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**WATERWORKS DISTRICT 4 OF WARD 4
OF CALCASIEU PARISH, LOUISIANA
Mandeville, Louisiana**

**General Purpose Financial Statements
April 30, 1968 and 1969**

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 SEP 2 1969

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BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

**Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana
Wachite, Louisiana**

We have audited the 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, 1998 and 1997, as listed in the table of contents. 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. These 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 accounts 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 in the first paragraph present fairly, in all material respects, the financial position of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, as of April 30, 1998 and 1997, 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 September 3, 1998, on our consideration of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control and compliance with laws and regulations.

Lake Charles, Louisiana
September 3, 1998
JAH

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WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA

Worksheet, Louisiana

Balance Sheet

April 30,

ASSETS

	<u>1999</u>	<u>2000</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,400	\$ 27,993
Accounts receivable, net of allowance for uncollectible accounts (1999 and 2000 - \$0)	11,281	31,571
Prepaid insurance	-	123
Refundable insurance deposit	736	736
Accrued interest receivable	2,398	2,364
Total Current Assets	<u>50,074</u>	<u>63,827</u>
RESTRICTED ASSETS		
Certificates of deposit - local industries	241,363	248,348
Certificates of deposit/cash- merit deposits fund	34,968	34,968
Total Restricted Assets	<u>276,331</u>	<u>283,316</u>
PROPERTY, PLANT, AND EQUIPMENT		
Furniture, fixtures, and equipment	24,080	24,895
Trucks	10,112	12,216
Water wells	184,807	184,817
Water tank	271,503	277,979
Dist. devices system	798,251	798,180
Flume/sillades system	24,284	24,314
Pipes and buildings	243,478	243,478
	<u>1,276,495</u>	<u>1,266,879</u>
Less accumulated depreciation	(690,300)	(641,280)
	<u>586,195</u>	<u>625,599</u>
Land	6,832	6,832
Net Fixed Assets	<u>593,027</u>	<u>632,431</u>
TOTAL ASSETS	<u>\$ 1,203,401</u>	<u>\$ 1,118,248</u>

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

LIABILITIES AND RETAINED EARNINGS

	<u>1998</u>	<u>1999</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,328	\$ 75,335
Retainage payable	8,648	7,848
Payroll taxes payable	1,884	1,690
Accrued compensation	4,838	3,129
Total Current Liabilities	<u>16,698</u>	<u>88,002</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Accrued interest payable	18,815	18,622
Divide payable	118,158	147,741
Minor deposits payable	58,868	34,868
Total Current Liabilities (Payable from Restricted Assets)	<u>175,841</u>	<u>199,231</u>
LONG-TERM LIABILITIES		
Divide payable	794,158	837,341
Long-term maturity	(178,187)	(147,741)
Total Long-Term Liabilities	<u>615,971</u>	<u>689,600</u>
Total Liabilities	<u>802,570</u>	<u>897,833</u>
RETAINED EARNINGS		
Reserves per common bond indenture	88,581	124,096
Unreserved/undesignated	362,815	196,620
Total Retained Earnings	<u>451,396</u>	<u>320,716</u>
 TOTAL LIABILITIES AND RETAINED EARNINGS	 <u>\$ 1,253,966</u>	 <u>\$ 1,218,549</u>

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Worlake, Louisiana

Statement of Revenues, Expenses, and
Changes in Required Reserves
For the Year Ended April 30,

