

OFFICIAL
FILE COPY
DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

(A Component unit of the West Baton Rouge Parish Council)

FINANCIAL STATEMENTS AND SUPPLEMENTAL MATERIAL

June 30, 1999 and 1998

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

Release Date 1-19-00

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	ii
Balance Sheets, June 30, 1999 and 1998	1
Statements of Retained Earnings for the years ended June 30, 1999 and 1998	2
Statements of Revenues and Expenses for the years ended June 30, 1999 and 1998	3
Statements of Cash Flows for the years ended June 30, 1999 and 1998	4
Notes to Financial Statements	6
 Supplementary Information:	
Schedule of Changes in Restricted Assets for the years ended June 30, 1999 and 1998	17
Operating Statistics (Unaudited)	18
Schedule of Changes in Water System	19
Schedule of Per Diem Payments	20
Insurance Coverage (Unaudited)	21
 Other Report:	
Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements performed in accordance with Government Auditing Standards.	23



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT

(A PROFESSIONAL CORPORATION)

Independent Auditor's Report

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish, Louisiana
Port Allen, Louisiana

I have audited the financial statements of Water Works District Number 4 of West Baton Rouge Parish, Louisiana, a component unit of the West Baton Rouge Parish Council, as of and for the years ended June 30, 1999 and 1998 listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Water District. My responsibility is to express an opinion on these 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 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. I believe that my audit provides a reasonable basis for my opinion.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosures of certain matters regarding the year 2000 issue. Water Works District Number 4, of West Baton Rouge Parish has included such disclosures in Note 14. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to

Water Works District Number 4

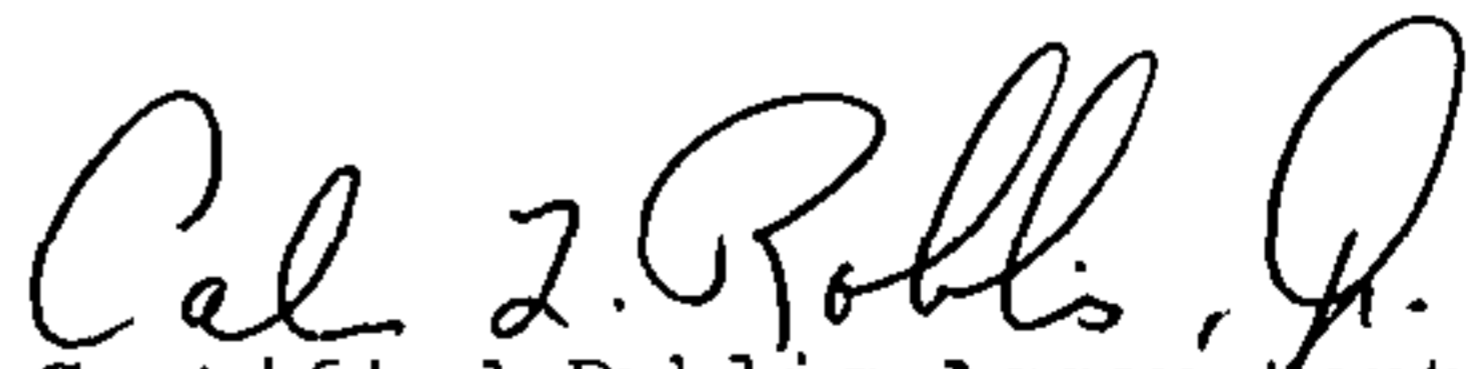
support Water Works District Number 4 of West Baton Rouge Parish's disclosures with respect to the year 2000 issue made in Note 14. Further, I do not provide assurance that Water Works District Number 4, of West Baton Rouge Parish is or will be year 2000 ready, that Water Works District Number 4, of West Baton Rouge Parish year 2000 remediation efforts will be successful in whole or in part, or that parties with which Water Works District Number 4, of West Baton Rouge Parish does business will be year 2000 ready.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of Water Works District Number 4, of West Baton Rouge Parish as of June 30, 1999 and 1998. And the results of its operations and the cash flow for the years then ended in conformity with generally accepted accounting principles.

In the course of my audit, nothing came to my attention that caused me to believe there has been any lack of compliance with the accounting or reporting requirements of the bond ordinance under which outstanding revenue bonds have been issued.

