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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, 1998 and 1997**

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 **DEC 16 1998**

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Founded in 1978

BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the 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, 1998 and 1997, 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, 1998 and 1997, 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 October 27, 1998, 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 October 27, 1998, on its compliance with laws and regulations.

Broussard & Company

Lake Charles, Louisiana
October 27, 1998
/tlb

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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,

<u>ASSETS</u>	<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Account Group</u>	<u>Totals</u>	
	<u>Debt Service</u>	<u>Enterprise</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>	
				<u>1998</u>	<u>1997</u>
Cash and cash equivalents	\$ 147,280	\$ 119,051	\$ -	\$ 266,331	\$ 250,797
Investments -					
Certificates of Deposit	148,345	315,558	-	463,903	439,121
Receivables (net of allowances for uncollectibles of \$-0- for 1998 and \$-0- for 1997):					
Taxes	204	79	-	283	5,943
Accounts	-	50,462	-	50,462	50,815
Unbilled	-	8,647	-	8,647	9,405
Accrued interest	672	2,461	-	3,133	5,472
Prepaid expense	-	6,191	-	6,191	5,813
Dues from enterprise fund	-	-	-	-	767
Restricted assets:					
Cash and cash equivalents	-	372,256	-	372,256	359,172
Investments -					
Certificates of Deposit	-	163,517	-	163,517	155,722
Property, plant, and equipment:					
Land	-	13,500	-	13,500	13,500
Plant and distribution system	-	4,031,794	-	4,031,794	3,982,433
Furniture, fixtures, and equipment	-	114,637	-	114,637	125,100
Accumulated depreciation	-	(1,104,130)	-	(1,104,130)	(999,647)
Bond issue cost, net	-	129,971	-	129,971	129,971
Other assets-					
miscellaneous deposits	-	150	-	150	150
Amount available in debt service fund	-	-	295,401	295,401	302,053
Amount to be provided for retire- ment of general long-term debt	-	-	(5,401)	(5,401)	122,947
TOTAL ASSETS	\$ 296,501	\$ 4,224,144	\$ 290,000	\$ 4,810,645	\$ 4,959,534

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 (Continued)
June 30,

<u>LIABILITIES AND FUND EQUITY</u>	<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Account Group</u>	<u>Totals</u>	
	Debt Service	Enterprise	General Long-Term Debt	(Memorandum Only)	
				<u>1998</u>	<u>1997</u>
Liabilities:					
Accounts payable	\$ -	\$ 6,643	\$ -	\$ 6,643	\$ 19,929
Accrued wages	-	8,938	-	8,938	6,240
Payroll and sales taxes payable	-	4,435	-	4,435	4,961
Due to debt service fund	-	-	-	-	767
Payable from restricted assets:					
Revenue bonds, current portion	-	55,000	-	55,000	65,000
Accrued interest	-	10,540	-	10,540	10,754
Customer deposits	-	82,387	-	82,387	78,150
General obligation bonds payable	-	-	290,000	290,000	425,000
Revenue bonds payable (net of current portion, unamortized discount and deferred loss)	-	2,286,043	-	2,286,043	2,339,940
Total Liabilities	<u>-</u>	<u>2,453,986</u>	<u>290,000</u>	<u>2,743,986</u>	<u>2,950,741</u>
Fund equity:					
Contributed capital	-	1,067,963	-	1,067,963	1,104,559
Retained earnings					
Reserved for revenue bond retirement	-	387,876	-	387,876	360,990
Unreserved	-	314,319	-	314,319	241,191
Fund balance:					
Reserved for debt service	<u>296,501</u>	<u>-</u>	<u>-</u>	<u>296,501</u>	<u>302,053</u>
Total Retained Earnings/Fund Balance	<u>296,501</u>	<u>1,770,158</u>	<u>-</u>	<u>2,066,659</u>	<u>2,008,793</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 296,501</u>	<u>\$ 4,224,144</u>	<u>\$ 290,000</u>	<u>\$ 4,810,645</u>	<u>\$ 4,959,534</u>

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

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

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

	<u>1998</u>	<u>1997</u>
Revenues:		
Ad valorem taxes - sinking fund	\$ 135,502	\$ 133,850
State revenue sharing	4,726	4,726
Interest	10,734	11,946
Total Revenues	<u>150,962</u>	<u>150,522</u>
Expenditures:		
Interest and fiscal charges	21,514	28,722
Principal retirement	135,000	130,000
Total Expenditures	<u>156,514</u>	<u>158,722</u>
Excess of Revenues Over (under) Expenditures	(5,552)	(8,200)
Fund Balance at Beginning of Period	<u>302,053</u>	<u>310,253</u>
Fund Balance at End of Period	<u><u>\$ 296,501</u></u>	<u><u>\$ 302,053</u></u>

