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**WATERWORKS DISTRICT 4 OF WARD 4
OF CALCASIEU PARISH
Westlake, Louisiana**

**General Purpose Financial Statements
April 30, 1996 and 1995**

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 ~~AUG 28 1996~~

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BROUSSARD & COMPANY

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Independent Auditor's Report

Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, Louisiana

We have audited the accompanying general purpose financial statements of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the years ended April 30, 1996 and 1995. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana as of April 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 19, 1996, on our consideration of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control structure and a report dated July 19, 1996, on its compliance with laws and regulations.

Broussard & Company

Sulphur, Louisiana
July 19, 1996
/gho

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana

Balance Sheets
April 30,

ASSETS

	1996	1995
CURRENT ASSETS		
Cash and cash equivalents	\$ 33,209	\$ 35,412
Accounts receivable, net of allowance for uncollectible accounts (1996 and 1995 - \$-0-)	34,111	30,556
Prepaid insurance	11,399	10,244
Refundable insurance deposit	2,400	2,400
Accrued interest receivable	1,794	443
Total Current Assets	82,913	79,055
RESTRICTED ASSETS		
Certificates of deposit/cash - replacement/extension fund	136,873	776
Certificates of deposit/cash - bond reserve and sinking fund	89,146	50,231
Certificates of deposit/cash - meter deposits fund	52,118	-
U.S. Government Securities		
Replacement/extension fund	-	2,033
Bond reserve and sinking fund	-	117,935
Meter deposit fund	-	49,965
Total Restricted Assets	278,137	220,940
PROPERTY, PLANT AND EQUIPMENT		
Furniture, fixtures and equipment	22,964	22,445
Trucks	22,226	22,226
Water wells	194,837	194,837
Water tank	190,855	178,355
Distribution system	759,751	759,751
Fluoridation system	24,214	24,214
Plant and buildings	245,478	245,478
	1,460,325	1,447,306
Less accumulated depreciation	598,679	548,241
	861,646	899,065
Land	6,832	6,832
Net Fixed Assets	868,478	905,897
TOTAL ASSETS	\$ 1,229,528	\$ 1,205,892

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

LIABILITIES AND RETAINED EARNINGS (DEFICIT)

	1996	1995
CURRENT LIABILITIES		
Accounts payable	\$ 16,479	\$ 4,959
Payroll taxes payable	1,950	2,845
Accrued compensation	6,237	5,737
Total Current Liabilities	24,666	13,541
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest payable	16,576	17,478
Bonds payable	158,876	167,789
Meter deposits payable	52,118	49,965
Total Current Liabilities (Payable from Restricted Assets)	227,570	235,232
LONG-TERM LIABILITIES		
Bonds payable	878,876	917,789
Less current maturity	(158,876)	(167,789)
Total Long-Term Liabilities	720,000	750,000
Total Liabilities	972,236	998,773
RETAINED EARNINGS (DEFICIT)		
Reserved per revenue bonds	50,567	(14,292)
Unreserved-undesignated	206,725	221,411
Total Retained Earnings	257,292	207,119
 TOTAL LIABILITIES AND RETAINED EARNINGS	 \$ 1,229,528	 \$ 1,205,892

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana

Statement of Revenues, Expenses, and
Changes in Retained Earnings
For the Years Ended April 30,

