

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

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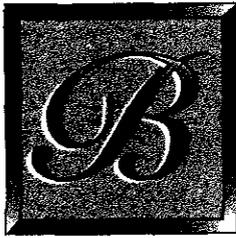
**Financial Statements  
June 30, 2004 and 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-1-04

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	2 - 5
Balance Sheets	6 - 7
Statements of Revenues, Expenses, and Changes in Net Assets	8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 19
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit <i>of Financial Statements Performed in Accordance With</i> Government Auditing Standards	20 - 21
Schedule of Findings and Questioned Costs	22 - 23



Founded in 1978

## BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Waterworks District 11 of 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, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana, as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the 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 the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2004, on our consideration of Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's internal control structure and compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Lake Charles, Louisiana  
October 14, 2004  
/dk

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**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2004**

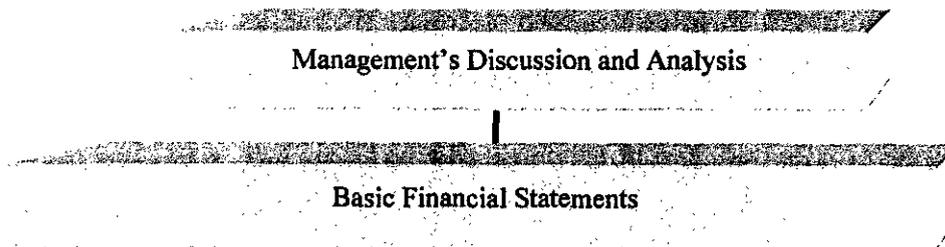
The Management's Discussion and Analysis of the Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

**FINANCIAL HIGHLIGHTS**

- ★ The District's assets exceeded its liabilities at the close of fiscal year 2004 by \$1,359,058 which represents a 1.7% increase from last fiscal year. Of this amount, \$362,458 (unrestricted net assets) may be used to meet the District's ongoing obligations to its users.
- ★ The District's operating revenue increased \$5,183 (or 1.0%) and the net results from activities increased by \$36,667.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2004**

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

The Balance Sheet (pages 6 - 7) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 8) presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 9 - 10) presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE ENTITY**

	2004	2003	2002
Current and other assets	\$ 506,918	\$ 464,142	\$ 482,216
Capital assets	2,750,766	2,823,037	2,907,799
Total assets	<u>3,257,684</u>	<u>3,287,179</u>	<u>3,390,015</u>
Other liabilities	258,626	214,764	211,578
Long-term debt outstanding	1,640,000	1,736,000	1,828,000
Total liabilities	<u>1,898,626</u>	<u>1,950,764</u>	<u>2,039,578</u>
Net assets:			
Invested capital assets, net of debt	1,014,766	995,037	990,799
Restricted	(18,166)	(33,778)	(31,608)
Unrestricted	362,458	375,156	391,246
Total net assets	<u>1,359,058</u>	<u>1,336,415</u>	<u>1,350,437</u>
Total liabilities and net assets	<u>\$3,257,684</u>	<u>\$3,287,179</u>	<u>\$3,390,015</u>

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2004**

Restricted net assets represent those assets that are not available for spending as a result of bond agreements. Conversely, unrestricted net assets are those that do not have any limitations for which these amounts may be used.

