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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, 1999 and 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 DEC 22 1999

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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, 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 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, 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 19 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 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana is or will become year 2000 compliant, that the Waterworks District 8 of Wards 3 and 8 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 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana does business are or will be year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report dated November 16, 1999, 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 November 16, 1999, on its compliance with laws and regulations.

Broussard & Company

Lake Charles, Louisiana
November 16, 1999
/dkb

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**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	Proprietary	Account	Totals	
	Fund Type	Fund Type	Group	(Memorandum	Only)
	Debt	Enterprise	General	1999	1998
	Service		Long-Term		
			Debt		
ASSETS					
Cash and equivalents	\$ 177,261	\$ 199,704	\$ -	\$ 376,965	\$ 266,331
Investments	128,673	330,417	-	459,090	463,903
Receivables (net of allowances of \$-0-)					
Taxes	6,505	2,107	-	8,612	283
Water sales	-	50,317	-	50,317	50,462
Unbilled water sales	-	14,234	-	14,234	8,647
Accrued interest	69	1,258	-	1,327	3,133
Prepaid expense	-	9,125	-	9,125	6,191
Due from debt service fund	-	2,000	-	2,000	-
Restricted assets:					
Cash and equivalents	-	398,235	-	398,235	372,256
Investments	-	170,820	-	170,820	163,517
Property, plant, and equipment:					
Land	-	13,500	-	13,500	13,500
Plant and distribution system	-	4,045,128	-	4,045,128	4,031,795
Furniture, fixtures, and equipment	-	123,392	-	123,392	114,637
Accumulated depreciation	-	(1,213,216)	-	(1,213,216)	(1,104,130)
Other assets	-	150	-	150	150
Deferred charges-bond issue costs, net	-	126,577	-	126,577	129,971
Amount available in debt service fund	-	-	310,508	310,508	296,501
Amount to be provided for retirement of long-term debt	-	-	(160,508)	(160,508)	(6,501)
TOTAL ASSETS	\$ 312,508	\$ 4,273,748	\$ 150,000	\$ 4,736,256	\$ 4,810,646

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	1999	1998
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ -	\$ 6,116	\$ -	\$ 6,116	\$ 6,643
Accrued wages	-	8,938	-	8,938	8,938
Payroll and sales tax payable	-	4,447	-	4,447	4,435
Due to enterprise fund	2,000	-	-	2,000	-
Payable from restricted assets:					
Revenue bonds, current	-	55,000	-	55,000	55,000
Accrued interest	-	10,350	-	10,350	10,540
Customer deposits	-	88,072	-	88,072	82,387
General obligation bonds payable	-	-	150,000	150,000	290,000
Revenue bonds payable (net of current portion, unamortized discount and deferred loss)	-	2,231,895	-	2,231,895	2,286,043
Total Liabilities	2,000	2,404,818	150,000	2,556,818	2,743,986
Contributed capital	-	1,031,367	-	1,031,367	1,067,963
Retained earnings:					
Reserved for revenue bond retirement	-	417,255	-	417,255	387,876
Unreserved	-	420,308	-	420,308	314,320
Fund Balance- reserved for debt service	310,508	-	-	310,508	296,501
Total Retained Earnings/ Fund Balance	310,508	1,868,930	-	2,179,438	2,066,660
TOTAL LIABILITIES AND FUND EQUITY	\$ 312,508	\$ 4,273,748	\$ 150,000	\$ 4,736,256	\$ 4,810,646

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
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Years Ended June 30,**

	1999	1998
REVENUES		
Ad valorem taxes	\$ 155,313	\$ 135,502
Revenue sharing funds	4,726	4,726
Interest income	7,847	10,734
Total Revenues	167,886	150,962
EXPENDITURES		
Interest and fiscal charges	13,879	21,514
Principal retirement	140,000	135,000
Total Expenditures	153,879	156,514
Excess of Revenues Over (under) Expenditures	14,007	(5,552)
FUND BALANCE AT BEGINNING OF YEAR	296,501	302,053
FUND BALANCE AT END OF YEAR	\$ 310,508	\$ 296,501

