

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Schedule 2

Schedule of Revenues and Expenses - Waterworks System  
Budget and Actual

Year Ended July 31, 1996

	Budget	Actual	Variance- Favorable (Unfavorable)
Operating revenues:			
Water sales	\$ 1,795,900	\$ 1,875,947	\$ 80,047
Delinquent charges	53,000	54,755	1,755
Other water service charges	65,570	82,135	16,565
Solid waste, garbage, and sewerage collection fees	32,050	34,100	2,050
Total operating revenues	1,946,520	2,046,937	100,417
Operating expenses:			
Salaries	517,900	516,885	1,015
Payroll taxes	37,200	36,155	1,045
Insurance	70,000	64,031	5,969
Group and disability insurance	175,700	98,223	77,477
Retirement plan	6,000	5,007	993
Per diem paid to board members	7,400	9,060	(1,660)
Uniform reimbursements	2,800	2,190	610
Water user fee	26,000	27,642	(1,642)
Travel and education expenses	5,700	5,633	67
Substance abuse testing	500	483	17
Transportation expense	22,000	17,557	4,443
Stationery and office supplies	38,000	39,855	(1,855)
Chemicals and purification supplies	115,000	109,250	5,750
Other purification expenses	1,500	1,832	(332)
Utilities	130,000	126,102	3,898
Unemployment compensation insurance	5,000	1,884	3,116
Supplies - meter readers	1,800	1,216	584
Maintenance and repairs	85,000	95,116	(10,116)
Telemetry	7,000	5,021	1,979
Service materials	28,500	39,173	(10,673)
Collection expenses	9,000	9,357	(357)
Communication expense	8,000	8,113	(113)
Rent expenses	4,500	4,560	(60)
Professional services, engineering	15,000	12,000	3,000
Professional services, legal and accounting	12,000	7,640	4,360
Other expenses	8,000	6,368	1,632
Uncollectible accounts	4,000	12,819	(8,819)
Depreciation	450,000	447,818	2,182
Total operating expenses	1,793,500	1,710,990	82,510
Operating income	153,020	335,947	182,927

(Continued)

# WAGUESPACK & ASSOCIATES

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners  
Waterworks District No. 1 of the Parish of  
Assumption, State of Louisiana  
Napoleonville, Louisiana

We have audited the general-purpose financial statements of the Waterworks District No. 1 of the Parish of Assumption, State of Louisiana (the District), a component unit of the Assumption Parish Police Jury, as of and for the year ended July 31, 1996, and have issued our report thereon dated September 16, 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; and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's 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 instances of noncompliance that are required to be reported herein under Government Auditing Standards:

### Fiscal Agency and Cash Management

Condition: The Waterworks District No. 1 of the Parish of Assumption failed to adequately secure the deposits with respect to the cash deposits at a local financial institution. The portion of the deposit balances that exceeded the federal deposit insurance and pledged securities amounted to \$144,169 which is considered un-insured and unsecured.

Criteria: Louisiana Revised Statute 39:1221-1226 requires that the 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 or exceed the amounts on deposit with the fiscal agent bank.

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Exhibit A

Balance Sheet - All Fund Types and Account Group

July 31, 1996

	Governmental Fund Type- Debt Service	Proprietary Fund Type- Enterprise	Account Group General Long-Term Debt	Total (Memorandum Only)
<b>ASSETS</b>				
Cash	\$ 935	\$ 129,070	-	\$ 130,005
Certificates of deposit	29,000	500,000	-	529,000
Accounts receivable:				
Billed water charges, net of \$9,909 for an allowance for doubtful accounts	-	116,901	-	116,901
Unbilled water charges	-	128,976	-	128,976
Other receivables	527	39,666	-	40,193
Inventory of supplies	-	56,221	-	56,221
Prepaid expenses	-	13,528	-	13,528
Property and rights held under deferred compensation plan	-	60,476	-	60,476
Designated assets-capital improvements:				
Cash	-	155,418	-	155,418
Certificates of deposit	-	500,000	-	500,000
Restricted assets-debt service:				
Cash	-	1,442	-	1,442
Certificates of deposit	-	282,000	-	282,000
Restricted assets-customers' deposits:				
Cash	-	5,758	-	5,758
Certificate of deposit	-	166,000	-	166,000
Utility plant and equipment, net	-	10,069,428	-	10,069,428
Unamortized debt issue costs	-	57,987	-	57,987
Amount available in debt service funds	-	-	30,462	30,462
Amount to be provided for retirement of general long-term debt	-	-	-	-
Total assets	30,462	12,282,871	29,538	12,373,333

