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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, 1998 and 1997

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

Release Date ~~DEC 23 1998~~  
~~DEC 16 1998~~ X

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**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, 1998 and 1997 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.

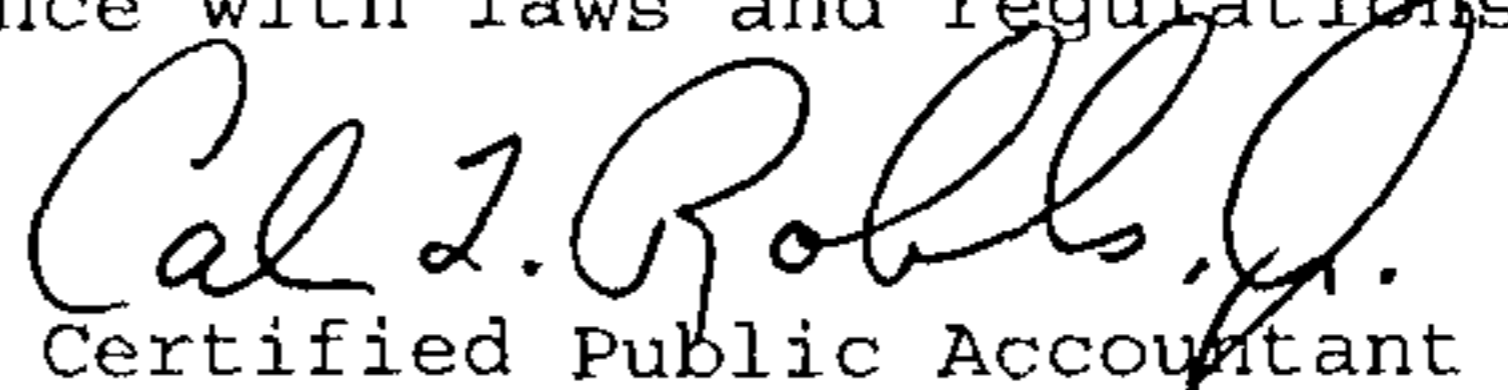
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the financial statements referred to above present fairly, in all material respects, the financial position of Water Works District Number 4, of West Baton Rouge Parish as of June 30, 1998 and 1997. And the results of its operations and the cash flow for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 13 to the financial statements, the Water Works District Number 4, of West Baton Rouge Parish adopted GASB Statement Number 31 to account for its investments. The financial statements for the year ended June 30, 1997 were restated to reflect this change.

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 5, 1998 on my consideration of the West Baton Rouge Parish Public Utility's internal control structure, and on its compliance with laws and regulations.

  
Certified Public Accountant  
(A Professional Corporation)

November 5, 1998  
Baton Rouge, Louisiana



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

BALANCE SHEETS

June 30, 1998 and 1997

A S S E T S

	<u>1998</u>	<u>(RESTATED)</u> <u>1997</u>
<u>Current Assets</u>		
Cash and certificate of deposit	\$ 321,673	\$ 224,940
Accounts receivable (net of allowance for bad debts of \$1,000)	62,611	59,964
Interest receivable	5,011	4,751
Prepaid insurance	<u>1,588</u>	<u>5,345</u>
Total Current Assets	- 390,882	- 295,000
<u>Restricted Assets</u>		
Revenue Bond Restricted Funds (See Page 17)	- 132,302	- 122,527
<u>Investments</u>	- 458,145	- 451,418
<u>Water System</u>		
At cost, net of accumulated depreciation	2,160,253	2,128,822
<u>Other Assets</u>		
Unamortized debt issuance expense	<u>41,313</u>	<u>43,035</u>
Total Assets	\$ 3,189,896	\$ 3,047,809