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

	1999	1998
OPERATING REVENUES		
Water sales	\$ 513,425	\$ 486,766
Tap fees	15,637	18,755
Late charges	6,917	6,995
Total Operating Revenues	535,979	512,516
OPERATING EXPENSES		
Accounting and audit	11,790	10,419
Legal fees	-	676
Commissioners fees	3,240	3,300
Office supplies and postage	9,366	7,950
Plant supplies	32,970	52,431
Miscellaneous	2,737	5,465
Repairs and maintenance	14,642	6,415
Insurance	39,434	31,200
Truck expense	7,037	13,381
Telephone	7,369	7,086
Utilities	21,434	26,047
Salaries	116,994	117,219
Payroll taxes	9,295	9,147
Dues and fees	391	294
Amortization	4,245	1,549
Depreciation	121,359	117,441
Uniforms and cleaning	2,788	2,182
Equipment rental	5,416	3,582
Bad debt expense	-	1,522
Total Operating Expenses	410,507	417,306
INCOME FROM OPERATIONS	125,472	95,210
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes-maintenance	51,078	54,954
Interest income	27,801	30,938
Interest and fiscal charges	(125,146)	(127,101)
Miscellaneous income	18,214	10,978
Gain(loss) sale of assets	1,352	(1,560)
Total Non-Operating Revenues (Expenses)	(26,701)	(31,791)
Net Income	98,771	63,419
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	135,367	100,015
RETAINED EARNINGS AT BEGINNING OF YEAR	702,196	602,181
RETAINED EARNINGS AT END OF YEAR	\$ 837,563	\$ 702,196

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,**

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from operations	\$ 125,472	\$ 95,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	125,604	118,990
(Increase) decrease in accounts receivable	(7,470)	2,753
(Increase) decrease in accrued interest receivable	1,203	(236)
(Increase) in prepaid expense	(2,934)	(378)
(Decrease) in accounts payable and other accrued expenses	(705)	(11,114)
Increase in customer deposits	5,685	4,237
Provision for bad debts	-	1,522
Total Adjustments	121,383	115,774
Net Cash Provided (Used) by Operating Activities	246,855	210,984
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments - net of maturities	(22,162)	(23,070)
Interest income	27,801	30,938
Net Cash Provided (Used) for Investing Activities	5,639	7,868
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(34,358)	(51,857)
Principal payments on revenue bonds	(55,000)	(65,000)
Interest on revenue bonds	(125,146)	(127,101)
Ad valorem taxes	51,078	54,954
Miscellaneous income	18,214	10,978
Other	(650)	(4,511)
Net Cash Provided (Used) by Capital and Related Financing Activities	(145,862)	(182,537)
 Net Increase (Decrease) in Cash	106,632	36,315
 Cash and Cash Equivalents at Beginning of Year	491,307	454,992
 Cash and Cash Equivalents at End of Year	\$ 597,939	\$ 491,307
 Cash and Cash Equivalents Comprised of:		
Unrestricted	\$ 199,704	\$ 119,051
Restricted	398,235	372,256
	\$ 597,939	\$ 491,307

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, 1999 and 1998**

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, 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.

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.

Continued

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

Note 1 - Summary of Significant Accounting Policies (Continued)

Depreciation expense for the period ending June 30, 1999 was \$121,359.

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 \$125,336.

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

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, 1998, taxes of 23.83 mills were levied on property with gross assessed valuations of \$15,076,140 less homestead and other exemptions of \$5,251,030. The 23.83 mills were dedicated as follows:

Maintenance fund	5.83 mills
Sinking fund	18.00 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, 1999 reported in the general long-term debt account group:

	General Obligation
Outstanding at July 1, 1998	<u>\$ 290,000</u>
Bonds retired	<u>(140,000)</u>
Outstanding at July 1, 1999	<u>\$ 150,000</u>

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

General obligation bonds:

\$675,000 General Obligation Refunding Bonds, Series 1994, of Waterworks District No. 8 of Wards 3 and 8 of the Parish Calcasieu, Louisiana; dated June 1, 1994; due in annual installments including interest at 4.75% to 6% of \$157,050 to \$163,167 through the year 1999;	\$150,000
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**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

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

Revenue bonds:

\$2,455,000 Waterworks Revenue Refunding Bonds, Series 1999; dated January 1, 1998; 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 \$13,879 and deferred loss of \$34,227.

\$ 2,286,895

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, 1999 is \$34,227.

The annual requirements to amortize all debt outstanding as of June 30, 1999, including interest payments of \$1,773,180, are as follows:

Year Ending June 30,	General Obligation	Revenue	Total
2000	\$ 159,000	\$ 178,026	\$ 337,026
2001	-	180,523	180,523
2002	-	177,928	177,928
2003	-	180,145	180,145
2004	-	177,171	177,171
Thereafter	-	<u>3,157,282</u>	<u>3,157,282</u>
	<u>\$ 159,000</u>	<u>\$ 4,051,075</u>	<u>\$ 4,210,075</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, 1999, the District had cash, cash equivalents and certificates of deposit (book balances) totaling \$1,312,618.

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, 1999, the District had \$1,313,199 in deposits (collected bank balances).

Continued

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

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

These deposits are secured from risk by \$300,000 of federal deposit insurance and \$1,067,958 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.

