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

**General Purpose Financial Statements
April 30, 1999 and 1998**

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

Release Date **OCT 20 1999**

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Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

Independent Auditor's Report

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 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, 1999 and 1998, 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. 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 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, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The year 2000 information on page 17 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding methods of measurement and presentation of supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana is or will become year 2000 compliant, that the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's year 2000 remediation efforts will be successful in whole or in part, or that the parties with which the Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana does business are or will be year 2000 compliant.

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Board of Commissioners
Waterworks District 4 of Ward 4
of Calcasieu Parish, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 1999, on our consideration of Waterworks District 4 of Ward 4 of Calcasieu Parish, Louisiana's internal control and compliance with laws and regulations.

Broussard & Company

Lake Charles, Louisiana
August 17, 1999
/dkb

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Balance Sheets
For the Years Ended April 30,

	1999	1998
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,243	\$ 26,459
Accounts receivable, net of allowance for doubtful accounts of \$0 for 1999 & 1998	28,008	33,281
Refundable insurance deposit	-	736
Accrued interest receivable	2,786	2,598
Total Current Assets	58,037	63,074
RESTRICTED ASSETS		
Certificates of deposit-bond indenture	209,463	242,365
Cash/certificates of deposit-meter deposits	58,600	56,568
Total Restricted Assets	268,063	298,933
PROPERTY, PLANT, AND EQUIPMENT		
Furniture, fixtures, and equipment	26,187	24,095
Trucks	32,112	32,112
Water wells	194,837	194,837
Water tank	277,972	277,972
Distribution system	759,751	759,751
Flouridation system	24,214	24,214
Plant and buildings	247,218	245,478
Construction in progress	30,020	-
Accumulated depreciation	1,592,311 (748,247)	1,558,459 (693,702)
Land	844,064 8,857	864,757 6,832
Net Property, Plant, and Equipment	852,921	871,589
TOTAL ASSETS	\$ 1,179,021	\$ 1,233,596

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Balance Sheets
For the Years Ended April 30,

	1999	1998
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,094	\$ 1,328
Retainage payable	-	8,680
Payroll taxes payable	2,589	1,864
Accrued compensation	3,455	4,938
Total Current Liabilities	8,138	16,810
CURRENT LIABILITIES - PAYABLE FROM RESTRICTED ASSETS		
Accrued interest payable	13,547	14,615
Bonds payable	133,198	139,159
Meter deposits payable	58,600	56,568
Total Current Liabilities - Payable from Restricted Assets	205,345	210,342
LONG-TERM LIABILITIES		
Bonds payable	748,198	794,159
Less current maturity	(133,198)	(139,159)
Total Long-Term Liabilities	615,000	655,000
TOTAL LIABILITIES	828,483	882,152
RETAINED EARNINGS		
Reserved per revenue bond indenture	62,718	88,591
Unreserved-undesignated	287,820	262,853
Total Retained Earnings	350,538	351,444
TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 1,179,021	\$ 1,233,596

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Revenues, Expenses, and Changes in Retained Earnings
For The Years Ended April 30,

	1999	Percent	1998	Percent
OPERATING REVENUES				
Water sales	\$ 330,363	93.1	\$ 328,775	94.5
Meter tap revenue	10,200	2.9	11,600	3.3
Service charges	2,500	0.7	2,189	0.6
Late charges/delinquent fees	11,606	3.3	5,428	1.6
Total Operating Revenues	354,669	100.0	347,992	100.0
OPERATING EXPENSES				
Salary - superintendent	69,326	19.5	36,998	10.6
Salary-office	25,482	7.2	22,667	6.5
Transmission labor	24,317	6.9	23,999	6.9
Contract labor	4,055	1.1	5,086	1.5
Insurance	24,663	7.0	26,098	7.5
Payroll taxes	9,354	2.6	6,522	1.9
Retirement benefits	6,689	1.9	4,713	1.4
Office supplies and postage	5,894	1.7	5,086	1.5
Meeting expense	5,160	1.5	4,200	1.2
Telephone	3,258	0.9	2,544	0.7
Utilities	17,761	5.0	20,197	5.8
Billing and meter reading	19,346	5.5	19,158	5.5
Truck expense	4,186	1.2	7,039	2.0
Maintenance and repairs	19,530	5.5	26,952	7.7
Chemicals and supplies	3,506	1.0	5,847	1.7
Depreciation	54,544	15.4	59,840	17.2
Legal and professional	9,135	2.6	7,278	2.1
Equipment rental	9,273	2.6	9,160	2.6
Interest expense	43,046	12.1	45,714	13.1
Miscellaneous	652	0.2	347	0.1
Bad debt expense	941	0.3	147	0.0
Litigation settlement	31,000	8.7	-	-
Total Operating Expenses	391,118	110.3	339,592	97.6
INCOME (LOSS) FROM OPERATIONS	(36,449)	(10.3)	8,400	2.4
NON-OPERATING REVENUES (EXPENSES)				
Interest income	14,069	4.0	13,585	3.9
Miscellaneous income	21,474	6.1	4,635	1.3
Gain/(loss) on asset disposal	-	-	3,205	0.9
Total Non-Operating Revenue (Expenses)	35,543	10.0	21,425	6.2
NET INCOME (LOSS)	(906)	(0.3)	29,825	8.6
RETAINED EARNINGS - MAY 1	351,444		321,619	
RETAINED EARNINGS - APRIL 30	\$ 350,538		\$ 351,444	