(Continued)

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

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**INDEPENDENT AUDITOR'S REPORT**

The Board of Commissioners  
Waterworks District No. 1 of the  
Parish of Assumption, State of Louisiana  
Napoleonville, Louisiana

We have audited the accompanying general-purpose financial statements of Waterworks District No. 1 of the Parish of Assumption, State of Louisiana (the District), a component unit of the Assumption Parish Police Jury, as of and for the year ended July 31, 1996, 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 audit.

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. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material aspects, the financial position of the Waterworks District No. 1 of the Parish of Assumption, State of Louisiana, as of July 31, 1996, and the results of its operations and the cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 16, 1996 on our consideration of Waterworks District No. 1 of the Parish of Assumption's internal control structure and a report dated September 16, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Schedules" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the Waterworks District No. 1 of the Parish of Assumption, State of Louisiana, a component unit of the Assumption Parish Police Jury. Such information, except for the Schedule of Metered Water Customers marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to such general-purpose financial statements taken as a whole.

*Waguespack & Associates (APAC)*

Belle Rose, Louisiana  
September 16, 1996

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LEGISLATIVE AUDITORS

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION,  
STATE OF LOUISIANA  
Napoleonville, Louisiana**

**GENERAL-PURPOSE FINANCIAL STATEMENTS  
Year ended July 31, 1996**

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

**JAN 08 1997**

Release Date \_\_\_\_\_

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**OTHER SUPPLEMENTARY INFORMATION**

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Schedule 1

**Operating Expenses - Waterworks System - Continued**

**Year Ended July 31, 1996**

Office, general and administrative expenses:	\$ 187,607
Salaries	39,855
Stationery and office supplies	9,357
Collection expenses	6,244
Communication expense	12,700
Payroll taxes	2,286
Disability insurance	92,030
Group insurance	64,031
Insurance	4,500
Rent of Police Jury, equity in system	60
Rent, other	7,640
Professional services, legal and accounting	12,000
Professional services, engineering	216
Transportation expense	2,723
Travel and education expenses	9,060
Per diem paid to board members	1,735
Retirement plan	6,178
Other expenses	12,819
Uncollectible accounts	2,190
Uniform reimbursements	1,884
Unemployment compensation insurance	7,493
Maintenance of equipment	<u>7,493</u>
Total office, general and administrative expenses	<u>\$ 482,608</u>



**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE K - ADDITIONAL BILLING AND COLLECTION**

The District has entered into formal contracts with the Assumption Parish Police Jury, the Village of Napoleonville and the St. Martin, Back Marais, Aysenne, RDG Developers and Aucoin Sewerage Districts whereby the District, as an agent, bills and collects for solid wastes services rendered by the Police Jury and the Village and the sewerage services rendered by the Village and the sewerage districts. The Police Jury pays the District 25 cents per solid waste bill issued and the Village of Napoleonville and St. Martin, Back Marais, Aysenne, RDG Developers and Aucoin Sewerage Districts pay 5% of collections of charges to its residents.

**NOTE L - SELF INSURANCE HEALTH PROGRAM**

The District participates in a self-insurance health program for employees of the District and the Assumption Parish Police Jury. A third party administrator processes the claims and maintains records of the allowable costs, deductible costs, etc., with the activity of this program being reported in the District's Waterworks System expenses. The District and Police Jury share these expenses in proportion with the respective number of employees covered. Under the program, the District and Police Jury maintain a commercial insurance policy which pays all claims exceeding \$20,000 per year per person to \$1,000,000 per year. They also maintain an aggregate stop loss policy which will reimburse the program for period ended August 31, 1996.

