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WATERWORKS DISTRICT NO. 4 OF THE
PARISH OF ASCENSION
STATE OF LOUISIANA
Donaldsonville, Louisiana

COMPONENT UNIT FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORTS
Year ended August 31, 1999

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 1-19-00

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioner of the
Parish of Ascension, Louisiana
Waterworks District No. 4

I have audited the accompanying component unit financial statements of the Parish of Ascension, Louisiana – Waterworks District No. 4, a component unit of the Parish of Ascension, Louisiana, as of and for the year ended August 31, 1999, as listed in the table of contents. These component unit financial statements are the responsibility of the Parish of Ascension, Louisiana – Waterworks District No. 4's management. My responsibility is to express an opinion on these component unit financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Parish of Ascension, Louisiana – Waterworks District No. 4 as of August 31, 1999, and the results of its operations and cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

It is my further opinion, except for the matters discussed in Note E to the financial statements and the Independent Auditor's Report On Compliance Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards, that the accounting requirements of the bond indenture, under which outstanding utility revenue bonds were issued, have been met.

My audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Parish of Ascension, Louisiana – Waterworks District No. 4. Such information, except for that portion marked “unaudited”, on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the component financial statements, and, in my opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued a report dated December 1, 1999 on our consideration of the Parish of Ascension, Louisiana – Waterworks District No. 4’s internal control and compliance.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for the year in which I expressed an unqualified opinion on the component unit financial statements of the Parish of Ascension, Louisiana – Waterworks District No. 4.

A handwritten signature in black ink, appearing to read "J. Caballero". The signature is written in a cursive style with a large, looping initial "J".

White Castle, Louisiana
December 1, 1999

COMPONENT UNIT FINANCIAL STATEMENTS

BALANCE SHEET
 WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
 AUGUST 31, 1999 AND 1998

	AUGUST 31,	
	1999	1998
ASSETS		
CURRENT ASSETS		
Cash (demand and time deposits)	\$ 4,040	\$ 8,393
Accounts receivable and accrued water sales (net of allowance for uncollectible accounts of \$1,800 in 1999 and \$1,800 in 1998)	10,260	12,035
Other receivables	22	-
Prepaid insurance	2,096	1,995
	\$ 16,418	\$ 22,423
RESTRICTED ASSETS - CASH (Note D)		
Revenue bond and interest sinking fund - cash (includes time deposits of \$5,109)	\$ 10,882	\$ 10,385
Due from operation account	6,252	4,252
Revenue bond reserve fund (savings deposits)	3,751	11,396
Replacement and extension fund (savings deposits)	7,665	7,533
Customers' meter deposits (demand and time deposits)	4,094	4,048
	\$ 32,644	\$ 37,614
FIXED ASSETS		
Plant and equipment (at cost, net of accumulated depreciation of \$94,688 for 1999 and \$90,798 for 1998)	\$ 60,919	\$ 64,808
OTHER ASSETS		
Unamortized debt expense	\$ 798	\$ 926
	\$ 110,778	\$ 125,771

The accompanying notes are an integral part of this statement.

Continued.....

Exhibit A
Continued

	-----AUGUST 31,-----	
LIABILITIES AND RETAINED EARNINGS	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES		
Payable from current assets:		
Accounts payable	\$ 8,742	\$ 8,205
Taxes payable	195	239
Due to revenue bond and interest account	4,252	4,252
Due to revenue bond reserve account	<u>2,000</u>	<u>-</u>
	<u>\$ 15,189</u>	<u>\$ 12,696</u>
Payable from restricted assets:		
Bonds payable - September 1	\$ -	\$ 4,000
Interest Coupons maturing September 1	-	1,980
Customers' meter deposits	<u>5,460</u>	<u>4,825</u>
	<u>\$ 5,460</u>	<u>\$ 10,805</u>
	<u>\$ 20,649</u>	<u>\$ 23,501</u>
LONG TERM LIABILITIES		
Revenue bonds payable (Note C)	\$ 58,000	\$ 66,000
Less: Amount currently due	<u>-</u>	<u>4,000</u>
	<u>\$ 58,000</u>	<u>\$ 62,000</u>
	<u>\$ 78,649</u>	<u>\$ 85,501</u>
RETAINED EARNINGS		
Contributed capital:		
Customers	\$ 20,715	\$ 20,715
Federal Grant	<u>46,000</u>	<u>46,000</u>
	<u>\$ 66,715</u>	<u>\$ 66,715</u>
Accumulated deficit:		
Reserved for revenue bond and interest retirement	\$ 20,885	\$ 27,575
Reserved for replacements and extensions	7,665	7,533
Unreserved	<u>(63,135)</u>	<u>(61,553)</u>
	<u>\$ (34,585)</u>	<u>\$ (26,445)</u>
	<u>\$ 32,129</u>	<u>\$ 40,270</u>
	<u>\$ 110,778</u>	<u>\$ 125,771</u>