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

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Statements of Cash Flows
For the Years Ended April 30,

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (36,449)	\$ 8,400
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	54,544	59,840
(Increase) decrease in receivables	5,084	(1,403)
(Increase) decrease in prepaid expenses	736	123
(Increase) decrease in accounts payable	(7,914)	(72,367)
Increase (decrease) in payroll taxes	725	171
(Decrease) in accrued interest payable	(1,068)	(1,007)
Increase (decrease) in accrued compensation	(1,483)	(291)
Increase in restricted refundable meter deposits	2,032	1,600
Total adjustments	<u>52,656</u>	<u>(13,334)</u>
Net Cash Provided (Used) by Operating Activities	<u>16,207</u>	<u>(4,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer from (to) restricted assets	30,870	44,395
Other/miscellaneous income	21,474	4,634
Interest earned	14,069	13,585
Net Cash Provided (Used) in Investing Activities	<u>66,413</u>	<u>62,614</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(35,875)	(18,794)
Proceeds from the sale of assets	-	3,205
Principal bond payments	(45,961)	(43,583)
Net Cash (Used) in Capital and Related Financing Activities	<u>(81,836)</u>	<u>(59,172)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	784	(1,492)
CASH AND CASH EQUIVALENTS (UNRESTRICTED) AT BEGINNING OF YEAR	<u>26,459</u>	<u>27,951</u>
CASH AND CASH EQUIVALENTS (UNRESTRICTED) AT END OF YEAR	\$ <u><u>27,243</u></u>	\$ <u><u>26,459</u></u>

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, 1999 and 1998

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 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, 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 exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion 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/or;
 - b. The potential for the organization to provide specific financial benefits to or 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.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 1999 and 1998

Note 1 - Summary of Significant Accounting Policies (Continued):

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.

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, Equipment, and Construction in Progress

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:

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 \$54,544 and \$59,840 for the years ended April 30, 1999 and 1998, respectively.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 1999 and 1998

Note 1 - Summary of Significant Accounting Policies (Continued):

The District anticipates the total cost of a media filter replacement project to be approximately \$40,000. Costs incurred through April 30, 1999 totaled \$30,020. The project completion date is May of 1999.

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.

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.

GASB 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 \$1,000,000 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, 1999 and 1998 follows:

<u>April 30, 1999</u> <u>Year Ending</u> <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2000	\$ 133,198	\$ 38,518	\$ 171,716
2001	40,000	34,875	74,875
2002	40,000	32,625	72,625
2003	45,000	30,375	75,375
2004	45,000	27,844	72,844
Thereafter	445,000	126,560	571,560
	<u>\$ 748,198</u>	<u>\$ 290,797</u>	<u>\$ 1,038,995</u>

Continued

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 1999 and 1998

Note 2 - Bonds Payable (Continued):

<u>April 30, 1998</u> Year Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
1999	\$ 139,159	\$ 38,813	\$ 177,972
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>495,000</u>	<u>154,409</u>	<u>649,409</u>
	<u>\$ 794,159</u>	<u>\$ 327,941</u>	<u>\$1,122,100</u>

There were principal reductions of \$45,961 and \$43,583 on the outstanding bonds for the years ended April 30, 1999 and 1998, respectively. Principal payments maturing since December 31, 1976 are included in current liabilities, as well as the current installment due. Delinquent principal payable is \$93,198 and \$104,159 for the years ended April 30, 1999 and 1998, 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.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 1999 and 1998

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:

Member	April 30, 1999		April 30, 1998	
	Total Number Meetings	Expense	Total Number Meetings	Expense
Richard A. Hebert	17	\$ 1,020	15	\$ 900
A.G. Schwarzer	17	1,020	12	720
Joey Glass	17	1,020	14	840
Warren Hicks	17	1,020	14	840
J.W. Foster	18	1,080	15	900
		<u>\$ 5,160</u>		<u>\$ 4,200</u>

Note 5 - Accrued Vacation

The District's liability for accumulated unpaid vacation as of April 30, 1999 and 1998, totaling \$3,455 and \$4,938, respectively, has been accrued at prevailing wage rates.