Investments held in LAMP at June 30, 1999 of \$92,492 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	775,001
Carrying amount of investments	<u>629,909</u>
	<u>\$ 1,405,110</u>

Note 4 - Contributed Capital

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

General obligation bonds	\$1,200,000
Capitalized interests costs on general obligation bonds	198,141
Depreciation on assets acquired from contributed capital	(432,454)
Non-refundable customer deposits	<u>65,680</u>
	<u>\$1,031,367</u>

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8
OF CALCASIEU PARISH, LOUISIANA
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
June 30, 1999 and 1998**

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	\$ 660
Helen Duhon	720
Laurie Ezell	600
Rodney Frey	600
Curtis Armentor	660
Total	\$ 3,240

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, 1999 consists of the following:

1998 Bond Sinking Fund	\$ 177,224
Depreciation and Contingency Fund	114,631
1998 Reserve Fund	190,750
Customer Deposits	86,450
	\$ 569,055

Note 8 - Subsequent Event

In July, 1999 the voters of the District approved a \$1,505,000 bond issue to be used to finance the expansion and upgrade of the distribution system of the District.

Note 9 - Risk Management

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



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

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 as of and for the year ended June 30, 1999, and have issued our report thereon dated November 16, 1999.

We conducted our audit 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.

Compliance with laws, regulations, contracts, and grants applicable to Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana had not complied, in all material respects, with those provisions.

This report is intended for the information of management and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Broussard & Company

Lake Charles, Louisiana
November 16, 1999
/dkb

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BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

REPORT ON INTERNAL CONTROLS

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, as of and for the year ended June 30, 1999, and have issued our report thereon dated November 16, 1999.

We conducted our audit 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 financial statements are free of material misstatement.

The management of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, for the year ended June 30, 1999, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the use of management and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report which, upon acceptance of state and federal audit agencies, is a matter of public record.

Broussard & Company

Lake Charles, Louisiana
November 16, 1999
/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, 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.

B. GAGAS Findings:

1. 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, 1999**

1998-1 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.

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



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THE BROUSSARD GROUP

Broussard & Company, APC
Certified Public Accountants
Financial Consultants

Broussard & Company, LLC
Health Care Provider Consultants

November 16, 1999

Waterworks District No. 8 of Wards 3 and 8
6407 Highway 3059
Lake Charles, LA 70615

In planning and performing our audit of the financial statements of Waterworks District No. 8 of Wards 3 and 8 for the year ended June 30, 1999, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter that is an opportunity for operation efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding this matter. A separate report dated November 16, 1999, contains our report on reportable conditions in the District's internal control. This letter does not affect our report dated November 16, 1999, on the financial statements of Waterworks District No. 8 of Wards 3 and 8.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with District personnel, and we will be pleased to discuss this in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Very truly yours,

BROUSSARD & COMPANY, CPAs, LLC

/dkb

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MEMORANDUM

MALFUNCTIONING METERS

Our audit work disclosed several instances of “zero” consumption by water users. Upon further investigation we noted that approximately 149 of the District’s active members do not function properly. The possible loss of revenue has not been determined, however, depending on the average consumption of each user and the length of time the meter has not been working, the amount should be substantial. We recommend that the District replace the broken meters as soon as possible. We also recommend that, on an ongoing basis, the board monitor this situation. This is a repeat comment.

**WATER WORKS DISTRICT NO. 8
OF WARDS 3 AND 8 OF CALCASIEU PARISH
6407 HIGHWAY 3059
LAKE CHARLES, LA 70615**

November 16, 1999

Legislative Auditor
State of Louisiana
PO Box 94397
Baton Rouge, LA 70804-9397

Re: Financial Statement Audit for FYE 06/30/99

Dear Sir:

In response to the Schedule of Findings issued by our auditors, Broussard & Company CPAs, LLC, we offer the following:

1. Segregation of Duties

It is not cost effective to add additional employees to the District. However, the Board has taken a more active role in the financial operations of the District.

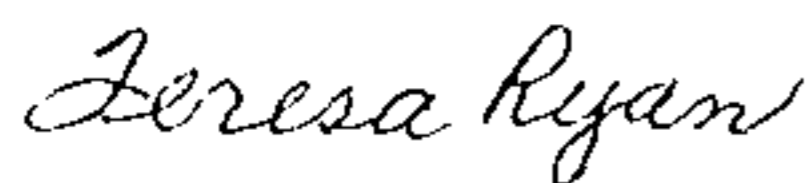
In response to the Management Letter comments issued by our auditors, Broussard & Company, CPAs, LLC, we offer the following:

1. Malfunctioning Meters

The District is in the process of replacing or repairing malfunctioning meters.

In the event further information is needed, please feel free to contact us.

Sincerely,



Teresa Ryan, President