The accompanying notes are an integral part of this statement.

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

	ENTERPRISE FUND	
	<u>1999</u>	<u>1998</u>
OPERATING REVENUES		
Sale of water	\$ 89,462	\$ 97,767
Forfeited discounts	2,758	3,481
Service charges	470	404
	<u>\$ 92,690</u>	<u>\$ 101,652</u>
OPERATING EXPENSES (OTHER THAN DEPRECIATION)		
Cost of water	\$ 62,756	\$ 63,415
Management fees and service charges	14,852	14,061
Repairs and maintenance	3,792	6,302
Professional fees	2,979	2,942
Insurance expense	2,414	2,348
Commission fee	4,320	4,920
Uncollectible accounts	1,072	-
Water treating chemicals	684	196
Miscellaneous	907	344
	<u>\$ 93,776</u>	<u>\$ 94,528</u>
INCOME FROM OPERATIONS (BEFORE DEPRECIATION)	\$ (1,086)	\$ 7,124
Depreciation	3,890	3,890
INCOME FROM OPERATIONS	<u>\$ (4,976)</u>	<u>\$ 3,234</u>
NONOPERATING REVENUES		
Interest earned	\$ 488	\$ 785
Other income	179	191
Bad debt recovery	86	688
	<u>\$ 753</u>	<u>\$ 1,664</u>
NONOPERATING EXPENSES		
Interest expense	\$ 3,789	\$ 3,977
Amortization of deferred debt expense	128	136
	<u>\$ 3,917</u>	<u>\$ 4,113</u>
NET INCOME (LOSS)	\$ (8,140)	\$ 785
Retained earnings - beginning of year	<u>(26,445)</u>	<u>(27,230)</u>
Retained earnings - end of year	<u>\$ (34,585)</u>	<u>\$ (26,445)</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS- PROPRIETARY FUND TYPE

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
FOR THE YEARS ENDED AUGUST 31, 1999 AND 1998

	-----AUGUST 31,-----	
	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ (8,140)	\$ 785
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,018	4,026
Provision for losses on accounts receivable	-	-
(Increase) decrease in accounts receivable	1,775	2,031
(Increase) decrease in other receivables	(22)	-
(Increase) decrease in prepaid expenses	(101)	(167)
Increase (decrease) in accounts payable	537	(1,704)
Increase (decrease) in taxes payable	(44)	19
Increase (decrease) in restricted liabilities	<u>(1,345)</u>	<u>2,675</u>
Total adjustments	\$ 4,818	\$ 6,880
Net cash provided by operating activities	\$ (3,322)	\$ 7,665
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>\$ -</u>	<u>\$ (610)</u>
Net cash used in investing activities	\$ -	\$ (610)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long term debt	\$ (8,000)	\$ -
Capital contributed by customers	<u>-</u>	<u>215</u>
Net cash provided by financing activities	\$ (8,000)	\$ 215
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ (11,322)	\$ 7,270
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>\$ 41,751</u>	<u>\$ 34,481</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 30,429</u></u>	<u><u>\$ 41,751</u></u>

The accompanying notes are an integral part of this statement.