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Water Works District Number 4 of West Baton Rouge Parish, Louisiana. Such information, except for the Schedule of Insurance Coverage and Operating Statistics marked "unaudited", on which I express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.

In accordance with Government Auditing Standards, I have issued a report dated November 15, 1999 on my consideration of the Water Works District Number 4 of West Baton Rouge Parish Louisiana internal control structure, and on its compliance with laws and regulations.


Certified Public Accountant
(A Professional Corporation)

November 15, 1999
Baton Rouge, Louisiana

FINANCIAL STATEMENTS

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

BALANCE SHEETS

June 30, 1999 and 1998

A S S E T S

	<u>1999</u>	<u>1998</u>
<u>Current Assets</u>		
Cash and certificate of deposit	\$ 293,819	\$ 321,673
Accounts receivable (net of allowance for bad debts of \$1,000)	62,049	62,611
Interest receivable	4,487	5,011
Prepaid insurance	<u>1,716</u>	<u>1,588</u>
 Total Current Assets	 <u>362,071</u>	 <u>390,883</u>
 <u>Restricted Assets</u>		
Revenue Bond Restricted Funds (See Page 18)	<u>149,077</u>	<u>139,302</u>
 <u>Investments</u>	 <u>459,112</u>	 <u>458,145</u>
 <u>Water System</u>		
At cost, net of accumulated depreciation	2,224,666	2,160,253
 <u>Other Assets</u>		
Unamortized debt issuance expense	<u>39,592</u>	<u>41,313</u>
 Total Assets	 \$ <u>3,234,518</u>	 \$ <u>3,189,896</u>

LIABILITIES AND FUND EQUITY

	<u>1999</u>	<u>1998</u>
<u>Current Liabilities</u> (Payable from current assets)		
Accounts payable and accrued expenses	\$ 14,241	\$ 5,637
Contracts payable	-0-	48,839
Intergovernmental payables	<u>52,239</u>	<u>55,295</u>
Total Current Liabilities	_ _ <u>66,480</u>	_ <u>109,771</u>
<u>Current Liabilities</u> (Payable from restricted assets)		
Accrued interest payable	2,045	-0-
Revenue bond payable-Current	<u>-0-</u>	<u>-0-</u>
Total Current Liabilities Payable from Restricted Assets	_ _ <u>2,045</u>	_ _ _ <u>-0-</u>
<u>Long-Term Liabilities</u>		
Revenue bond payable-net of current portion	1,324,136	1,356,878
Due to Public Utility-relocation	<u>48,498</u>	<u>48,498</u>
Total Long-Term Liabilities	<u>1,372,634</u>	<u>1,405,376</u>
Total Liabilities	<u>1,441,159</u>	<u>1,515,147</u>
<u>Fund Equity</u>		
Contributed capital-		
Federal grant	600,000	600,000
Parish council grant	<u>18,725</u>	<u>18,725</u>
Total Contributed Capital	_ <u>618,725</u>	_ <u>618,725</u>
Retained Earnings-		
Reserved for revenue bond retirement	147,032	139,302
Unreserved	<u>1,027,602</u>	<u>916,722</u>
Total Retained Earnings	<u>1,174,634</u>	<u>1,056,024</u>
Total Fund Equity	<u>1,793,359</u>	<u>1,674,749</u>
Total Liabilities and Fund Equity	\$ <u>3,234,518</u>	\$ <u>3,189,896</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF RETAINED EARNINGS

For the years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Balance - Beginning of the year	\$ 1,056,024	\$ 925,972
Net income for the year	<u>118,610</u>	<u>130,052</u>
Balance - End of the year	\$ <u>1,174,634</u>	\$ <u>1,056,024</u>
Retained earnings at June 30, 1999 and 1998 consist of the following:		
Reserved for bond interest	\$ 147,032	\$ 139,302
Unreserved	<u>1,027,602</u>	<u>916,722</u>
Balance - End of the year	\$ <u>1,174,634</u>	\$ <u>1,056,024</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF REVENUES AND EXPENSES