Note 6 - Retirement 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 1999 and 1998 was \$6,689 and \$4,713, respectively.

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

At April 30, 1999, the District had cash, cash equivalents, and certificates of deposit (book balances) totaling \$295,306.

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, 1999, the District had \$296,055 in deposits (collected bank balances). These deposits are secured from risk by \$143,609 of federal deposit insurance and \$258,307 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Notes to Financial Statements (Continued)
April 30, 1999 and 1998

Note 7 - Cash, Cash Equivalents, and Certificates of Deposit (Continued):

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.

Note 8 - Restricted Assets

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

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

	1999	1998
Cash	\$ 21,389	\$ 18,225
Certificates of Deposit	246,674	280,708
	\$ 268,063	\$ 298,933

Note 9 - Cash Flow Information

Cash paid for interest for fiscal year ended April 30, 1999 was \$44,114.

Note 10- 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 11- Litigation

The District settled a legal issue concerning an alleged violation of the Fair Labor Standards Act. The settlement amount totaled \$60,000. The settlement was allocated as unpaid back wages of \$29,000, liquidated damages of \$29,000, and attorney fees of \$2,000.



Founded in 1978

BROUSSARD & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.

**INDEPENDENT AUDITOR'S 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, 1999, and have issued our report thereon dated August 17, 1999. 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, 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 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 B-2

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 coming to our attention 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 B-1.

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

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.

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.

Bransard & Company

Lake Charles, Louisiana
August 17, 1999
/dkb

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended April 30, 1999

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. Management has considered this weakness and determined that it would not be cost effective to employ sufficient personnel to obtain adequate segregation of duties.
2. Public Bid Law La. Rev. Stat. 38:2212 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 aforementioned law provides an exception to the requirements in subsection D(1) which states that the law shall not apply in cases of extreme public emergency where such emergency has been certified to by the public entity and notice of such emergency has been published in the official journal of the entity within ten days of such declaration. The District formally declared the public emergency in a special meeting; however, notice of such emergency was not published in the official journal.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Summary of Prior Year Findings
For the Year Ended April 30, 1999

The following findings were mentioned in the April 30, 1998 audit and are mentioned again in the current year.

PAY PERIODS

Different pay periods existed for all three of the District's employees, thus creating cumbersome reporting requirements.

CORRECTIVE ACTION PLAN

All employees are currently paid on the same dates for the same pay periods.

PRE-SIGNED CHECKS

Due to the small number of people involved in the day-to-day operations of the District (refer to the "Internal Control and Compliance Report"), blank checks are routinely signed in advance and maintained in a locked safe until needed. Although the checks require additional signatures of the plant and office managers, it was recommended that all bank statements be opened and reviewed by board members prior to proper routing through the office.

CORRECTIVE ACTION PLAN

The District is currently working with its local financial institution to develop procedures for handling auto bank drafts for as many vendors as possible. Bank statements are directly processed by the office manager.

VACATION CARRYOVER

Vacation carryover was permitted without the written consent of the board members.

CORRECTIVE ACTION PLAN

All vacation carried forward from year to year is being approved in writing by the board of directors.

WATERWORKS DISTRICT 4 OF WARD 4 OF CALCASIEU PARISH, LOUISIANA
Westlake, Louisiana
Year 2000 Compliance
For the Year Ended April 30, 1999

YEAR 2000 COMPLIANCE (UNAUDITED)

Time and space saving programming decisions made in prior years resulted in two-digit computer codes that may not correctly recognize "00" and the year 2000. Serious processing error or system failure could result. To prevent this error, computer systems and equipment must be reprogrammed or replaced to make them year 2000 compliant.

The District is dependent on computerized systems for essential operations and to provide water services to citizens. The District is engaged in discussions with its utility supplier and third party administrator responsible for water consumption reporting and billings. The District can provide essential water services for an interim period utilizing emergency generators, if necessary.

The District does not directly maintain any date sensitive essential equipment critical to its operations.