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
 AUGUST 31, 1999

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

Fund Structure

Water District No. 4 of the Parish of Ascension, Louisiana, a component unit of the Parish, is a proprietary type fund, more specifically an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing water service to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of accounting

This proprietary fund is accounted for using the accrual basis of accounting, that is, revenues are recognized when earned and expenses are recognized when incurred. Unbilled charges for water service are included in accounts receivable at year end.

Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows include demand and time deposit accounts. On August 31, 1999 Waterworks District No. 4 of the Parish of Ascension, Louisiana had bank balances in one bank as follows:

	Balance	FDIC
LOUISIANA NATIONAL SECURITY BANK DONALDSONVILLE, LOUISIANA	\$30,429	Insurance \$100,000

Restricted assets

Restricted assets on the balance sheet represent (1) amounts which are required to be maintained pursuant to the District's revenue bond resolution (bond interest and redemption, bond reserve, and reserve for contingency and improvements, see note (D) and (2) funds held for customer deposits.

Utility plant

Plant and equipment is stated at cost less accumulated depreciation. Depreciation is recorded on the straight-line method over an estimated useful life of 40 years.

Deferred debt expense

Amortization of deferred debt expense is recognized on the "bonds outstanding" method over the life of the bond issue.

Changes in contributed capital

There was no change in contributed capital for the year ended August 31, 1999.

Retained earnings – deficit

The retained earning deficit on the balance sheet on August 31, 1999 and August 31, 1998 was \$34,585 and \$26,445 respectively. The increase in the deficit was primarily due to an increase in water loss for the year ended August 31, 1999.

Risk of loss

The district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The district purchases commercial insurance for risks of loss. There have been no insurance claims or reduction in insurance coverage for the past three years.

NOTE B: YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the district's operations as early as fiscal year 1999. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be full determinable until the year 2000 and thereafter. Management cannot assure that Waterworks District No. 4 of the Parish of Ascension, Louisiana is or will be Year 2000 ready, that the Waterworks District No. 4 of the Parish of Ascension, Louisiana's remediation efforts will be successful in whole or in part, or

that parties with whom the Waterworks District No. 4 of the Parish of Ascension, Louisiana does business will be year 2000 ready.

NOTE C: BONDED INDEBTEDNESS

The U.S Department of Housing and Urban Development was purchaser of the entire issue of water revenue bonds amounting to \$125,000 dated September 1, 1971. The bonds bear interest of 6%, payable semi-annually on March 1, and September 1, of each year and mature serially as shown in the following schedule.

<u>Due September 1</u>	<u>Serial Payments</u>		<u>Bond Numbers</u>
	<u>Annual</u>	<u>Total</u>	
2000 – 2001	4,000	8,000	68 – 75
2002 – 2011	5,000	50,000	76 – 125

The bonds are callable at par plus a premium of 3% except that the call premium is reduced ½ of 1% each five years after the first call date (September 1, 1982).

NOTE D: FLOW OF FUNDS; RESTRICTIONS ON USE

Under the terms of the bond indenture on outstanding water utility bonds dated September 1, 1971, all income and revenue (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utility System are pledged and dedicated to the retirement of said bonds, and are to be set aside into the “Water System Revenue Fund.” Such revenue shall be expended and used only in the manner and order specified below.

The first charge against the Water System Revenue Fund shall be the payment of the reasonable and necessary expenses incurred in the current operation and maintenance of the system.

Each month there will be set aside into a fund called the “Revenue Bond and Interest Sinking Fund” an amount constituting 1/12 of the next maturing installment of principal and 1/6 of the next maturing installment of interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payments of principal and interest installments as they become due, and may be used only for such payments. During fiscal 1999 all transfers were made on a timely basis.

Each month there shall also be set aside into a "Revenue Bond Reserve Fund an amount equal to 10% of the sum transferred to the Bond Sinking Fund" until such time as the funds and/or investments in the Revenue Bond Reserve fund shall equal \$8,000.00. Thereafter, such monthly transfers will be made whenever, and to the extent necessary, to maintain the balance of \$8,000.00. Money in the Reserve Fund may be used solely for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the Sinking Fund and as to which there would otherwise be a default.