For the years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<u>Operating Revenues</u>		
Water sales	\$ 403,908	\$ 389,620
Penalties	6,583	6,474
Connection charges	19,120	17,260
Service charges	2,980	1,810
Collection fees	6,741	6,487
Bad debt recovery	135	274
Miscellaneous	<u>1,893</u>	<u>241</u>
Total	_ <u>441,360</u>	_ <u>422,166</u>
 <u>Operating Expenses</u>		
Per diem expense	2,820	2,970
System operating charges	79,042	76,750
System rental	1,394	1,393
Depreciation	87,576	84,275
Electricity	36,039	33,585
Meter and system repairs and supplies	49,898	32,663
Insurance	8,049	7,951
Postage	3,962	3,520
Telephone	575	363
Secretarial expense	2,700	2,700
Miscellaneous	2,369	2,942
Bad debt expense	1,367	1,895
Professional fees	5,205	3,975
Billing supplies	<u>1,492</u>	<u>1,728</u>
Total	_ <u>282,488</u>	_ <u>256,710</u>
Operating Income	_ <u>158,872</u>	_ <u>165,456</u>
 <u>Nonoperating Revenues (Expenses)</u>		
Interest earned	41,368	41,352
Interest expense	(67,654)	(69,315)
Amortization of debt issuance expense	(1,721)	(1,721)
Investment expense	(2,138)	(1,989)
Investment (losses) gains	<u>(10,117)</u>	<u>(3,731)</u>
Total Nonoperating Revenues (Expenses)	_ <u>(40,262)</u>	_ <u>(35,404)</u>
Net Income	\$ <u>118,610</u>	\$ <u>130,052</u>

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended June 30, 1999 and 1998

Increase (Decrease) in Cash and Cash Equivalents

	<u>1999</u>	<u>1998</u>
<u>Cash Flows from Operating Activities</u>		
Operating income	\$ <u>158,872</u>	\$ <u>165,465</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	87,576	84,275
Decrease (Increase) in assets:		
Accounts receivable	562	(2,647)
Prepaid insurance	(128)	3,757
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	8,604	(4,535)
Inter-governmental payables	<u>(3,056)</u>	<u>(2,854)</u>
Total adjustments	<u>93,558</u>	<u>77,996</u>
Net cash provided by operating activities	<u>252,430</u>	<u>243,461</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(200,828)	(66,860)
Principal paid on revenue bond maturities	(32,742)	(29,415)
Interest paid on revenue bonds	<u>(65,609)</u>	<u>(69,315)</u>
Net cash used for capital and related financing activities	<u>(299,179)</u>	<u>(162,590)</u>
Cash (used) provided before investing activities	(46,749)	77,871

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

STATEMENTS OF CASH FLOWS - (Cont'd)

For the years ended June 30, 1999 and 1998

	<u>1999</u>	(RESTATED) <u>1998</u>
Cash (used) provided before investing activities - from the preceding page	\$ - <u>(46,749)</u>	\$ - <u>77,871</u>
<u>Cash Flows from Investing Activities</u>		
Interest and dividends on investments	41,892	41,092
Investment expenses	(2,138)	(1,989)
Proceeds from sale and redemption of securities	165,591	147,539
Purchase of securities	<u>(176,675)</u>	<u>(158,005)</u>
Net cash provided by investing activities	<u>28,670</u>	<u>28,637</u>
Net (decrease) increase in cash and cash equivalents	(18,079)	106,508
Cash and cash equivalents at the beginning of the year	<u>460,975</u>	<u>354,467</u>
Cash and Cash equivalents at the end of the year	\$ <u>442,896</u>	\$ <u>460,975</u>
<u>Cash and cash equivalents are shown as follows on the balance sheet:</u>		
Cash	\$ 293,819	\$ 321,673
Restricted assets	<u>149,077</u>	<u>139,302</u>
Total	\$ <u>442,896</u>	\$ <u>460,975</u>

Noncash Investing, Capital, and Financing Activities:

None.

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

June 30, 1999 and 1998

Introduction

Water Works District Number 4 operates a water system serving residences and businesses in parts of West Baton Rouge Parish. The Water District extends credit to its customers. The district does not require its customers to furnish collateral for their accounts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Water Works District Number 4 of West Baton Rouge Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Financial Accounting Standard Board (FASB) and the Accounting Principles Board are the accepted standard setting body for establishing accounting and financial reporting standards for entities other than governmental units. The Water District applies all FASB pronouncements and APB opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements, in which case, GASB prevails.

Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Water Works District Number 4 of West Baton Rouge Parish includes all funds, account groups, et cetera, that are within the oversight responsibility of the Water District. Based on the criteria set forth in GASB Statement No. 14, the Water District is a component unit of the West Baton Rouge Parish Council. The basis criteria is the Council's ability to exercise oversight responsibility. The Parish Council appoints the members of the Water District's board of commissioners and approves the District's budget.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Other criteria used to determine if a governmental unit is a component unit are financial interdependency, designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based on all the criteria set forth the Water Works District Number 4 of West Baton Rouge Parish has no component units.

