding as of June 30, 1999, including interest payments of \$1,494,461, are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
2000	\$ 62,732	\$ 126,400	\$ 189,132
2001	61,708	126,400	188,108
2002	60,682	126,400	187,082
2003	64,620	126,400	191,020
2004	63,315	126,400	189,715
Thereafter	<u>927,045</u>	<u>1,722,660</u>	<u>2,649,705</u>
	<u>\$ 1,240,102</u>	<u>\$2,354,660</u>	<u>\$3,594,762</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. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana.

Note 4 - Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Proceeds from refundable customer deposits are also restricted for the repayment of meter deposits.

Construction	\$ 34,173
FMHA Sinking Fund	2,926
FMHA Revenue Note Fund	74,738
FMHA Depreciation Fund	79,690
Customer Deposits	<u>52,750</u>
	<u>\$ 244,277</u>

Note 5 - Cash, Cash Equivalents and Investments

At June 30, 1999, the District had cash and cash equivalents (book balances) totaling \$327,092.

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.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

Note 5 - Cash, Cash Equivalents and Investments (Continued):

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, 1999, the District had \$327,422 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$481,094 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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.

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

Note 6 - Contributed Capital

Contributed capital at June 30, 1999 consists of the following:

General obligation bonds and state contributions	\$ 1,704,800
Capitalized interests costs on general obligation bonds	64,250
Non-refundable customer deposits	63,955
Depreciation on assets acquired from contributed capital	<u>(212,735)</u>
	<u>\$ 1,620,270</u>

Note 7 - 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 during the current year are as follows:

<u>Member</u>	<u>Expense</u>
Donald Faulk	\$ 1,240
Neva Martin	1,120
Lewis Moss	1,240
Ronnie Bowers	1,080
Harry Henry	<u>1,200</u>
	<u>\$ 5,880</u>

Continued

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

Note 8 - Accumulated Vacation and Unpaid Sick Pay

Accumulated unpaid vacation and sick pay is not material and therefore has not been accrued.

Note 9 - Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

During the year, contributions by the District amounted to \$1,319, covering \$21,983 of the District's total payroll of \$121,157.

Note 10- Construction in Progress

The District is in the process of expanding its plant. The estimated cost is approximately \$840,000 and will be completed by November, 1999. The majority of the cost of construction will be financed by general obligation bonds.

Note 11- Major Supplier

All of the water utilized by the District is purchased by the Sabine River Authority.



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 11 of Wards 4 and 7
of Calcasieu Parish, Louisiana
Sulphur, Louisiana

We have audited the general purpose financial statements of the Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated October 19, 1999. 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 11 of Wards 4 and 7 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 no instances of noncompliance that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District 11 of Wards 4 and 7 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weaknesses 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Board of Commissioners
Waterworks District 11 of Wards 4 and 7
of Calcasieu Parish, Louisiana

This report is intended for the information of the management of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Broussard & Company

Sulphur, Louisiana
October 19, 1999
/dkb

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 1999**

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on general purpose financial statements.
2. Reportable conditions in internal control - Refer to B-1.
3. No instances of noncompliance noted.

B. GAGAS Findings:

None.

**WATERWORKS DISTRICT 11 OF WARDS 4 AND 7
OF CALCASIEU PARISH, LOUISIANA
Sulphur, Louisiana
Year 2000 Compliance
For the Year Ended June 30, 1999**

YEAR 2000 COMPLIANCE (UNAUDITED)

Time and space saving programming decisions made in prior years resulted in two-digit computer codes that may not correctly recognize "00" and the year 2000. Serious processing error or system failure could result. To prevent this error, computer systems and equipment must be reprogrammed or replaced to make them year 2000 compliant.

The District is dependent on computerized systems for essential operations and to provide water services to citizens. The District is engaged in discussions with its utility supplier and third party administrator responsible for water consumption reporting and billings. The District can provide essential water services for an interim period utilizing emergency generators, if necessary.

The District does not directly maintain any date sensitive essential equipment critical to its operations.