Net assets of the District increased by \$22,644, or 1.7%, from June 30, 2003 to June 30, 2004.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenues	\$ 544,059	\$ 538,876	\$ 554,820
Operating expenses	<u>(581,564)</u>	<u>(640,904)</u>	<u>(584,425)</u>
Operating income (loss)	<u>(37,505)</u>	<u>(102,028)</u>	<u>(29,605)</u>
Non-operating revenues (expenses)	<u>60,149</u>	<u>88,005</u>	<u>71,295</u>
Net increase (decrease) in net assets	<u>\$ 22,644</u>	<u>\$ (14,023)</u>	<u>\$ 41,690</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2004, the District had \$2,750,766, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, plant and distribution system, and furniture, fixtures, and equipment. (see table below). This amount represents a net decrease (including additions and deductions) of \$72,271, or 2.6%, over last year.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Land and Right of Ways	\$ 21,364	\$ 21,364	\$ 21,364
Plant and Distribution System	3,774,366	3,734,227	3,708,326
Furniture, Fixtures, and Equipment	133,678	132,727	132,727
Less Accumulated Depreciation	<u>(1,178,642)</u>	<u>(1,065,281)</u>	<u>(954,618)</u>
Totals	<u>\$ 2,750,766</u>	<u>\$ 2,823,037</u>	<u>\$ 2,907,799</u>

This year's significant capital additions included above were:

- Taps/Bores \$19,403
- Turbidimeter Upgrade \$18,481

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2004**

**Debt**

The District had \$1,736,000 in bonds outstanding at year-end, compared to \$1,828,000 last year, a decrease of 5.0 %. A summary of this debt is shown in the table below.

	Outstanding Debt at Year-end		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenue Bonds	\$ 1,081,000	\$ 1,143,000	\$ 1,202,000
General Obligation Bonds	<u>655,000</u>	<u>685,000</u>	<u>715,000</u>
Totals	<u>\$ 1,736,000</u>	<u>\$ 1,828,000</u>	<u>\$ 1,917,000</u>

During the prior fiscal year, the District refinanced its revenue bonds to take advantage of favorable interest rates.

The District's Series 1998 General Obligation bonds and Series 2002 Revenue Refunding bonds are un-rated.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Crystal Mettles, Office Manager, Waterworks District No. 11 of Wards 4 and 7 of Calcasieu Parish.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Balance Sheets  
As of June 30,**

<b>ASSETS</b>	<b>2004</b>	<b>2003</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 16,702	\$ 34,132
Investments	152,947	161,069
Receivables (net of allowances for uncollectibles of \$2,752 for 2004 and \$2,503 for 2003):		
Water sales	52,484	47,919
Unbilled water sales	23,231	20,874
Other	39,465	6,696
Inventory, at cost	2,464	2,464
Prepaid expenses	1,311	1,816
	<b>288,604</b>	<b>274,970</b>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	162,294	143,279
Investments	28,442	16,236
	<b>190,736</b>	<b>159,515</b>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Plant and distribution system	3,774,366	3,734,227
Furniture, fixtures, and equipment	133,678	132,727
	<b>3,908,044</b>	<b>3,866,954</b>
Less accumulated depreciation	(1,178,642)	(1,065,281)
	<b>2,729,402</b>	<b>2,801,673</b>
Land and right of ways	21,364	21,364
	<b>2,750,766</b>	<b>2,823,037</b>
<b>OTHER ASSETS</b>		
Deferred charges, bond issue costs, net	27,578	29,657
	<b>\$ 3,257,684</b>	<b>\$ 3,287,179</b>

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  
Balance Sheets (Continued)  
As of June 30,**

	2004	2003
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 32,309	\$ 4,932
Accrued wages	13,090	11,620
Payroll taxes and retirement payable	4,275	4,059
Sales tax payable	50	861
	49,724	21,472
<b>Total Current Liabilities</b>		
<b>CURRENT LIABILITIES (Payable from Restricted Assets)</b>		
Accrued interest	14,979	14,810
Current portion of revenue bonds	66,000	62,000
Current portion of general obligation bonds	30,000	30,000
Refundable customer deposits	97,923	86,483
	208,902	193,293
<b>Total Current Liabilities (Payable From Restricted Assets)</b>		
<b>LONG-TERM LIABILITIES</b>		
Revenue bonds payable (net of current portion and deferred loss)	1,015,000	1,081,000
General obligation bonds payable (net of current portion)	625,000	655,000
	1,640,000	1,736,000
<b>Total Long-Term Liabilities</b>		
	1,898,626	1,950,765
<b>Total Liabilities</b>		
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	1,014,766	995,037
Restricted for debt service	(18,166)	(33,778)
Unrestricted	362,458	375,155
	1,359,058	1,336,414
<b>Total Net Assets</b>		
	\$ 3,257,684	\$ 3,287,179
<b>TOTAL LIABILITIES AND NET ASSETS</b>		
	\$ 3,257,684	\$ 3,287,179