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,

	<u>1998</u>	<u>1997</u>
OPERATING REVENUES		
Water sales	\$ 486,766	\$ 476,851
Tap fees	18,755	17,000
Late charges and reconnect fees	6,995	6,917
Total Operating Revenues	<u>512,516</u>	<u>500,768</u>
OPERATING EXPENSES		
Commissioners' fees	3,300	3,840
Salaries	117,219	116,925
Accounting and audit	10,419	12,766
Depreciation	117,441	111,268
Amortization	1,549	5,415
Insurance	31,200	29,193
Legal fees	676	2,527
Miscellaneous	5,466	1,953
Office supplies and postage	7,950	6,834
Payroll taxes	9,147	9,157
Plant supplies	52,431	50,376
Repairs and maintenance	6,415	18,432
Equipment rental	3,582	18,334
Telephone	7,086	6,233
Truck expense	13,381	9,457
Utilities	26,047	22,298
Uniform and cleaning	2,182	2,614
Dues and fees	294	270
Bad debt expense	1,522	657
Total Operating Expenses	<u>417,307</u>	<u>428,549</u>
INCOME FROM OPERATIONS	<u>95,209</u>	<u>72,219</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad-valorem taxes - maintenance	54,954	54,387
Interest income	30,938	26,768
Interest and fiscal charges	(127,101)	(155,737)
Miscellaneous income	9,418	609
Total Non-Operating Revenues (Expenses)	<u>(31,791)</u>	<u>(73,973)</u>
Net Income (Loss)	63,418	(1,754)
Add current year's depreciation on fixed assets acquired by funds externally restricted for construction that reduces contributed capital	<u>36,596</u>	<u>36,596</u>
Increase in Retained Earnings	100,014	34,842
Retained Earnings at Beginning of Year	<u>602,181</u>	<u>567,339</u>
Retained Earnings at End of Year	<u>\$ 702,195</u>	<u>\$ 602,181</u>

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

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

Statement of Cash Flows
For the Year Ended June 30,

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from operations	\$ 95,209	\$ 72,219
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	118,990	116,683
(Increase) decrease in accounts receivable	2,753	(1,730)
(Increase) decrease in accrued interest receivable	(236)	4,011
(Increase) in prepaid expense	(378)	(962)
(Decrease) in accounts payable and other accrued expenses	(11,114)	(99,076)
Increase in customer deposits	4,237	9,145
Provision for bad debts	1,522	657
Total Adjustments	115,774	28,728
Net Cash Provided (Used) by Operating Activities	210,983	100,947
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments - net of maturities	(23,070)	(168,968)
Interest income	30,938	26,768
Net Cash Provided (Used) for Investing Activities	7,868	(142,200)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(51,857)	(23,885)
Bond issue costs	-	(135,386)
Bond proceeds	-	2,441,439
Principal payments on revenue bonds	(65,000)	(2,203,515)
Interest on revenue bonds	(127,101)	(155,737)
Ad valorem taxes	54,954	54,387
Miscellaneous income	9,418	609
Other	(2,950)	(2,807)
Net Cash Provided (Used) by Capital and Related Financing Activities	(182,536)	(24,895)
Net Increase (Decrease) in Cash	36,315	(66,148)
Cash and Cash Equivalents at Beginning of Year	454,992	521,140
Cash and Cash Equivalents at End of Year	\$ 491,307	\$ 454,992
Cash and Cash Equivalents Comprised of:		
Unrestricted	\$ 119,051	\$ 95,820
Restricted	372,256	359,172
	\$ 491,307	\$ 454,992

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, 1998 and 1997

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, 1998 and 1997

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, 1998 and 1997

Note 1 - Summary of Significant Accounting Policies (Continued)

Pre-construction costs associated with the development of the water system which includes engineering, legal and interest costs are capitalized and will be depreciated over their estimated useful lives using the straight-line method. Depreciation expense for the period ending June 30, 1998 was \$117,441.

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 \$127,315.

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

Notes to Financial Statements (Continued)
June 30, 1998 and 1997

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, 1997, taxes of 20.83 mills were levied on property with gross assessed valuations of \$14,748,590 less homestead and other exemptions of \$4,776,540. 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 - Changes in Long-Term Debt

The following is a summary of bond payable transactions of the District for the year ended June 30, 1998:

	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
Outstanding at July 1, 1997	425,000	2,455,000	2,880,000
Bonds retired	(135,000)	(65,000)	(200,000)
Outstanding at June 30, 1998	<u>\$ 290,000</u>	<u>\$ 2,390,000</u>	<u>\$ 2,680,000</u>

Long-term debt at June 30, 1998 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;	\$290,000
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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, 1998 and 1997

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

Revenue bonds:

\$2,455,000 Waterworks Revenue Refunding Bonds, Series 1998; 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; \$ 2,390,000

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, 1998 is \$35,078.

The annual requirements to amortize all debt outstanding as of June 30, 1998, including interest payments of \$1,964,523, are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation</u>	<u>Revenue</u>	<u>Total</u>
1999	\$ 157,050	\$ 180,336	\$ 337,386
2000	159,000	178,026	337,026
2001	-	180,523	180,523
2002	-	177,928	177,928
2003	-	180,145	180,145
Thereafter	-	<u>3,382,558</u>	<u>3,382,558</u>
	<u>\$ 316,050</u>	<u>\$4,279,516</u>	<u>\$ 4,595,566</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 Certificates of Deposit

At June 30, 1998, the District had cash, cash equivalents and certificates of deposit (book balances) totaling \$1,266,007.