LIABILITIES AND FUND EQUITY

	<u>1998</u>	<u>(RESTATED)</u> <u>1997</u>
<u>Current Liabilities (Payable from current assets)</u>		
Accounts payable and accrued expenses	\$ 5,637	\$ 10,172
Contracts payable	48,839	-0-
Intergovernmental payables	<u>55,295</u>	<u>58,149</u>
Total Current Liabilities	- 102,771	- 68,321
<u>Current Liabilities (Payable from restricted assets)</u>		
Accrued interest payable	-0-	-0-
Revenue bond payable-Current	<u>-0-</u>	<u>-0-</u>
Total Current Liabilities Payable from Restricted Assets	- - - -0-	- - - -0-
<u>Long-Term Liabilities</u>		
Revenue bond payable-net of current portion	1,356,878	1,386,293
Due to Public Utility-relocation	<u>48,498</u>	<u>48,498</u>
Total Long-Term Liabilities	1,405,376	1,434,791
Total Liabilities	1,515,147	1,503,112
<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	- 618,725	- 618,725
Retained Earnings-		
Reserved for revenue bond retirement	139,302	129,527
Unreserved	<u>916,722</u>	<u>796,445</u>
Total Retained Earnings	1,056,024	925,972
Total Fund Equity	1,674,749	1,544,697
Total Liabilities and Fund Equity	\$ 3,189,896	\$ 3,047,809

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, 1998 and 1997

	<u>1998</u>	(RESTATED) <u>1997</u>
<u>Balance</u> - Beginning of the year	\$ 925,972	\$ 790,549
Adjustment for implementation of GASB Statement No. 31 (See Note 13)	<u>-0-</u>	<u>15,297</u>
Adjusted beginning balance	925,972	805,846
Net income for the year	<u>130,052</u>	<u>120,126</u>
<u>Balance</u> - End of the year	\$ <u>1,056,024</u>	\$ <u>925,972</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, 1998 and 1997

	<u>1998</u>	(RESTATED) <u>1997</u>
<u>Operating Revenues</u>		
Water sales	\$ 389,620	\$ 366,663
Penalties	6,474	5,876
Connection charges	17,260	14,350
Service charges	1,810	2,395
Collection fees	6,487	6,415
Bad debt recovery	274	509
Miscellaneous	<u>241</u>	<u>1,381</u>
Total	_ <u>422,166</u>	_ <u>397,589</u>
<u>Operating Expenses</u>		
Per diem expense	2,970	3,020
System operating charges	76,750	74,430
System rental	1,393	1,468
Depreciation	84,275	76,095
Electricity	33,585	30,298
Meter and system repairs and supplies	32,663	33,123
Insurance	7,951	8,025
Postage	3,520	4,055
Telephone	363	396
Secretarial expense	2,700	2,700
Miscellaneous	2,942	2,658
Bad debt expense	1,895	1,617
Professional fees	3,975	4,560
Billing supplies	<u>1,728</u>	<u>1,904</u>
Total	_ <u>256,710</u>	_ <u>244,349</u>
Operating Income	_ <u>165,456</u>	_ <u>153,240</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest earned	41,352	40,965
Interest expense	(69,315)	(70,651)
Amortization of debt issuance expense	(1,721)	(1,721)
Investment expense	(1,989)	(1,855)
Investment (losses) gains	<u>(3,731)</u>	<u>148</u>
Total Nonoperating Revenues (Expenses)	_ <u>(35,404)</u>	_ <u>(33,114)</u>
Net Income	\$ <u>130,052</u>	\$ <u>120,126</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, 1998 and 1997

Increase (Decrease) in Cash and Cash Equivalents

	<u>1998</u>	<u>(RESTATED)</u> <u>1997</u>
<u>Cash Flows from Operating Activities</u>		
Operating income	\$ <u>165,465</u>	\$ <u>153,240</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	84,275	76,095
Decrease (Increase) in assets:		
Accounts receivable	(2,647)	9,548
Prepaid insurance	3,757	(4,142)
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	(4,535)	2,232
Inter-governmental payables	<u>(2,854)</u>	<u>(8,963)</u>
Total adjustments	<u>77,996</u>	<u>74,770</u>
Net cash provided by operating activities	<u>243,461</u>	<u>228,010</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and construction of capital assets	(66,860)	(211,162)
Principal paid on revenue bond maturities	(29,415)	(26,728)
Interest paid on revenue bonds	<u>(69,315)</u>	<u>(71,812)</u>
Net cash used for capital and related financing activities	<u>(165,590)</u>	<u>(309,702)</u>
Cash provided (used) before investing activities	77,871	(81,692)