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  
Statements of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended June 30,**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Water sales	\$ 519,711	\$ 519,126
Tap fees	24,348	19,750
Total Operating Revenues	<u>544,059</u>	<u>538,876</u>
<b>OPERATING EXPENSES</b>		
Salaries	166,067	157,536
Payroll taxes	13,834	13,738
Retirement expense	4,050	6,435
Meter reading	17,129	7,394
Insurance	31,754	36,307
Legal and accounting fees	17,845	14,840
Office supplies	7,020	10,764
Plant supplies	75,179	64,476
Repairs and maintenance	59,176	142,608
Truck expense	3,874	4,121
Utilities and telephone	25,861	26,950
Water purchases	20,152	23,139
Depreciation	113,361	110,663
Amortization expense	2,079	2,079
Bank charges	2,195	2,370
Dues and fees	1,231	7,158
Commissioners per diem	4,780	5,840
Miscellaneous	15,977	4,486
Total Operating Expenses	<u>581,564</u>	<u>640,904</u>
<b>INCOME FROM OPERATIONS</b>	<u>(37,505)</u>	<u>(102,028)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Ad valorem taxes	108,331	131,529
Interest income	5,501	5,900
Interest expense	(93,493)	(97,630)
Miscellaneous income	39,810	48,206
Total Non-Operating Revenues (Expenses)	<u>60,149</u>	<u>88,005</u>
<b>CHANGE IN NET ASSETS</b>	22,644	(14,023)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,336,414</u>	<u>1,350,437</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,359,058</u>	<u>\$ 1,336,414</u>

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  
Statements of Cash Flows  
For the Years Ended June 30,**

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	\$ 554,030	\$ 562,466
Payments to suppliers	(250,827)	(372,115)
Payments to employees	(187,045)	(164,804)
Other	924	(314)
	117,082	25,233
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(4,084)	(3,840)
Interest earned	5,501	5,900
	1,417	2,060
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital expenditures	(41,091)	(25,901)
Principal payments on bonds	(92,000)	(89,000)
Interest paid on bonds	(93,493)	(97,725)
Ad valorem taxes	108,331	131,529
Miscellaneous	1,339	48,205
	(116,914)	(32,892)
Net Increase (Decrease) in Cash	1,585	(5,599)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>177,411</b>	<b>183,010</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 178,996</b>	<b>\$ 177,411</b>
<b>Cash and Cash Equivalents:</b>		
Unrestricted	\$ 16,702	\$ 34,132
Restricted	162,294	143,279
	<b>\$ 178,996</b>	<b>\$ 177,411</b>

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  
Statements of Cash Flows (Continued)  
For the Years Ended June 30,**

	2004	2003
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Income (loss) from operations	\$ (37,505)	\$ (102,026)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	115,440	112,742
Provision for bad debts	249	(314)
(Increase) decrease in accounts receivable	(1,469)	14,550
(Increase) decrease in prepaid expense	505	-
Increase (decrease) in accounts payable and other accrued expenses	39,862	281
	154,587	127,259
<b>Total Adjustments</b>		
	\$ 117,082	\$ 25,233
<b>Net Cash Provided (Used) by Operating Activities</b>		
	\$ 117,082	\$ 25,233
<b>Supplemental Disclosure:</b>		
Cash paid for interest	\$ 93,493	\$ 97,725
	\$ 93,493	\$ 97,725

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, 2004 and 2003**

***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 accounting principles generally accepted in the United States of America 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 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 a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a *continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.*

**Basis of Accounting**

The District has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments”.