	1996		1995	
	Percent	Amount	Percent	Amount
OPERATING REVENUES				
Water sales	95.35%	\$ 325,289	95.88%	\$ 303,197
Meter taps revenue	2.76	9,400	2.40	7,600
Service charges	.76	2,600	.69	2,175
Late charges	1.13	3,872	1.03	3,265
Total Operating Revenues	100.00	341,161	100.00	316,237
OPERATING EXPENSES				
Salary - superintendent	9.89	33,752	10.29	32,526
Salary - office	8.51	29,018	8.15	25,769
Transmission labor	6.08	20,732	6.61	20,914
Contract labor	.41	1,399	1.00	3,178
Insurance	6.48	22,103	6.85	21,651
Payroll taxes	1.89	6,455	1.95	6,153
Retirement benefits	1.36	4,631	1.38	4,366
Office supplies and postage	1.37	4,679	1.50	4,731
Meeting expense	1.28	4,380	1.42	4,500
Telephone	.62	2,128	.75	2,361
Utilities	5.44	18,563	5.61	17,753
Billing and meter reading	5.40	18,437	6.22	19,684
Truck expense	.78	2,645	1.01	3,190
Maintenance and repairs	4.85	16,537	4.11	12,996
Chemicals and supplies	1.54	5,249	1.60	5,071
Depreciation	14.78	50,437	14.70	46,490
Legal and professional	2.03	6,925	2.11	6,703
Equipment rental	1.48	5,050	1.49	4,710
Miscellaneous	.06	221	.12	358
Bad debt expense	.10	327	.13	410
Total Operating Expenses	74.35	253,668	77.00	243,514
INCOME FROM OPERATIONS	25.65	87,493	23.00	72,723
NON-OPERATING REVENUES (EXPENSES)				
Interest income	3.56	12,159	2.00	6,327
Interest expense	(14.71)	(50,184)	(16.57)	(52,407)
Miscellaneous income	.21	705	.98	3,111
Total Non-Operating Revenues (Expenses)	(10.94)	(37,320)	(13.59)	(42,969)
NET INCOME	14.71%	50,173	9.41%	29,754
RETAINED EARNINGS - May 1		207,119		177,365
RETAINED EARNINGS - April 30		\$ 257,292		\$ 207,119

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana

Statement of Cash Flows
For the Years Ended April 30,

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ <u>87,493</u>	\$ <u>72,723</u>
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	50,437	46,490
(Increase) decrease in receivables	(4,906)	4,337
(Increase) decrease in prepaid insurance	(1,155)	(7,014)
Increase (decrease) in accounts payable	11,520	1,846
Increase (decrease) in payroll taxes	(895)	1,130
(Decrease) in accrued interest payable	(902)	(852)
Increase (decrease) in accrued compensation	<u>500</u>	<u>151</u>
Total Adjustments	<u>54,599</u>	<u>46,088</u>
 Net Cash Provided by Operating Activities	 <u>142,092</u>	 <u>118,811</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer from (to) restricted assets	(55,043)	(25,423)
Other/miscellaneous	705	3,111
Interest earned	<u>12,159</u>	<u>6,327</u>
 Net Cash Provided in Investing Activities	 <u>(42,179)</u>	 <u>(15,985)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant and equipment	(13,019)	(15,815)
Interest	(50,184)	(52,407)
Principal bond payments	<u>(38,913)</u>	<u>(36,755)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(102,116)</u>	<u>(104,977)</u>
 Net Increase (Decrease) in Cash	 (2,203)	 (2,151)
 Cash and Cash Equivalents (Unrestricted) at Beginning of Year	 <u>35,412</u>	 <u>37,563</u>
 Cash and Cash Equivalents (Unrestricted) at End of Year	 <u>\$ 33,209</u>	 <u>\$ 35,412</u>

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana

Notes to Financial Statements
April 30, 1996 and 1995

Note 1 - Summary of Significant Accounting Policies

Waterworks District 4 of Ward 4 of Calcasieu Parish was created by ordinance of the Calcasieu Parish Police Jury in 1971. The district is governed by a board of five members who are appointed by the Calcasieu Parish Police Jury.

The accounting and reporting policies of the district conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

FINANCIAL REPORTING ENTITY

As more fully described in paragraph one above, the Waterworks District 4 of Ward 4 of Calcasieu Parish is governed by a board appointed by the Calcasieu Parish Police Jury. Therefore, the district is a component unit of the Calcasieu Parish Police Jury.

FUND ACCOUNTING

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

BASIS OF ACCOUNTING

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

PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM LIABILITIES

The proprietary fund is accounted for on a cost of services or capital maintenance measurement focus, and all assets and liabilities (whether current or non-current) associated with its activity are included in the balance sheet.