	1988		1987	
	Percent	Amount	Percent	Amount
OPERATING REVENUES				
Water sales	94.48	\$ 108,275	95.31	\$ 106,356
Meter taps installed	1.10	11,680	5.80	10,880
Service charges	0.60	3,180	0.70	1,480
Leak charges	1.56	5,428	1.17	4,800
Total Operating Revenues	<u>100.00</u>	<u>147,963</u>	<u>100.00</u>	<u>133,516</u>
OPERATING EXPENSES				
Salary - supervisors	18.65	26,998	20.65	30,575
Salary - office	8.82	12,967	6.83	21,624
Transmission labor	6.99	11,009	6.26	21,678
Contract labor	3.48	5,086	4.41	1,544
Insurance	7.58	10,898	5.94	10,215
Payroll taxes	1.87	2,722	1.88	6,447
Retirement benefits	1.31	1,912	1.10	4,579
Office supplies and postage	1.46	2,086	1.48	4,594
Moving expense	1.21	1,738	1.48	4,188
Telephone	0.75	1,094	0.62	1,125
Utilities	5.89	8,577	5.88	20,177
Filling and water testing	2.58	3,758	5.33	18,284
Travel expense	1.17	1,679	0.45	1,478
Maintenance and repairs	8.68	12,572	3.81	13,866
Chemicals and supplies	1.88	2,747	1.66	5,679
Depreciation	17.20	24,948	18.64	46,117
Legal and professional	2.69	3,928	1.80	6,620
Equipment rental	2.65	3,868	1.70	6,088
Interest expense	13.14	19,174	15.87	47,292
Miscellaneous	0.19	287	0.24	887
Bad debt expense	0.04	587	0.13	454
Total Operating Expenses	<u>87.58</u>	<u>129,082</u>	<u>82.30</u>	<u>205,289</u>
INCOME FROM OPERATIONS	<u>12.42</u>	<u>18,881</u>	<u>17.70</u>	<u>28,227</u>
NON-OPERATING REVENUES				
(EXPENSES)				
Interest income	3.98	5,785	4.33	14,180
Miscellaneous income	1.10	1,625	0.40	1,270
Gain (loss) on asset disposal	0.92	1,355	(3.39)	(3,954)
Total Non-Operating Revenues				
(Expenses)	<u>6.00</u>	<u>8,765</u>	<u>4.34</u>	<u>14,506</u>
NET INCOME	<u>8.52</u>	<u>12,461</u>	<u>13.04</u>	<u>19,245</u>
RETAINED EARNINGS - May 1		<u>30,140</u>		<u>277,281</u>
RETAINED EARNINGS - April 30		<u>\$ 42,601</u>		<u>\$ 311,619</u>

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Worship, Louisiana

Statements of Cash Flows
For the Years Ended April 30,

	1999	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 8,488	\$ 49,776
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	59,840	46,117
Increase (decrease) in receivables	(1,483)	1,400
Increase (decrease) in prepaid insurance	(15)	12,840
Increase (decrease) in accounts payable	(72,307)	66,896
Increase (decrease) in payroll taxes	711	(357)
Increase (decrease) in accrued interest payable	(1,607)	(939)
Increase (decrease) in interest compensation	(75)	(1,086)
Total adjustments	(14,576)	(24,161)
Net Cash Provided (Used) by Operating Activities	(6,088)	175,624
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer from (to) restricted assets	45,985	(62,748)
Other (minor) Receipts	4,674	1,770
Interest earned	(3,581)	(4,188)
Net Cash Provided (Used) in Investing Activities	47,078	(65,166)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of property, plant, and equipment	(18,794)	(91,264)
Proceeds from the sale of assets	3,285	-
Principal bond payments	(43,289)	(40,114)
Net Cash (Used) in Capital and Related Financing Activities	(58,798)	(131,488)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,492)	(5,158)
Cash and Cash Equivalents (Unrestricted) at Beginning of Year	23,665	28,789
Cash and Cash Equivalents (Unrestricted) at End of Year	\$ 22,173	\$ 23,631

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

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

Notes to Financial Statements
April 30, 1998 and 1997

Note 1 - Summary of Significant Accounting Policies

Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, was created by ordinance of the Calcasieu Parish Police Jury in 1871. 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 24:217 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, *Guide 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, Louisiana, is governed by a board appointed by the Calcasieu Parish Police Jury.

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for Calcasieu Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that inclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 34 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the police jury to impose its will on that organization and;
 - b. The potential for the organization to provide specific financial benefits to an impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the district's board members, the district was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by the police jury, or the other governmental units that comprise the financial reporting entity.

Continued

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Mottain, Louisiana

Notes to Financial Statements (Continued)
April 30, 1988 and 1987

Note 1 - Summary of Significant Accounting Policies (Continued)

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 enterprise - 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, Equipment, and Long-Term Liabilities

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

Depreciation of all depreciable 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:

Furniture and fixtures	3 - 10 years
Trucks	3 years
Water wells	30 years
Water tank	30 years
Distribution system	10 - 30 years
Plant and buildings	10 - 40 years

The property, plant, and equipment is stated at historical cost. Depreciation amounted to \$58,640 and \$46,117 for the years ended April 30, 1988 and 1987, respectively.