The district uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GASB Statement No. 20 states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The District has elected not to implement FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Fixed 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. 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 \$113,361 for the year ended June 30, 2004, and \$110,663 for the year ended June 30, 2003.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

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

D. 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.

E. Inventory

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

F. Reclassifications

Certain reclassifications may have been made to the June 30, 2003 financial statements in order for them to be better compared to the June 30, 2004 financial statements.

G. Cash

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

*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, 2003, taxes of 14.51 mills were levied on property with net assessed valuations of approximately \$8,219,790. Total taxes levied, net of pension funds, were \$115,148. The 14.51 mills were dedicated as follows:

Maintenance fund	5.51 mills
Sinking fund	9.00 mills

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**Note 3 - Changes in Long-Term Debt**

The following is a summary of bond payable transactions of the District for the year ended June 30, 2004:

	General Obligation	Revenue	Total
Outstanding at July 1, 2003	\$ 685,000	\$ 1,143,000	\$ 1,828,000
Bonds Retired	<u>(30,000)</u>	<u>(62,000)</u>	<u>(92,000)</u>
Outstanding at June 30, 2004	<u>\$ 655,000</u>	<u>\$ 1,081,000</u>	<u>\$ 1,736,000</u>

Long-term debt at June 30, 2004 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, 1999; due in annual installments including interest at 4.10% to 5.10% through the year 2018 \$ 655,000

Revenue bonds:

\$1,217,000 Water Revenue Refunding Bonds; dated March 6, 2002; due in annual installments of \$122,008 to \$125,248 through June 1, 2016; interest at 5.25% \$ 1,081,000

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

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

The annual requirements to amortize all debt outstanding as of June 30, 2004, are as follows:

<u>General Obligation Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,000	\$ 31,890	\$ 61,890
2006	35,000	30,465	65,465
2007	35,000	28,803	63,803
2008	40,000	27,088	67,088
2009	40,000	25,048	65,048
2010-2014	235,000	97,388	332,388
2015-2018	<u>240,000</u>	<u>31,365</u>	<u>271,365</u>
Total	<u>\$ 655,000</u>	<u>\$ 272,047</u>	<u>\$ 927,047</u>

<u>Revenue Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 66,000	\$ 56,753	\$ 22,753
2006	70,000	53,287	123,287
2007	73,000	49,612	122,612
2008	77,000	45,780	122,780
2009	82,000	41,738	123,738
2010-2014	481,000	139,388	620,388
2015-2016	<u>232,000</u>	<u>18,428</u>	<u>250,428</u>
Total	<u>\$ 1,081,000</u>	<u>\$ 404,986</u>	<u>\$ 1,485,986</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.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

***Note 4 - Restricted Assets***

Certain proceeds of enterprise fund revenue bonds and general obligation 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. The following is a schedule of restricted assets as of June 30,:

	<u>2004</u>	<u>2003</u>
Bond Redemption Fund	\$ 54,142	\$ 46,629
Sinking Fund	10,229	10,167
Reserve Fund	14,221	8,118
Contingency Fund	14,221	8,118
Customer Deposit	<u>97,923</u>	<u>86,483</u>
	<u>\$ 190,736</u>	<u>\$ 159,515</u>

***Note 5 - Cash, Cash Equivalents, and Investments:***

At June 30, 2004, the District had cash and cash equivalents (book balances) totaling \$178,996.

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, 2004, the District had \$181,644 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,307,581 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 District 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.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

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

In accordance with GASB Codification Section 150.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

As of June 30, 2004, the District had \$181,389 invested in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations". Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