Enterprise Fund

Water Works District Number 4 is operated as an enterprise fund, and as such employs the accrual method of accounting. 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.

Water System

All assets are recorded at original cost. Interest costs incurred during and related to construction are capitalized. Depreciation is recorded on all exhaustible fixed assets over their estimated useful lives using the straight-line method. The service life of the water system is 25 to 50 years. Equipment used in providing water service is depreciated over 4 to 10 years.

Deferred Expenses

The cost of issuing the Water Works Revenue Bond is being amortized over the term of the bond issue using the straight-line method.

Investment Securities

Investment securities are carried at fair market value as required by GASB Statement Number 31.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

Statement of Cash Flows

For purposes of the statement of cash flows, Water Works District Number 4 considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The Water District does not consider its investment in debt securities or any funds held by its brokers as cash equivalents (See Note 4).

Long-Term Liabilities

Long-term liabilities are recognized within the Enterprise Fund.

Fund Equity

Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

Organization

Water Works District Number 4 was established to construct and acquire a complete water system for the benefit of the residents and customers of the Water Works District as designated by the West Baton Rouge Parish Council. The Water Works District was granted a franchise to operate by the Parish Council in February, 1982. Water sales began in July, 1982.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 2. CASH AND CASH EQUIVALENTS

Cash is shown on the balance sheet under current assets (cash and certificate of deposit) and restricted assets. The carrying value of cash on deposit with financial institutions on June 30, 1999 was \$442,896. These deposits are stated at cost, which approximates market.

Under state law, these deposits 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 fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1999, the bank balances of the Districts' deposits were \$440,824. These deposits are secured from risk by \$100,000 of federal deposit insurance and \$461,550 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 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 3. RESTRICTED ASSETS

The restricted assets are accounts required to be maintained under the terms of the bond indenture of the outstanding Water Works Revenue Bond dated July 8, 1982. They are as follows:

- A) The Revenue Bond Sinking Fund is to be used for paying principal and interest due on the Water Works Revenue Bond. Monthly deposits are required to be made into the account sufficient to pay principal and interest when due. Balances at June 30, 1999 and 1998 were \$2,452 and \$2,452, respectively.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 3. RESTRICTED ASSETS - (Cont'd)

- B) The Revenue Bond Reserve Fund is to be used solely for the purpose of paying the principal and interest on bonds payable from the Revenue Bond Sinking Fund which would otherwise be in default. Balances at June 30, 1999 and 1998 were \$73,905 and \$68,978, respectively. As of June 30, 1999 and 1998, this fund was adequately funded.
- C) The Depreciation and Contingency Fund is to be used to pay for any unforeseen repairs to the system. Balances at June 30, 1999 and 1998 were \$72,720 and \$67,872, respectively. As of June 30, 1999 and 1998, this fund was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$149,077 and \$139,302 at June 30, 1999 and 1998, respectively.

NOTE 4. INVESTMENTS

At June 30 the Water District had investments as follows:

<u>1999:</u>	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
Various U. S. Treasury obligations, 5.625% to 7.5%, due between 10/15/99 and 5/15/08	\$ 201,714	\$ 204,070
Various FNMA and FHLMC pools, 7.00% to 7.50%, due between 10/15/07 and 9/25/23	209,009	209,882
RMA Money Mkt Portfolio	3,629	3,629
Paine Webber Cash Fund	<u>44,760</u>	<u>44,760</u>
	\$ <u>459,112</u>	\$ <u>462,341</u>

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 4. INVESTMENTS - (Cont'd)

<u>1998:</u>	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
Various U.S. Treasury obligations, 5.625% to 7.5%, due between 6/30/99 and 8/15/07	\$ 194,629	\$ 191,192
Various FNMA and FHLMC pools, 7.00% to 7.50%, due between 10/15/07 and 9/25/23.	236,469	230,913
RMA Money Mkt Portfolio	4,229	4,229
Paine Webber Cash Fund	<u>22,818</u>	<u>22,818</u>
	\$ <u>458,145</u>	\$ <u>449,152</u>