Funds will also be set aside into a "Replacement and Extension Fund" by monthly transfers of \$79 until the amount of \$4,700 is on deposit in the fund and said fund shall, thereafter, be maintained in said amount. Money in this fund may be used for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions and for paying the costs of improvements to the system which will either enhance its revenue-producing capacity or provide a higher degree of service. Money in this fund may also be used to pay principal and/or interest on the bonds falling due at any time there is not sufficient money for repayment in the other bond funds and to maintain the required debt reserve of \$8,000.00.

Any balance in the "Water System Revenue Fund" may be used for the purpose of acquiring for cancellation the outstanding Revenue Bonds or for redeeming the outstanding Revenue bonds in inverse numerical order at not to exceed the applicable call price, or for any other lawful purpose.

NOTE E: COMMENTS ON COMPLIANCE

The terms and conditions of the loan agreement and the regulations, policies, and procedures prescribed by its governing board and by H.U.D regarding the Public Facility Loans Program were **not** complied with.

It is appropriate for the "Revenue Bond Reserve Fund" to make interest and principal payments under the bond indentures if the sufficient funds are not on deposit in the "Revenue Bond and Interest Sinking Fund." If the balance in the "Revenue Bond Reserve Fund" should fall below the required debt reserved of \$ 8,000.00, the district must begin making monthly transfers to the fund as described in the bond indenture. During the year the fund fell below the required debt reserve and the district failed to begin making monthly transfers to the fund.

In addition, the money in the "Revenue Bond Reserve Fund" is used solely for the payment of maturing bonds and interest coupons for which

sufficient funds are not on deposit in the "Revenue Bond and Interest Sinking Fund". The district violated this restriction by transferring \$2,000.00 to the "Operations" account during the year.

NOTE F: WATER LOSS

At various times during the year and in prior years the district experienced significant differences between the amount of water purchased from its supplier and the amount sold to its customers. Water loss data for the three most recent years is illustrated below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Water purchased	23,065	24,013	25,934
Water sold	15,330	17,663	15,875
Water unaccounted for	7,735	6,350	10,059
Percent unaccounted for	34%	26%	39%

Based on the average cost per thousand gallons of water, for the respective years, the cost of the water that is unaccounted for amounted to approximately \$20,807 in 1999, \$16,700.50 in 1998 and \$ 23,538 in 1997.

NOTE G: OTHER GENERAL INFORMATION

1. In 1999, revenues were derived from the sale of water at the following rates:

Effective July 1, 1994:

First 2,000 gallons or less	\$15.98 (Minimum)
All over 2,000 gallons	\$4.61 per thousand gallons

2. Names and titles of principal officers and per diem paid to each.

		<u>Per Diem</u>
President	Robert Bourg	\$ 840.00
Member	Sherry White	840.00
Member	Herbert Brunswick	840.00
Sec/Treas	Leonard Julien Jr	900.00
Member	Charles Taylor	<u>900.00</u>
		\$4,320.00

SUPPLEMENTARY INFORMATION

SCHEDULE 1

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - RESTRICTED ACCOUNTS
 YEAR ENDED AUGUST 31, 1999

	<u>CASH WITH PAYING AGENT</u>	<u>REVENUE BOND AND INTEREST SINKING FUND</u>	<u>REVENUE BOND RESERVE FUND</u>	<u>REPLACEMENT AND EXTENSION FUND</u>
CASH (including time deposits), August 31, 1998	\$ -	\$ 5,181	\$ 11,396	\$ 7,533
Cash receipts:				
Interest earned	-	34	215	132
Transfer from Operating Account	-	8,463	-	-
Transfer from Revenue Bond Reserve Fund	5,860	-	-	-
Transfer from Revenue Bond and Interest Sinking Fund	7,840	-	-	-
Total cash available	<u>\$ 13,700</u>	<u>\$ 13,678</u>	<u>\$ 11,611</u>	<u>\$ 7,665</u>
Cash disbursements:				
Principal payment	\$ 8,000	\$ -	\$ -	\$ -
Interest payment	5,700	-	-	-
Transfer to Operating Account	-	-	2,000	-
Transfer to Paying Agent	-	7,840	5,860	-
Transfer to Revenue Bond Reserve Fund	-	-	-	-
Bank charges	\$ -	\$ 161	\$ -	\$ -
Total cash disbursements	<u>\$ 13,700</u>	<u>\$ 8,001</u>	<u>\$ 7,860</u>	<u>\$ -</u>
CASH (including time deposits) August 31, 1999	<u>\$ 0</u>	<u>\$ 5,677</u>	<u>\$ 3,751</u>	<u>\$ 7,665</u>