Depreciation of all exhaustible property, plant and equipment is charged as an expense against the operations. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Continued

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WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana

Notes to Financial Statements (Continued)
April 30, 1996 and 1995

Note 1 - Summary of Significant Accounting Policies (Continued)

Furniture and fixtures	5 - 10 years
Trucks	5 years
Water wells	50 years
Water tank	50 years
Distribution system	10 - 50 years
Plant and buildings	20 - 40 years

The property, plant and equipment is stated at historical cost. Depreciation amounted to \$50,437 and \$46,490 for the years ended April 30, 1996 and 1995, respectively.

Cash and Cash Equivalents

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

Note 2 - Bonds Payable

Waterworks District 4 of Ward 4 of Calcasieu Parish issued \$1,000,000 of Revenue Bonds that were purchased by the Department of Housing and Urban Development. The interest rate on the bonds is 5 5/8%. The annual requirements to amortize the bonds outstanding as of April 30, 1996 and 1995 follows:

April 30, 1996			
Year Ending April 30,	Principal	Interest	Totals
1997	\$ 158,876	\$ 42,188	\$ 201,064
1998	30,000	40,500	70,500
1999	35,000	38,813	73,813
2000	35,000	36,844	71,844
2001	40,000	34,875	74,875
Thereafter	580,000	217,409	797,409
	<u>\$ 878,876</u>	<u>\$ 410,629</u>	<u>\$ 1,289,505</u>

April 30, 1995			
Year Ending April 30,	Principal	Interest	Totals
1996	\$ 167,789	\$ 43,594	\$ 211,383
1997	30,000	42,188	72,188
1998	30,000	40,500	70,500
1999	35,000	38,813	73,813
2000	35,000	36,844	71,844
Thereafter	620,000	252,284	872,284
	<u>\$ 917,789</u>	<u>\$ 454,223</u>	<u>\$ 1,372,012</u>

Continued

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana

Notes to Financial Statements (Continued)
April 30, 1996 and 1995

Note 2 - Bonds Payable (Continued)

There were principal reductions of \$38,913 and \$36,755 on the outstanding bonds for the years ended April 30, 1996 and 1995, respectively. Principal payments maturing since December 31, 1976 are included in current liabilities, as well as the current installment due. Delinquent principal payable is \$128,876 and \$142,789 for the years ended April 30, 1996 and 1995, respectively. The bond holder, the Department of Housing and Urban Development, is aware of the delinquency and regularly monitors the progress made by the district in attempting to pay the delinquent principal. No other action has been taken regarding the delinquent principal.

Note 3 - Dedication of Revenue

The Borrower covenants and agrees that as soon as any portion of the project becomes revenue producing, all income derived from its operation or ownership shall be deposited to the credit of a special fund to be known as the "Water System Revenue Fund", to be kept separate and apart from all other funds. Such fund shall be maintained so long as any of the bonds are outstanding, in a bank which is a member of the Federal Deposit Insurance Corporation and shall be expended and used only in the manner and order specified below, all as permitted and defined by applicable statutes:

1. Current expenses of the system.
2. Payments into the "Revenue Bond and Interest Sinking Fund" to cover the bond's current maturity of principal and interest.
3. Payments into the "Revenue Bond Reserve Fund" until such time as the funds shall equal \$65,401.
4. Payments to the "Replacement and Extension Fund" until the balance amounts to \$16,350. The purpose of the fund is to cover the costs of unusual or extraordinary maintenance, repairs, replacements, and extensions.
5. Subject to the foregoing, which are cumulative, any balance in the "Water System Revenue Fund" may be used for the purpose of acquiring for cancellation the outstanding Revenue Bonds.