Investments are limited by state law and the district's investment policy. The investments are held by the Water District's broker in its street name. Because the securities are not in the name of the District and are not held by the District or its agents, the securities are considered uninsured and unregistered, Category 3, in applying the credit risk of GASB Codification I50.164.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 5. WATER SYSTEM

At June 30 the Water System consisted of the following:

	<u>1999</u>	<u>1998</u>
Water System - Cost	\$ 3,394,273	\$ 3,242,284
Accumulated depreciation	<u>(1,169,607)</u>	<u>(1,082,031)</u>
Water System Net of Accumulated Depreciation	\$ <u>2,224,666</u>	\$ <u>2,160,253</u>

NOTE 6. REVENUE BOND PAYABLE

The Revenue Bond payable at June 30, 1999 and 1998 consisted of the following:

	<u>1999</u>	<u>1998</u>
\$1,662,000 Water Works Revenue Bond dated July 8, 1982, serviced by General Electric Credit Corporation for private investors; interest at 5%. Annual payments of \$98,540. Principal and interest to be paid from the income and revenue derived from the operation of Water Works District Number 4.	\$ 1,324,136	\$ 1,356,878
Less current portion	<u>-0-</u>	<u>-0-</u>
Balance	\$ <u>1,324,136</u>	\$ <u>1,356,878</u>

The bond payments due within one year of June 30, 1999 and 1998 were paid early. Those payments were made prior to June 30, of each year. Therefore, there is not a payment classified as a current liability at June 30, 1999 and 1998.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 6. REVENUE BOND PAYABLE - (Cont'd)

The annual requirements to amortize the revenue bond payable as of June 30, 1999, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	-0-	-0-	-0-
2001	28,524	70,016	98,540
2002	33,759	64,781	98,540
2003	35,447	63,093	98,540
2004	37,220	61,320	98,540
2005-2022	<u>1,189,186</u>	<u>678,774</u>	<u>1,867,960</u>
Totals	\$ <u>1,324,136</u>	\$ <u>937,984</u>	\$ <u>2,262,120</u>

NOTE 7. CONTRACT PAYABLES

During the year ended June 30, 1998, the Water District entered into contracts totaling \$127,569 for water line extensions and related engineering services. As of June 30, 1998, \$49,367 had been billed on the contracts. The following is a breakdown of the amounts payable on the contracts at June 30, 1998:

Amount net of retainage	\$ 44,055
Retainage	<u>4,784</u>
Total	\$ <u>48,839</u>

NOTE 8. WATER SYSTEM AGREEMENT

Water Works District Number 4 leases several water systems from the West Baton Rouge Parish Public Utility under a local services agreement entered into February, 1982. The lease expired in prior years. The District has continued to lease the water systems on a month to month basis since the expiration of the lease.

System rental expense on the leased water systems was \$1,251 for 1999 and 1998, respectively. The system rental expense payable at June 30, 1999 and 1998 totaled \$2,983 for both years.

(CONTINUED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 8. WATER SYSTEM AGREEMENT - (Cont'd)

A separate operating agreement requires the Public Utility to operate the systems it leases to the Water Works District. The agreement also provides for the Public Utility to operate any additional water systems acquired or constructed by the Water Works District. The operating agreement's term coincides with that of the local services agreement described above.

Fees under the operating agreement are based on the Water System's proportionate share of the Public Utility's office, administrative, operating and maintenance expenses. The Public Utility billed Water Works District Number 4 a total of \$79,042 from July 1, 1998 to June 30, 1999 and \$76,750 from July 1, 1997 to June 30, 1998. Of these amounts, \$6,697 and \$6,472 were payable at June 30, 1999 and 1998, respectively.

The Public Utility also bills the Water Works District for services not covered by the operating agreement. During the current year, the District was billed \$46,932 for these services. Of that amount, \$25,017 was capitalized and \$21,915 was expensed. The Water District owed \$13,300 and \$16,453 to the Public Utility for these services at June 30, 1999 and June 30, 1998, respectively. During the year ended June 30, 1998, the District was billed \$67,197 by the Public Utility; \$46,350 was capitalized and \$20,847 was expensed.