SCHEDULE 2

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - RESTRICTED ACCOUNTS
 YEAR ENDED AUGUST 31, 1998

	<u>CASH WITH PAYING AGENT</u>	<u>REVENUE BOND AND INTEREST SINKING FUND</u>	<u>REVENUE BOND RESERVE FUND</u>	<u>REPLACEMENT AND EXTENSION FUND</u>
CASH (including time deposits), August 31, 1997	\$ -	\$ 418	\$ 11,072	\$ 7,319
Cash receipts:				
Interest earned	-	48	324	214
Transfer from Operating Account	-	6,695	-	-
Transfer from Revenue Bond and Interest Sinking Fund	1,980	-	-	-
Total cash available	<u>\$ 1,980</u>	<u>\$ 7,161</u>	<u>\$ 11,396</u>	<u>\$ 7,533</u>
Cash disbursements:				
Principal payment	\$ -	\$ -	\$ -	\$ -
Interest payment	1,980	-	-	-
Transfer to Operating Account	-	-	-	-
Transfer to Paying Agent	-	1,980	-	-
Transfer to Revenue Bond Reserve Fund	-	-	-	-
Bank charges	-	-	-	-
Total cash disbursements	<u>\$ 1,980</u>	<u>\$ 1,980</u>	<u>\$ -</u>	<u>\$ -</u>
CASH (including time deposits) August 31, 1998	<u>\$ -</u>	<u>\$ 5,181</u>	<u>\$ 11,396</u>	<u>\$ 7,533</u>

SCHEDULE 3

OPERATIONS

	-----AUGUST 31,-----	
	<u>1999</u>	<u>1998</u>
Water revenues	\$ 89,462	\$ 97,767
Gallons sold (in thousands)	15,330	17,663
Total customer billings for the year	2,058	2,001
Average revenue per thousand gallons sold	\$ 5.84	\$ 5.54
Average monthly billings	172	167
Average annual revenue per customer	\$ 521.64	\$ 586.31
Average annual water usage (in thousand gallons) per customer	89	106

SCHEDULE 4

INSURANCE IN FORCE
AUGUST 31, 1999

UNAUDITED

Insurance in force at August 31, 1999 was as follows:

(a) Commercial General Liability

General Aggregate Limit (Other Than Products-Completed Operations)	\$	1,000,000
Products-Completed Operations Aggregate Limit	\$	1,000,000
Personal and Advertising Injury Limit	\$	500,000
Each Occurance Limit	\$	500,000
Fire Damage Limit (Any One Fire)	\$	100,000
Medical Expense Limit (Any One Person)	\$	5,000

(b) Automobile Liability

Combined Single Limit	\$	500,000
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(c) Other

Blanket Employee Dishonesty	\$	15,000
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The above schedule of insurance coverage is intended only as a descriptive summary and the independent accountant expresses no opinion as to the adequacy of such coverage.

INDEPENDENT AUDITOR'S REPORT AND OTHER SCHEDULES
REQUIRED BY GOVERNMENT AUDITING STANDARDS

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED AUGUST 31, 1999

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the component unit financial statements of the Parish of Ascension, Louisiana – Waterworks District No. 4.
2. One reportable condition disclosed during the audit of the component unit financial statements is reported in the Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards. This condition is reported as a material weakness.
3. One instance of noncompliance material to the component unit financial statements of the Parish of Ascension – Waterworks District No. 4 was disclosed during the audit.