Cash and Cash Equivalents

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

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

Notes to Financial Statements (Continued)
April 30, 1998 and 1997

Note 1 - Summary of Significant Accounting Policies (Continued)

GAAP Pronouncements

Proprietary funds are reported in accordance with GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds." This standard requires that all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 be applied to proprietary activities unless they conflict with or contradict GASB pronouncements. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The district has elected not to implement FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

Note 2 - Bonds Payable

Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, issued \$1,808,080 of Revenue Bonds that were purchased by the Department of Housing and Urban Development. The interest rate on the bonds is 5.58%. The amount requirements to amortize the bonds outstanding as of April 30, 1998 and 1997 follows:

<u>April 30, 1998</u>			
Year Ending	Principal	Interest	Totals
April 30,			
1999	\$ 159,159	\$ 38,811	\$ 197,970
2000	35,000	36,844	71,844
2001	40,000	34,875	74,875
2002	40,000	32,625	72,625
2003	45,000	30,375	75,375
Thereafter	<u>483,800</u>	<u>154,400</u>	<u>638,200</u>
	<u>\$ 794,059</u>	<u>\$ 327,941</u>	<u>\$ 1,122,000</u>
<u>April 30, 1997</u>			
Year Ending	Principal	Interest	Totals
April 30,			
1998	\$ 147,182	\$ 40,500	\$ 187,682
1999	35,000	33,813	71,813
2000	35,000	36,504	71,504
2001	40,000	34,875	74,875
2002	40,000	32,625	72,625
Thereafter	<u>540,000</u>	<u>184,784</u>	<u>724,784</u>
	<u>\$ 837,182</u>	<u>\$ 268,041</u>	<u>\$ 1,105,223</u>

Continued

WATERWORKS DISTRICT 4 OF WARD 8 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana

Notes to Financial Statements (Continued)
April 30, 1988 and 1987

Note 2 - Bonds Payable (Continued)

There were principal reductions of \$40,583 and \$41,154 on the outstanding bonds for the years ended April 30, 1988 and 1987, respectively. Principal payments maturing since December 31, 1976 are included in current liabilities, as well as the current installment due. Delinquent principal payable is \$304,199 and \$117,342 for the years ended April 30, 1988 and 1987, 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 - Definition of Revenues

The Borrower hereby covenants and agrees that as soon as any portion of the project generates 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 bonds' current maturity of principal and interest.
3. Payments into the "Revenue Bond Reserve Fund" until such time as the funds shall equal \$85,400.
4. Payments to the "Replacement and Extension Fund" until the balance amounts to \$10,150. The purpose of the fund is to cover the costs of annual 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 the amortization for outstanding Revenue Bonds.

Note 4 - Meeting Expense

Members of the Board of Commissioners are currently paid a \$50 per diem allowance for attending board meetings. The total expenses for meetings during the current year and the prior year are as follows:

Member	April 30, 1988		April 30, 1987	
	Members	Expense	Members	Expense
Richard A. Wilton	13	\$ 650	13	\$ 650
A.G. Salvemont	13	650	13	650
Judy Glass	14	700	14	700
Warren Hicks	14	700	14	700
J.W. Foster	13	650	13	650
		<u>\$4,350</u>		<u>\$4,350</u>

Continued

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Mouline, Louisiana

Notes to Financial Statements (Continued)
April 30, 1998 and 1997

Note 5 - Accrued Vacation

The district's liability for accumulated unpaid vacation as of April 30, 1998 and 1997, totaling \$4,818 and \$3,228, respectively, has been accrued at prevailing wage rates.

Note 6 - Employee Benefits

The district implemented a Simplified Employee Pension Plan (SEPP) 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 1998 and 1997 was \$4,715 and \$4,578, respectively.

Note 7 - Cash, Cash Equivalents, and Certificates of Deposit

At April 30, 1998, the district had cash, cash equivalents, and certificates of deposit (book balances) totaling \$325,182.

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, 1998, the district had \$328,483 in deposits (reflected bank balances). These deposits are secured from risk by \$144,867 of federal deposit insurance and \$212,483 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GAAP Category 3).

Even though the pledged securities are considered unaffiliated (Category 3) under the provisions of GAAP Statement 3, Louisiana Revised Statute 29:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 30 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

Note 8 - Restricted Assets

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

The composition of restricted cash and certificates of deposit is set forth below:

	1998	1997
Cash	\$ 18,235	\$ 7,279
Certificates of deposit	286,948	515,548
	<u>\$ 305,183</u>	<u>\$ 522,827</u>

Note 9 - Cash Flow Information

Cash paid for interest for fiscal year ended April 30, 1998 was \$46,711.

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

Notes to Financial Statements (Continued)
April 30, 1998 and 1997

Note 10- Accounts Payable/Retainage Payable

The district had an unpaid obligation to a vendor related to the repainting of a 200,000-gallon elevated water tank at April 30, 1998. Unfulfilled retainage payable totaled \$8,580.

Note 11- Prior Year Balances

Certain prior year amounts have been reclassified to conform with current year presentation. Such reclassifications had no effect on previously reported net income and retained earnings.

Note 12- Contingencies

The district is involved in legal actions arising from an alleged violation of the Fair Labor Standards Act. The district intends to defend these actions. The ultimate resolution of this matter is not ascertainable at this time; however, management estimates it is possible that these actions could result in an obligation to the district ranging from \$30,000 to \$40,000.