All amounts owed to the Public Utility, under the various agreements discussed above, are included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

In addition to the regular services provided for under the operating agreement, the Public Utility assisted the Water District in relocating some of its water lines during the year ended June 30, 1991. The relocation was required by the Louisiana Department of Transportation. Total cost of relocating the Water District's lines was \$48,498. That amount was unpaid at June 30, 1999 and 1998 and is shown in the Other Liabilities section of the Balance Sheet.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 9. FARMERS HOME ADMINISTRATION GRANT

Water Works District Number 4 received a grant from the Farmers Home Administration for use in the acquisition, construction, enlargement or capital improvement of the water systems in its area of operation. The grant was for up to \$600,000 of approved expenditures on the above described activities. All grant funds were received and expended in prior years.

NOTE 10. GARBAGE FEE SERVICE AGREEMENT

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1986 whereby the District bills and collects a garbage collection fee on behalf of the Parish Council. The District retains thirty-three cents per customer every month to cover its billing expenses (classified as Collection Fees on the Statement of Revenue and Expenses). The remainder is remitted to the Parish Council as collected. At June 30, 1999 and 1998, the District had collected but not remitted \$25,380 and \$25,576, respectively, to the Parish Council. This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

NOTE 11. SEWER FEE SERVICE AGREEMENT

Water Works District Number 4 entered into a joint services agreement with the Parish Council during 1987 whereby the District bills and collects sewer user fees for sewer systems within the District on behalf of the Parish Council and remits the fees to the Parish Council. In consideration for the collection of sewer user fees by the District, the Parish Council, through its Utility Systems, operates and maintains the sewer plants and systems located within Water Works District Number 4. At June 30, 1999, the District had collected but not remitted \$3,879 to the Parish Council (\$3,811 at June 30, 1998). This payable is included under the Current Liabilities section of the Balance Sheet in Intergovernmental Payables.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1999 and 1998

NOTE 12. RISK MANAGEMENT

The Water District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The District purchases commercial insurance policies at levels which management believes is adequate to protect the District. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

NOTE 13. YEAR 2000 READINESS

Water Works District Number 4 of West Baton Rouge Parish is currently addressing year 2000 issues. (The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the program will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment - such as environmental systems and vehicles containing computer chips that have date recognition features.)

In assessing the year 2000 issue, the Water District has determined that it owns no equipment that is not year 2000 compliant. The Water District has contacted its vendors to determine their year 2000 readiness.

SUPPLEMENTARY INFORMATION

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN RESTRICTED ASSETS

For the years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
<u>Water Works Revenue Bond</u> <u>Restricted Funds</u>		
Beginning Balance	\$ 139,302	\$ 129,527
Additions:		
Transfer from Revenue account	<u>108,315</u>	<u>108,315</u>
Total Cash Available	<u>247,617</u>	<u>237,842</u>
Disbursements:		
Bond principal paid	32,742	27,630
Bond interest paid	<u>65,798</u>	<u>70,910</u>
Total Disbursements	<u>98,540</u>	<u>98,540</u>
Balance, June 30, Cash with Bank of West Baton Rouge, Louisiana	\$ <u>149,077</u>	\$ <u>139,302</u>

The restricted cash account was adequately funded as of June 30, 1999 and 1998.

Interest earned on restricted cash funds is not required to be restricted.

See accompanying notes to financial statements.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

OPERATING STATISTICS (UNAUDITED)

For the years ending June 30, 1999 and 1998

Water Works District Number 4 was serving 1,845 and 1,783 customers at June 30, 1999 and 1998, respectively.

Operations of Water Works District Number 4 for the years ending June 30, 1999 and 1998 are reflected in the following statistical data:

	<u>1999</u>	<u>1998</u>
Water sales	\$ 403,908	\$ 389,620
M gallons of water sold	282,154	270,151
Total number of customers' billings	21,786	21,137
Average number of customers billed per month	1,816	1,761
Average monthly revenue per customer	\$ 18.54	\$ 18.43
Average revenue per M gallons	\$ 1.43	\$ 1.44

(UNAUDITED)

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF CHANGES IN WATER SYSTEM

For the years ending June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cost at July 1	\$ 3,242,284	\$ 3,126,585
System additions	<u>151,989</u>	<u>115,699</u>
Cost at June 30	\$ <u>3,394,273</u>	\$ <u>3,242,284</u>

All additions shown above were made with the system's own funds.