FINDINGS FINANCIAL STATEMENT AUDIT

NONCOMPLIANCE

99-1 BONDS – FLOW OF FUNDS

Condition: Each month there shall be set aside into a "Revenue Bond Reserve Fund" an amount equal to 10% of the sum transferred to the "Revenue Bond and Interest Sinking Fund" until such time as the funds and/or investments in the "Revenue Bond Reserve Fund" shall equal \$ 8,000.00. Thereafter, such monthly transfers will be made whenever, and to the extent necessary, to maintain the balance of \$ 8,000.00. Money in the "Revenue Bond Reserve Fund" may be used solely for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the "Revenue Bond and Interest Sinking Fund" and as to which there would otherwise be a default.

During the year ended August 31, 1999, an interest and a principal bond payment was made directly from the "Revenue Bond reserve Fund". Adequate funds were available in the "Revenue Bond and Interest Sinking Fund" for the interest and principal bond payment. Additionally, \$2,000.00 was transferred directly from

SCHEDULE 5
CONTINUED

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED AUGUST 31, 1999

NONCOMPLIANCE (CONTINUED)

99-1 BONDS – FLOW OF FUNDS

the “Revenue Bond Reserve Fund” to the “Operations” account to be used for the payment of expenses for operating and maintaining the system.

Criteria: Under the terms of the bond indenture on outstanding water utility bonds dated September 1, 1971, all income and revenue of every nature, earned or derived from operations of the Utility System are pledged and dedicated to the retirement of said bonds. Such revenue shall be expended and used only in the manner and order specified in the bond indenture.

Effect: It is appropriate for the “Revenue Bond Reserve Fund” to make interest and principal bond payments under the bond indenture if the sufficient funds are not on deposit in the “Revenue Bond and Interest Sinking Fund”. If the balance in the “Revenue Bond Reserve Fund” should fall below the required debt reserve of \$ 8,000.00, the district must begin making monthly transfers to the fund as described in the bond indenture. During the year, the fund fell below the required debt reserve and the district failed to begin making monthly transfers to the fund.

Expenditures from the “Revenue Bond Reserve Fund” are to be used solely for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the “Revenue Bond and Interest Sinking Fund”. The district violated this restriction by transferring \$ 2,000.00 to the “Operations” account during the year.

Recommendation: Procedures should be established to assure that the district’s management is aware of and adheres to the bond indenture restrictions and requirements.

REPORTABLE CONDITION

99-2 INTERNAL CONTROL

SCHEDULE 5
CONTINUED

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED AUGUST 31, 1999

REPORTABLE CONDITION (CONTINUED)

99-2 Internal Control

Condition: Proper segregation of duties is an essential element in an internal control structure.

Criteria: The internal control structure should provide for an adequate segregation of duties to assure the district's ability to record, process, summarize and report financial data.

Effect: Because of the inadequate segregation of duties the district's ability to record, process, summarize and report financial data may be affected.

Recommendation: Procedures should be implemented to provide for an adequate segregation of duties. However, providing adequate segregation of duties is cost prohibitive given the size of the entity

SCHEDULE 6

WATERWORKS DISTRICT NO. 4 OF THE PARISH OF ASCENSION, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 1999

INTERNAL CONTROL FINDINGS

Proper segregation of duties is an essential element in an internal control. The size of the entity prohibits an adequate segregation of duties

COMPLIANCE FINDINGS

The district failed to comply with Louisiana's Public Policy For Open Meetings Law R.S. 42:4.1 through 42:13. There was no documentation to support that minutes were actually taken and recorded for each meeting.

P J CABALLERO, CPA

A Professional Corporation

32570 GRAHAM STREET
WHITE CASTLE, LA 70788-2210

225-545-3192

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners of the
Parish of Ascension, Louisiana
Waterworks District No. 4

I have audited the component unit financial statements of the Parish of Ascension Louisiana Waterworks District No. 4, a component unit of the Parish, for the year ended August 31, 1999 and have issued my report thereon dated December 1, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Parish of Ascension Louisiana Waterworks District No. 4's component unit financial statements are free of material misstatements, I performed tests of 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 my audit and, accordingly, I do not express such an opinion. The results of my test disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 99-1. I have also noted certain immaterial instances of noncompliance that I have reported to management of the Parish of Ascension Louisiana Waterworks District No. 4 in a separate letter dated December 1, 1999.