**Note 6 - Capital Assets**

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Land and Right of Ways	\$ 21,364	\$ - 0 -	\$ - 0 -	\$ 21,364
Capital Assets Being Depreciated:				
Plant and Distribution System	3,734,227	40,139	- 0 -	3,774,366
Furniture, Fixtures, & Equipment	<u>132,727</u>	<u>951</u>	<u>- 0 -</u>	<u>133,678</u>
Total Capital Assets being Depreciated	3,866,954	41,090	- 0 -	3,908,044
Less Accumulated Depreciation	<u>1,065,281</u>	<u>113,361</u>	<u>- 0 -</u>	<u>1,178,642</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>2,801,673</u>	<u>(72,271)</u>	<u>- 0 -</u>	<u>2,729,402</u>
Total Capital Assets, Net	<u>\$2,823,037</u>	<u>\$(72,271)</u>	<u>\$ - 0 -</u>	<u>\$2,750,766</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	\$ 1,140
Neva Martin	1,020
Lewis Moss	280
Ronnie Bowers	1,200
Harry Henry	<u>1,140</u>
	<u>\$ 4,780</u>

**Note 8 - 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 \$4,050, covering \$69,672 of the District's total payroll of \$166,067.

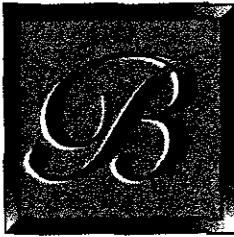
**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Notes to Financial Statements (Continued)  
June 30, 2004 and 2003**

*Note 9 - Major Supplier*

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

*Note 10 - Risk Management*

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



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 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, 2004, and have issued our report thereon dated October 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's 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 are 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 financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Waterworks District 11 of Wards 4 and 7 of Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item B 2004-1.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described as item B 2004-1 is not a material weaknesses.

This report is intended solely for the information and use of management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Broussard & Company*

Lake Charles, Louisiana  
October 14, 2004  
/dk

**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, 2004**

**A. Summary of Independent Auditor's Results:**

1. Unqualified opinion on financial statements.
2. Reportable condition in internal control - Refer to B 2004-1.
3. No instances of non-compliance noted.

**B. GAGAS Findings:**

2004-1 Lack of Segregation of Duties

Repeat Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the District.

Cause: Due to the size of the staff, it is not always feasible to segregate duties.

Effect: The possibility of unauthorized transactions being processed exists.

Recommendation: We recommend that the District's board perform independent review of the items processed through to accounting system in order to strengthen its internal controls.

Management Response: The board of directors shall perform an independent review of items processed through the accounting system in order to strengthen its internal control.

**C. Summary of Prior Year Findings:**

2003-1 Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the District due to the size of the staff.

Corrective Action: The board of directors shall perform an independent review of items processed through the accounting system in order to strengthen its internal control.

2003-2 Security Deposits

Finding: During our audit we noted that proper documentation regarding customer security deposits was not being maintained.

Corrective Action: The District has implemented a policy that requires additional supervision and review over security deposits and are reconciling daily between receipts and bank deposits.

**WATERWORKS DISTRICT NO. 11 OF WARDS 4 AND 7  
OF CALCASIEU PARISH, LOUISIANA  
Sulphur, Louisiana  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2004**

2003-3 Adjustments to Customer Accounts:

Finding: During our audit we noted that adjustments to customer accounts were being made without proper approval of management.

Corrective Action: The District's office manager processes all adjustments made to customer accounts. Reports will be processed monthly and distributed monthly to the Board of Commissioners for approval of all adjustments.

2003-4 Accounts Receivable:

Finding: During our audit we noted that the District is not reconciling the customer accounts receivable sub-ledger to the general ledger in a timely manner.

Corrective Action: The District will reconcile accounts receivable on a monthly basis. The Board will review these reconciliations monthly.

2003-5 Funds Not Accounted For:

Finding: During our audit we discovered a possible loss of funds ranging from \$8,000 to \$23,000. The possible loss appears to be the result of instances where customer fees and deposits collected were not deposited in the District's bank account. However, due to the lack of detailed records on a daily basis it would be cost prohibitive to "reconstruct" the transactions to definitely determine if there were any intentional misappropriation of funds.

Corrective Action: The District concurs with the preceding recommendations and the Board will review actual reconciliations and reports on a monthly basis.