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, 1998, the District had \$1,267,657 in deposits (collected bank balances). These deposits are secured from risk by \$300,000 of federal deposit insurance and \$1,052,155 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

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

Notes to Financial Statements (Continued)
June 30, 1998 and 1997

Note 3 - Cash, Cash Equivalents and Certificates of Deposit (Continued)

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.

Note 4 - Contributed Capital

Contributed capital at June 30, 1998 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	(395,858)
Non-refundable customer deposits	<u>65,680</u>
	<u>\$1,067,963</u>

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	\$ 720
Helen Duhon	720
Laurie Ezell	600
Rodney Frey	540
Curtis Armentor	<u>720</u>
Total	<u>\$ 3,300</u>

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 restricted for the retirement of the District's revenue bonds and repayment of refundable customer deposits. Restricted assets as of June 30, 1998 consists of the following:

1997 Bond Sinking Fund	\$ 157,764
Depreciation and Contingency Fund	110,829
1997 Reserve Fund	185,502
Customer Deposits	<u>81,678</u>
	<u>\$ 35,773</u>



Founded in 1978

BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

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, 1998, and have issued our report thereon dated October 27, 1998.

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
October 27, 1998
/tlb

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Founded in 1978

BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

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, 1998, and have issued our report thereon dated October 14, 1998.

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, 1998, 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
October 27, 1998
/tlb

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, 1998

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, 1998

1997-1 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.

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

October 27, 1998

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

Re: Financial Statement Audit for FYE 06/30/98

Dear Sir:

In response to the Schedule of Findings issued by our auditor's, Broussard & Company CPAs, APC, 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 the event further information is needed, please feel free to contact us.

Sincerely,

Teresa Ryan, President



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
HEALTH CARE CONSULTANTS 

October 27, 1998

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 1998, 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 several matters that are opportunities for strengthening internal controls and operation efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 27, 1998, contains our report on reportable conditions in the District's internal control. This letters does not affect our report dated October 27, 1998, on the financial statements of Waterworks District No. 8 of Wards 3 and 8.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



STEVEN M. DEROUEN, CPA

SMD/tlb

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MEMORANDUM

The Year 2000 Issue

The Year 2000 Issue results from the inability of a computer program to process year-date data accurately beyond the year 1999. Except in recently introduced year 2000 compliant programs, computer programs consistently have included abbreviated dates (that is, dates that excluded the first two digits of the year) with the assumption that those two digits would always be 19. Unless corrected, that shortcut may create widespread problems on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and either process data incorrectly or stop processing it altogether.

The Year 2000 Issue may affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the year 2000. Furthermore, some computer programs use several dates in the year 1999 (such as 01/01/99, 09/09/99, and 12/31/99) to mean something other than that date. As systems process data using those dates, they may produce erratic results or stop functioning.

The Year 2000 Issue presents yet another challenge: the algorithm used in some computer programs for calculating leap years may be unable to detect that the year 2000 is a leap year. Therefore, systems that are not year 2000 compliant may produce incorrect results.

We recommend that you begin to take immediate steps to identify, modify, and test all systems that may be impacted by the Year 2000 Issue. In addition, you should monitor your progress to ensure compliance before systems begin to fail, which may be evident before January 1, 2000. If the District fails to take timely and appropriate action, it may experience costly and significant computer program failures, which could prevent it from performing its routine processing activities. Depending on the extent of system failures, noncompliance could be catastrophic for the District.

In addition, the District should implement verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-party organizations with whom it exchanges date-dependent information to ensure that those organizations also are year 2000 compliant. The District should satisfy itself that its operations or cash flows will not be affected by problems in those organizations relating to the Year 2000 Issue.

Payroll Approval

There is no procedure requiring documented board approval of new employees. We recommend that all new employees be approved by the board and that fact along with wage rates and benefits be documented in the minutes of the Board of Commissioner's meetings.

Overtime Approval

There is no procedure requiring documented board approval of overtime. We recommend that overtime hours be reported to the board monthly and the report be noted in the minutes of the Board of Commissioner's meetings.

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 meters 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.

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

October 27, 1998

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

Re: Financial Statement Audit for FYE 06/30/98

Dear Sir:

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

1. The Year 2000 Issue

We have contacted our billing software company and they have informed us that our software will be compliant within the next 4 - 6 months. We are presently in the process of determining whether the District has any other equipment that would be affected by the year 2000 issue.

2. Payroll Approval

The approval of hiring all new employees will be documented in the minutes of the Board of Commissioners' meetings.

3. Overtime Approval

All overtime hours will be documented in the minutes of the Board of Commissioners' meetings.

4. 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

Teresa Ryan, President