Internal Control over Financial Reporting


In planning and performing my audit, I considered the Parish of Ascension, Louisiana Waterworks District No. 4's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operations that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that,

in my judgment, could adversely affect the Parish of Ascension, Louisiana Waterworks District No. 4's ability to record, process, summarize and report financial data consistent with the assertions of management in the component unit financial statements. Reportable conditions are described in the accompanying schedule of findings as items 99-2.

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 component unit 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. My 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.

I consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the District, the Legislative Auditor and interested state and federal agencies. However, this report is a matter of public record and its distribution is not limited.



White Castle, Louisiana
December 1, 1999

P J CABALLERO, CPA

A Professional Corporation

32570 GRAHAM STREET
WHITE CASTLE, LA 70788-2210

225-545-3192

December 1, 1999

Board of Directors

Parish of Ascension, Louisiana – Waterworks District No. 4
Donaldsonville, Louisiana

I have audited the component unit financial statements of the Parish of Ascension, Louisiana Waterworks District No. 4 for the year ended August 31, 1999 and have issued my report thereon dated December 1, 1999. As a part of my audit, I made a study and evaluation of the District's internal control and compliance with laws and regulations as required by generally accepted auditing standards. I recommend that management consider the following comments and suggestions relative to the District's operating procedures, internal control and compliance with laws and regulations:

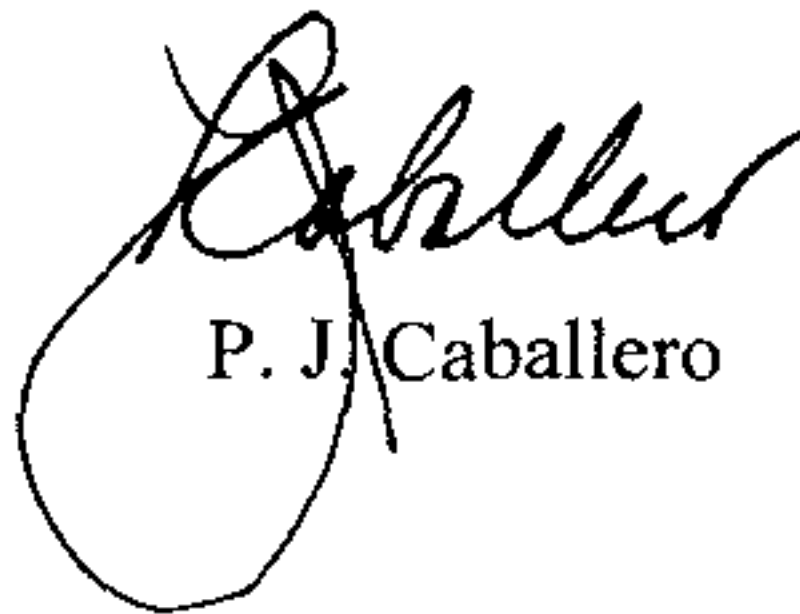
1. Establish procedures to assure compliance with Louisiana's Public Policy For Open Meetings Law R. S. 42:4.1 through 42:13.

Exhibit A to this letter discusses my comments and recommendations in detail.

I will be pleased to discuss these matters further with you at your convenience, or to assist you in their implementation.

I thank the officers of the District and the employees of the systems operator for the cooperation given me during the course of my audit.

Sincerely,



P. J. Caballero

PJC/RMG

EXHIBIT A

The district failed to provide minutes of the meetings for the audit period September 1998 through December 1998. There is no documentation to support that minutes were actually taken and recorded for each meeting. Procedures should be established to assure that the district has available properly recorded minutes of all meetings as required by state statutes.

G.J.H., Inc.

P.O. Box 60
White Castle, La 70788

545-3989
545-8232

CORRECTIVE ACTION PLAN

December 21, 1999

The Parish of Ascension, Louisiana – Waterworks District No. 4 respectfully submits the following corrective action plan for the year ended August 31, 1999.