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, 1998 and 1997

	<u>1998</u>	(RESTATED) <u>1997</u>
Cash provided (used) before investing activities - from the preceding page	\$ <u>77,871</u>	\$ <u>(81,692)</u>
<u>Cash Flows from Investing Activities</u>		
Interest and dividends on investments	41,092	40,940
Investment expenses	(1,989)	(1,855)
Proceeds from sale and redemption of securities	147,539	82,378
Purchase of securities	<u>(158,005)</u>	<u>(93,992)</u>
Net cash provided by investing activities	<u>28,637</u>	<u>27,471</u>
Net increase (decrease) in cash and cash equivalents	106,508	(54,221)
Cash and cash equivalents at the beginning of the year	<u>354,467</u>	<u>408,688</u>
Cash and Cash equivalents at the end of the year	\$ <u><u>460,975</u></u>	\$ <u><u>354,467</u></u>
<u>Cash and cash equivalents are shown as follows on the balance sheet:</u>		
Cash	\$ 321,673	\$ 224,940
Restricted assets	<u>139,302</u>	<u>129,527</u>
Total	\$ <u><u>460,975</u></u>	\$ <u><u>354,467</u></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, 1998 and 1997

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, 1998 and 1997

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, 1998 and 1997

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, 1998 and 1997

**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, 1998 was \$460,975. 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, 1998, the bank balances of the Districts' deposits were \$457,828. These deposits are secured from risk by \$100,000 of federal deposit insurance and \$468,064 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, 1998 and 1997 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, 1998 and 1997

**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, 1998 and 1997 were \$68,978 and \$64,051, respectively. As of June 30, 1998 and 1997, 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, 1998 and 1997 were \$67,872 and \$63,024, respectively. As of June 30, 1998 and 1997, this fund was adequately funded.

These three accounts are shown on the balance sheet as Revenue Bond Restricted Funds. The three accounts totaled \$139,302 and \$129,527 at June 30, 1998 and 1997, respectively.

**NOTE 4. INVESTMENTS**

At June 30 the Water District had investments as follows:

<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>

(CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1998 and 1997

NOTE 4. INVESTMENTS - (Cont'd)

<u>1997:</u>	<u>Fair Value Carrying Amount</u>	<u>Cost</u>
Various U.S. Treasury obligations, 5.875% to 7.875%, due between 10/31/97 and 7/15/07	\$ 176,380	\$ 175,134
Various FNMA and FHLMC pools, 7.00% to 7.50%, due between 10/15/07 and 9/25/23.	247,928	233,774
RMA Money Mkt Portfolio	7,653	7,653
Paine Webber Cash Fund	<u>19,457</u>	<u>19,457</u>
	\$ <u>451,418</u>	\$ <u>436,018</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, 1998 and 1997

**NOTE 5. WATER SYSTEM**

At June 30 the Water System consisted of the following:

	<u>1998</u>	<u>1997</u>
Water System - Cost	\$ 3,242,284	\$ 3,126,585
Accumulated depreciation	<u>(1,082,031)</u>	<u>(997,756)</u>
Water System Net of Accumulated Depreciation	\$ <u>2,160,253</u>	\$ <u>2,128,829</u>

**NOTE 6. REVENUE BOND PAYABLE**

The Revenue Bond payable at June 30, 1998 and 1997 consisted of the following:

	<u>1998</u>	<u>1997</u>
\$1,662,000 Water Works Revenue Bond dated July 8, 1982, serviced by General Electric Credit Corpora- tion 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.	\$ 1,356,878	\$ 1,386,293
Less current portion	<u>-0-</u>	<u>-0-</u>
Balance	\$ <u>1,356,878</u>	\$ <u>1,386,293</u>

The bond payments due within one year of June 30, 1998 and 1997 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, 1998 and 1997.