**NOTE M - SUPPLEMENTAL CASH FLOWS DISCLOSURE**

During the year ended July 31, 1996, the enterprise fund paid \$218,136 for interest expense on revenue bonds outstanding. No amounts were paid for income taxes as the District is a component unit of the Assumption Parish Police Jury and governmental agencies are exempt from federal and Louisiana income taxes.

**NOTE N - COMMENTS REGARDING BOND RESOLUTION REQUIREMENTS**

Section 9 of the March 15, 1989, revenue bond resolution requires the District to provide revenues in each year sufficient to pay all reasonable and necessary expenses of operating and maintaining the Waterworks System in such year, the principal and interest maturing on the Bonds in each year, all reserves or sinking funds or other payments required for such year and all other obligations or indebtedness payable out of revenues of the System for such year, at least equal to 120% of the largest amount of principal maturing on the bonds in any future fiscal year.

At July 31, 1996, this requirement was met.

All other requirements of the bond resolutions have been met.

**NOTE O - LITIGATION**

At July 31, 1996, the district is involved in various litigation matters all of which are considered by management to be covered and within the limits of insurance coverage. In addition, management is not aware of any unasserted claims.

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Schedule 2

Schedule of Revenues and Expenses - Waterworks System  
Budget and Actual - Continued

Year Ended July 31, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Nonoperating revenues:			
Gain on disposal of equipment	-	3,326	3,326
Miscellaneous	2,300	2,153	(147)
Interest income	<u>35,000</u>	<u>69,785</u>	<u>34,785</u>
Total nonoperating revenues	37,300	75,264	37,964
Nonoperating expenses:			
Interest and amortization expense	<u>219,166</u>	<u>219,158</u>	<u>8</u>
Net income (loss) excluding Ad Valorem revenue	<u>\$ (28,846)</u>	<u>\$ 192,053</u>	<u>\$ 220,899</u>

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Enterprise Fund - Waterworks System  
Schedule of Changes in Assets Restricted for Revenue Bond Debt Service

Year Ended July 31, 1996

	Waterworks Utility Revenue Bond and Interest Sinking Fund	Waterworks Utility Revenue Bond Reserve Bond	Waterworks Utility Depreciation and Contingency Fund	Total
Cash and cash equivalents and certificates of deposit at beginning of year	\$ 86,618	\$ 84,214	\$ 87,465	\$ 258,297
Cash receipts:				
Transfers from operating account	259,086	12,955	12,955	284,996
Interest earned	<u>1,465</u>	<u>4,390</u>	<u>4,547</u>	<u>10,402</u>
Total cash available	347,169	101,559	104,967	553,695
Cash disbursements:				
Principal payments	41,715	-	-	41,715
Interest payments	218,136	-	-	218,136
Transfers to operating account	<u>1,465</u>	<u>4,390</u>	<u>4,547</u>	<u>1,402</u>
Total disbursements	<u>261,316</u>	<u>4,390</u>	<u>4,547</u>	<u>270,253</u>
Cash and cash equivalents and certificates of deposits at end of year	<u>\$ 85,853</u>	<u>\$ 97,169</u>	<u>\$ 100,420</u>	<u>\$ 283,442</u>

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

Schedule 5

**Metered Water Customers**

**July 31, 1995**  
(Unaudited)

At July 31, 1996, the District had 8,734 metered customers as set forth in the District's internal reports.