Name and address of independent public accounting firm:

P. J. Caballero, CPA (A Professional Corporation)
32570 Graham Street
White Castle, La. 70788-2210

Audit Period: September 1, 1998 - August 31, 1999

The findings from the December 1, 1999 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

NONCOMPLIANCE

99-1 Bonds – Flow of Funds

Recommendation: Procedures should be established to assure that the district's management is aware of and adheres to the bond indenture restrictions and requirements.

Action Taken: Management understands and will adhere to the bond indenture restrictions and requirements.

REPORTABLE CONDITION

99-2 Internal Control

Recommendation: Procedures should be implemented to provide for an adequate segregation of duties.

Action Taken: Providing an adequate segregation of duties is cost prohibitive given the size of the entity.

MANAGEMENT LETTER

Public Policy For Open Meetings Law

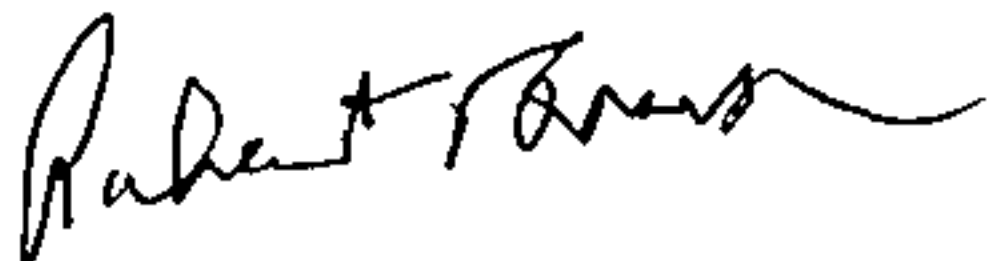
Recommendation: Procedures should be established to assure that the district has available properly recorded minutes of all meetings as required by state statutes.

Action Taken: Beginning January 1999 the operator began taking the minutes of the meetings to assure the district's compliance.

If there are any questions regarding this plan, please call Guy Hymel, Jr. at (225) 545-3989.

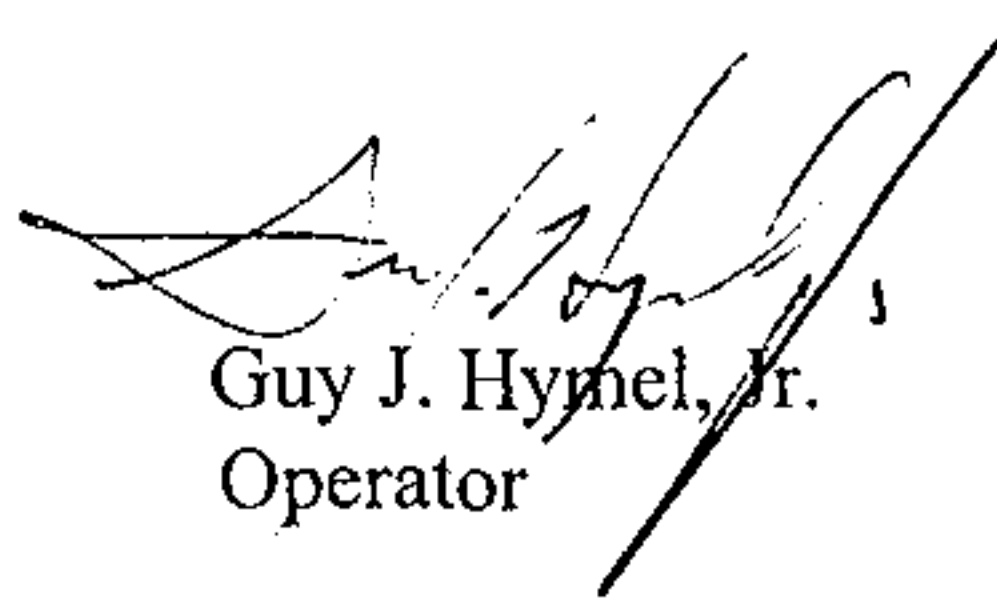
Sincerely,

Parish Of Ascension, Louisiana
Waterworks District No. 4



Robert C. Bourg
President

G. J. H., Inc.
Operator for District No. 4



Guy J. Hymel, Jr.
Operator