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

SCHEDULE OF PER DIEM PAYMENTS

For the year ending June 30, 1999

The following amounts of per diem were paid to the members of the governing authority of Water Works District Number 4 for the year ended June 30, 1999:

	<u>Number of Meetings</u>	<u>Amount</u>
Lucius Treuil, Sr.	12	\$ 720
Leo Wallace	11	550
Mathew Young	7	350
Alvin Mclin	12	600
Wanda Webre	12	<u>600</u>
Total		\$ <u>2,820</u>

Water Works District Number 4
of West Baton Rouge Parish, Louisiana

INSURANCE COVERAGE (UNAUDITED)

June 30, 1999

Insurance and fidelity bond coverage on June 30, 1999 was as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
October 6, 1999	Commercial Union Insurance Companies (Policy # MEK490189)	Commercial general liability \$1,000,000 aggregate; \$1,000,000 aggregate completed operations; advertising and personal injury \$1,000,000; each occurrence limit \$1,000,000; fire damage limit \$100,000 any one fire; and medical expense limit \$5,000 any one person.
October 6, 1999	Commercial Union Insurance Companies (Policy # MEK490189)	Commercial property coverage on two water towers, (\$223,900 and \$448,000), \$5,000 deductible, 90% coinsurance.
August 9, 1999	Western Surety Co.	Position schedule bond on President and Secretary/Treasurer, \$368,000 each.
April 27, 2000	Western Surety Co.	Fidelity bond on Secretary/Treasurer, \$5,000.
May 20, 2000	Western Surety Co.	Fidelity bond on President, \$5,000.

(UNAUDITED)



CALVIN L. ROBBINS, JR.

CERTIFIED PUBLIC ACCOUNTANT
(A PROFESSIONAL CORPORATION)

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

To the Board of Commissioners
Water Works District Number 4
of West Baton Rouge Parish, Louisiana
Port Allen, Louisiana

I have audited the financial statements of the Water Works District Number 4 of West Baton Rouge Parish, a component unit of the West Baton Rouge Parish Council, as of and for the year ended June 30, 1999, and have issued my report thereon dated November 15, 1999, which was qualified because insufficient audit evidence exists to support the District's disclosures with respect to the Year 2000 issue. I have 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 Water District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my audit, I considered the Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the 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 operation that I considered to be a reportable condition. 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

Water Works District Number 4

my judgement, could adversely affect the Water District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the following paragraph.

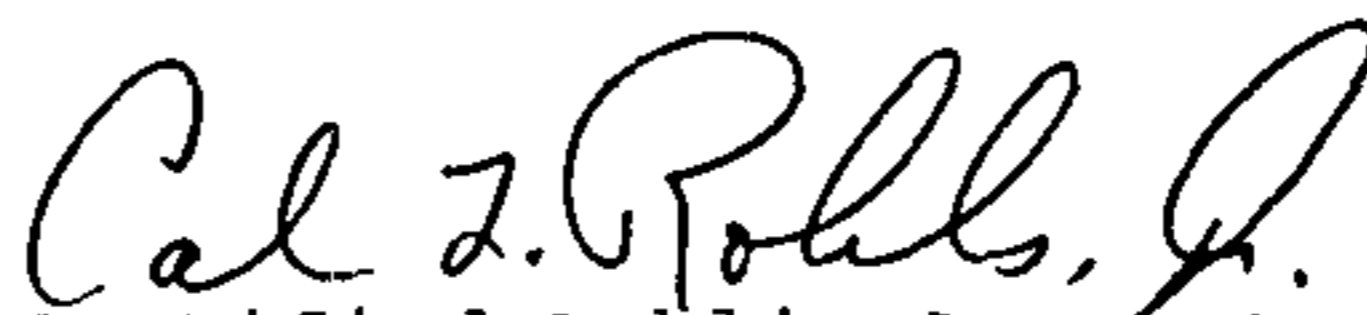
An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities. No one person should be assigned duties that would allow that person to commit an error or perpetrate fraud and to conceal the error or fraud. For example, the same person should not be responsible for any two of the following functions:

- 1) Authorization of a transaction;
- 2) Recording of the transaction; and
- 3) Custody of assets involved in the transaction.

Due to the small size of the organization, a proper segregation of duties is not possible with respect to cash transactions. Management believes it is not practical or cost effective to correct this weakness.

A material weakness is a reportable condition in which the design or operation of the specific 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 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. However, I believe that the reportable condition disclosed above relating to lack of segregation of duties is a material weakness.

This report is intended solely for the information of management, the District's board of commissioners, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant
(A Professional Corporation)

November 15, 1999
Baton Rouge, Louisiana