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

NOTES TO FINANCIAL STATEMENTS - (Cont'd)

June 30, 1998 and 1997

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

The annual requirements to amortize the revenue bond payable as of June 30, 1998, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ -0-	\$ -0-	\$ -0-
2000	28,940	69,600	98,540
2001	32,143	66,397	98,540
2002	33,750	64,790	98,540
2003	35,438	63,102	98,540
2004-2022	<u>1,226,607</u>	<u>740,428</u>	<u>1,967,035</u>
Totals	<u>\$ 1,356,878</u>	<u>\$ 1,004,317</u>	<u>\$ 2,361,195</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 1998 and 1997, respectively. The system rental expense payable at June 30, 1998 and 1997 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, 1998 and 1997

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 \$76,750 from July 1, 1997 to June 30, 1998 and \$74,430 from July 1, 1996 to June 30, 1997. Of these amounts, \$6,472 and \$6,280 were payable at June 30, 1998 and 1997, 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 \$67,197 for these services. Of that amount, \$46,350 was capitalized and \$20,847 was expensed. The Water District owed \$16,453 and \$19,831 to the Public Utility for these services at June 30, 1998 and June 30, 1997, respectively. During the year ended June 30, 1997, the District was billed \$54,197 by the Public Utility; \$32,123 was capitalized and \$22,074 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, 1998 and 1997 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, 1998 and 1997

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, 1998 and 1997, the District had collected but not remitted \$25,576 and \$25,325, 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, 1998, the District had collected but not remitted \$3,811 to the Parish Council (\$3,730 at June 30, 1997). 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, 1998 and 1997

**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. RESTATED FINANCIAL STATEMENTS**

During the year ended June 30, 1998, Water Works District Number 4 of West Baton Rouge Parish adopted GASB Statement Number 31 to account for its investments. Statement 31 required retroactive application by restatement of the financial statements for the year ended June 30, 1997. In the June 30, 1997 financial statements, beginning retained earnings was increased \$15,297 for the increase in fair market value of investments occurring prior to the year ended June 30, 1997. The June 30, 1997 income statement included an increase of \$103 in investment gains because of the application of GASB Statement Number 31.

**NOTE 14. 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 is in the process of contacting 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, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<u>Water Works Revenue Bond</u> <u>Restricted Funds</u>		
Beginning Balance	\$ 129,527	\$ 119,752
Additions:		
Transfer from Revenue account	<u>108,315</u>	<u>108,315</u>
Total Cash Available	<u>237,842</u>	<u>228,067</u>
Disbursements:		
Bond principal paid	27,630	26,728
Bond interest paid	<u>70,910</u>	<u>71,812</u>
Total Disbursements	<u>98,540</u>	<u>98,540</u>
Balance, June 30, Cash with Bank of West Baton Rouge, Louisiana	\$ <u>139,302</u>	\$ <u>129,527</u>

The restricted cash account was adequately funded as of June 30, 1998 and 1997.

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, 1998 and 1997

Water Works District Number 4 was serving 1,783 and 1,730 customers at June 30, 1998 and 1997, respectively.

Operations of Water Works District Number 4 for the years ending June 30, 1998 and 1997 are reflected in the following statistical data:

	<u>1998</u>	<u>1997</u>
Water sales	\$ 389,620	\$ 366,664
M gallons of water sold	270,151	243,045
Total number of customers' billings	21,137	20,504
Average number of customers billed per month	1,761	1,709
Average monthly revenue per customer	\$ 18.43	\$ 17.88
Average revenue per M gallons	\$ 1.44	\$ 1.51

(UNAUDITED)



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

SCHEDULE OF CHANGES IN WATER SYSTEM

For the years ending June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cost at July 1	\$ 3,126,585	\$ 2,915,423
System additions	<u>115,699</u>	<u>211,162</u>
Cost at June 30	\$ <u>3,242,284</u>	\$ <u>3,126,585</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, 1998

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, 1998:

	<u>Number of Meetings</u>	<u>Amount</u>
Lucius Treuil, Sr.	12	\$ 720
Leo Wallace	11	550
Mathew Young	11	550
Alvin Mclin	12	600
Wanda Webre	11	<u>550</u>
Total		\$ <u>2,970</u>

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

INSURANCE COVERAGE (UNAUDITED)

June 30, 1998

Insurance and fidelity bond coverage on June 30, 1998 was as follows:

<u>Expiration</u>	<u>Insurer</u>	<u>Coverage</u>
October 6, 1998	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, 1998	Commercial Union Insurance Companies (Policy # MEK490189)	Commercial property coverage on two water towers, (\$212,500 and \$425,200), \$5,000 deductible, 90% coinsurance.
August 9, 1998	Western Surety Co.	Position schedule bond on President and Secretary/Treasurer, \$368,000 each.
April 27, 1999	Western Surety Co.	Fidelity bond on Secretary/Treasurer, \$5,000.
May 20, 1999	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, 1998, and have issued my report thereon dated November 5, 1998. 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 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.

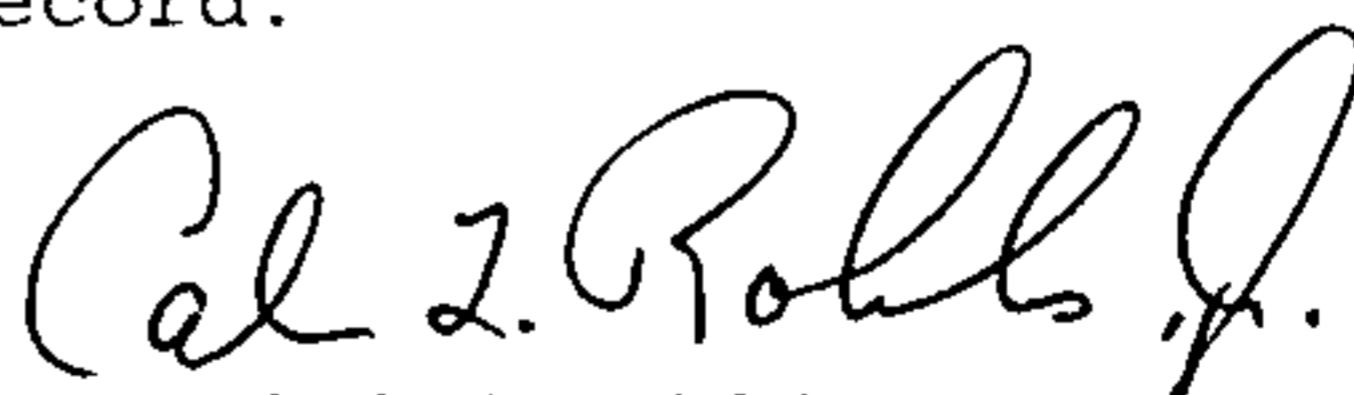
An important element in designing an internal accounting control system that safeguards assets and reasonably insures the reliability of the accounting records is the concept of segregation of responsibilities. No one person should be assigned duties that would allow that person to commit an error or 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 for the information of management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

  
Certified Public Accountant  
(A Professional Corporation)

November 5, 1998  
Baton Rouge, Louisiana





**CALVIN L. ROBBINS, JR.**  
CERTIFIED PUBLIC ACCOUNTANT  
(A PROFESSIONAL CORPORATION)

1555  
\$2170.17 11/9/98

November 5, 1998


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, Louisiana for the year ended June 30, 1998. As part of my audit, I made a study and evaluation of the District's system of internal accounting control to the extent I considered necessary solely to determine the nature, timing, and extent of my auditing procedures. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and I do not express such an opinion.

During my audit for the year ended June 30, 1997, I became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency and compliance with applicable laws and regulations. I discussed the following suggestions with the management of the Water District at the conclusion of that audit.

Accounts Receivable Reconciliation - Prior Year Finding

The billing register was not being reconciled with the general ledger on a monthly basis. The billing register should be reconciled to the general ledger on a monthly basis. This condition was corrected during the year ended June 30, 1998.

  
Certified Public Accountant  
(A Professional Corporation)