Note 4 - Meeting Expense

Members of the Board of Commissioners are currently paid a \$60 per diem allowance for attending board meetings. The total expenses for meetings during the current year and the prior year are as follows:

Continued

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WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana

Notes to Financial Statements (Continued)
April 30, 1996 and 1995

Note 4 - Meeting Expense (Continued)

<u>Member</u>	<u>April 30, 1996</u>		<u>April 30, 1995</u>	
	<u>Total Number Meetings</u>	<u>Expense</u>	<u>Total Number Meetings</u>	<u>Expense</u>
Richard A. Hebert	15	\$ 900	14	\$ 840
A.G. Schwarzer	13	780	15	900
Joey Glass	16	960	15	900
Warren Hicks	14	840	15	900
Lewis Appleby	12	720	16	960
J.W. Foster	3	180	-	-
		<u>\$ 4,380</u>		<u>\$ 4,500</u>

Note 5 - Accrued Vacation

The district's liability for accumulated unpaid vacation as of April 30, 1996 and 1995, totaling \$6,237 and \$5,737, respectively, has been accrued at prevailing wage rates.

Note 6 - Retirement Benefits

The district implemented a Simplified Employee Pension Plan (SEP) for its employees during the year ended April 30, 1987. The district currently contributes 6% of the salary of qualifying full-time employees to this plan. The contribution for years 1996 and 1995 was \$4,631 and \$4,366, respectively.

Note 7 - Cash, Cash Equivalents and Certificates of Deposit

At April 30, 1996, the district had cash, cash equivalents and certificates of deposit (book balances) totaling \$311,346.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging agent bank in a holding or custodial bank that is mutually acceptable to both parties. At April 30, 1996, the district had \$310,222 in deposits (collected bank balances). These deposits are secured from risk by \$137,160 of federal deposit insurance and \$141,181 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Refer to the Independent Auditor's Report on Compliance Based on a Financial Statement Audit Performed in Accordance With Government Auditing Standards for additional disclosure of unsecured deposits.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

Continued

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH
Westlake, Louisiana

Notes to Financial Statements (Continued)
April 30, 1996 and 1995

Note 8 - Restricted Assets

Restricted assets include monies set aside by the Board for bond indenture requirements and refundable meter deposits.

The composition of cash and cash equivalents and restricted assets is set forth below, at amortized costs, if applicable.

	<u>1996</u>	<u>1995</u>
Cash	\$ 38,286	\$ 42,321
Certificates of deposit	273,060	44,098
U.S. Treasury obligations	-	169,933
	<u>\$ 311,346</u>	<u>\$ 256,352</u>

Note 9 - Cash Flow Information

Cash paid for interest for fiscal year ended April 30, 1996 was \$51,086.

Note 10- Prior Year Balances

Certain prior year amounts have been reclassified to conform with current year presentation.



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON A FINANCIAL STATEMENT AUDIT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, Louisiana

We have audited the general purpose financial statements of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana, as of and for the year ended April 30, 1996, and have issued our report thereon dated July 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana, for the year ended April 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Board of Commissioners
Waterworks District No. 4 of Ward 4
of Calcasieu Parish, Louisiana

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A proper segregation of duties is not feasible due to the small number of people involved in the District's day to day operations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the use of management and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report which, upon acceptance of state and federal audit agencies, is a matter of public record.

Braun & Co

Sulphur, Louisiana
July 19, 1996
/gho



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED
ON A FINANCIAL STATEMENT AUDIT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana
Westlake, Louisiana

We have audited the general purpose financial statements of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana, as of and for the year ended April 30, 1996, and have issued our report thereon dated July 19, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana is the responsibility of management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of Waterworks District No. 4 of Ward 4 of Calcasieu Parish, Louisiana compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instance of noncompliance that is required to be reported herein under Government Auditing Standards. Under state law, cash, cash equivalents and certificates of deposit must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At April 30, 1996, the District had funds on deposit with a financial institution in excess of federal deposit insurance limits and/or pledged securities of the fiscal agent bank in the amount of \$31,881. Subsequent to year end, the fiscal agent bank pledged securities in amounts sufficient to secure the under collateralized funds at year end.

This report is intended solely for the use of management and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report which, upon acceptance of state and federal audit agencies, is a matter of public record.

Sulphur, Louisiana
July 19, 1996
/gho