BROUSSARD & COMPANY, APC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the general purpose financial statements of the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, as of and for the year ended April 30, 1998, and have issued our report thereon dated September 3, 1998. We conducted our 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 Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, notwithstanding that such tests have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying schedule of findings and questioned costs as item D-2. We also noted certain immaterial instances of noncompliance that we have reported to management of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, in a separate letter dated September 3, 1998.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters relating to one situation relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item A-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, in a separate letter dated September 3, 1998.

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

This report is intended for the information of the management of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana. However, this report is a matter of public record and its distribution is not limited.



September 5, 1998
skb

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
WESTLAKES, LOUISIANA
General Purpose

Schedule of Findings and Questioned Costs
For the Year Ended April 30, 1998

A. Summary of Independent Auditor's Results:

1. Unqualified opinion on general purpose financial statements.
2. Reportable conditions in internal control - Refer to B-1.
3. Material noncompliance - Refer to B-2.

B. GAGAS Findings:

1. A proper segregation of duties is not feasible due to the small number of people involved in the district's day-to-day operations.
2. Public Bid Law (La. Rev. Stat. 38:1702) requires public entities to advertise and award, to the lowest responsible bidder, public works contracts and material, equipment, and supply purchases exceeding certain specified limits. The district purchased equipment subject to the aforementioned statute and failed to advertise in the official journal of the district. Three quotations were obtained from four vendors and the lowest bid was accepted.



Founded in 1938

BROUSSARD & COMPANY, APC
CERTIFIED PUBLIC ACCOUNTANTS

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STATE OF LOUISIANA

September 3, 1968

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

Gentlemen:

In planning and performing our audit of the financial statements of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana, for the year ended April 30, 1968, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of some matters that may be opportunities for improving operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated September 3, 1968, on the financial statements of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana.

We have already discussed many of these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, if necessary.

September 3, 1968
RJB:

SEE FROM OFFICE

700 Poydras Street, Suite 1, A 70005
Ph: (504) 577-8838 Facsimile: (504) 577-8834

LA SAC CHARLES OFFICE

1 Lafayette Drive, Ste. 175, Lake Charles, LA 70601
Ph: (504) 439-6600 Facsimile: (504) 439-6600

MEMORANDUM

PAY PERIODS

We noted that three different payroll dates exist for all three employers of the district. We suggest all employers have the same payroll reporting date, with any adjustments, if needed, be made through subsequent payroll periods. This procedure should eliminate the need to track payroll on a different time basis for employees and should simplify office procedures as they relate to payroll procedures.

PRE-SIGNED CHECKS

As noted in the "Internal Control and Compliance Report", a proper segregation of duties is not feasible due to the small number of people involved in the district's day-to-day operations. We noted where the district's board members pre-sign blank checks which are then stored in a locked safe until needed. All checks also require the signatures of the office manager and the plant manager before payment. These procedures were implemented in the past by the district's board in an effort to eliminate losses due to the inability to get checks signed as needed.

As an additional safeguard over the cash disbursement cycle, we suggest a member of the district's board open all bank statements and review canceled checks for required signatures on a monthly basis.

VACATION CARRYOVER

We noted that vacation was allowed to carryover from year to year without the written approval of the board. We suggest all vacation carried over from prior years be approved by the district's board members and be reflected in the board estimates.

**WATER WORKS DISTRICT # 4
OF WARD #4 OF CALCASIEU PARISH
P.O. BOX 515
WESTLAKE, LA 70669**

September 14, 1998

Legislative Auditor
State of Louisiana
PO Box 94897
Baton Rouge, LA 70804-9597

Re: Financial Statement Audit for FY88 800898

Dear Sir:

In response to the management letter issued by our auditor's, Brownard & Company CPAs, APC, we offer the following:

1. Pay Periods

We are presently working on modifying office procedures to allow for all payroll periods to end on the same date.

2. Pre-signed Checks

We are again undertaking this issue under advisement in an effort to develop procedures that may circumvent the need to pre-sign checks, we are considering changing signature cards to require only one board member's signature plus the signature of the office manager, as well as the plant manager.

By changing the signature card, we believe it would be easier to locate one board member rather than two on an as needed basis. We are also considering limiting distributions to once a week, with that date corresponding to the payroll period.

3. Vacation Carryover

In the future, we intend to approve or not approve all unused vacation hours for carryforward in the official board minutes of the district.

In concluding, please be advised that there were no prior year management letter comments.

In the event further information is needed, please feel free to contact us.

Sincerely,


Tony Glass, President