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Schedule 5

Board of Commissioners - Per Diem

Year Ended July 31, 1996

<u>Board Members</u>	<u>Number of Meetings</u>	<u>Per Diem</u>
Daniel J. Nail	14	840
Calvin P. Hebert	9	540
Chester A. Joseph	14	840
Alfred Templet	14	840
Herbert Aucoin	13	780
Ferman L. Bernard	12	720
Donna K. Robertson	14	840
Bryan Dugas	14	840
Crawford Landry	14	840
Godfrey Naquin	14	840
Vincent Nelson	14	840
Myron Matherne	5	<u>300</u>
		<u>\$ 9,060</u>

**SUPPLEMENTARY FINANCIAL REPORTS**

**WAGUESPACK & ASSOCIATES**  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners  
Waterworks District No. 1 of the Parish  
of Assumption, State of Louisiana  
Napoleonville, Louisiana

We have audited the general-purpose financial statements of the Waterworks District No. 1 of the Parish of Assumption, State of Louisiana, (the District), a component unit of the Assumption Parish Police Jury, as of and for the year ended July 31, 1996, and have issued our report thereon dated September 16, 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 the District 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. 1 of the Parish of Assumption, State of Louisiana, for the year ended July 31, 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.

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Schedule 1

Operating Expenses - Waterworks System

Year Ended July 31, 1996

Waterworks System Expenses:

Purification and plant expenses:

Salaries, plant personnel	\$ 163,722
Payroll taxes	11,694
Chemicals and purification supplies	109,250
Disability insurance	1,957
Maintenance and repairs of plant	51,016
Miscellaneous expenses	295
Other purification expenses	1,832
Retirement plan	1,628
Transportation expenses	685
Travel and education	894
Utilities	<u>122,909</u>

Total purification and plant expenses 465,882

Distribution, operation and maintenance expenses:

Salaries	\$ 165,556
Payroll taxes	11,761
Communication	1,869
Disability insurance	1,950
Miscellaneous	378
Repairs and maintenance	36,607
Retirement plan	1,644
Service materials	39,173
Supplies and expenses, meter readers	1,216
Telemetry	5,021
Transportation expenses	16,656
Travel and education	2,016
Utilities	3,193
Water user fee	<u>27,642</u>

Total distribution, operation and maintenance expenses 314,682

Total waterworks system expenses \$ 780,564

(Continued)



**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE C - AD VALOREM TAXES - Continued**

For the year ended July 31, 1996, taxes of .35 mill were levied on property with assessed valuations totaling \$51,821,089 for 1995 and were dedicated to pay the ad valorem tax issue of the District. Total taxes levied were \$18,137 less the contributions to the pension plan totaling \$581.

**NOTE D - UTILITY PLANT AND EQUIPMENT**

A summary of utility plant and equipment at July 31, 1996 follows:

	<u>Life in Years</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Straight- Line Method Depreciation This Year</u>
Land and rights of way	-	\$ 126,575	\$ -	\$ 126,575	\$ -
Power, pumping and purification structures and equipment, including main plant building	44	3,806,321	1,647,147	2,159,174	85,925
Transmission and distribution mains and accessories	44	13,185,650	5,574,192	7,611,458	331,204
Transportation, office and other equipment	5-15	408,132	251,011	157,121	30,689
Construction in progress: New transmission lines and other projects	-	<u>15,100</u>	<u>-</u>	<u>15,100</u>	<u>-</u>
Totals		<u>\$ 17,541,778</u>	<u>\$ 7,472,350</u>	<u>\$ 10,069,428</u>	<u>\$ 447,818</u>

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Exhibit A

Balance Sheet - All Fund Types and Account Group - Continued

July 31, 1996

	Governmental Fund Type- Debt Service	Proprietary Fund Type- Enterprise	Account Group General Long-Term Debt	Total (Memorandum Only)
Fund equity:				
Contributed capital	-	4,320,465	-	4,320,465
Retained earnings:				
Reserved for revenue bond debt service and contingencies	-	167,739	-	167,739
Unreserved:				
Designated for subsequent years capital additions and other expenditures	-	1,234,994	-	1,234,994
Undesignated	-	4,253,692	-	4,253,692
Total retained earnings	-	<u>5,656,425</u>	-	<u>5,656,425</u>
Fund balance-reserved for debt service	<u>30,462</u>	-	-	<u>30,462</u>
Total fund equity	<u>30,462</u>	<u>9,976,890</u>	-	<u>10,007,352</u>
Total liabilities and fund equity	<u>\$ 30,462</u>	<u>\$ 12,282,871</u>	<u>\$ 60,000</u>	<u>\$ 12,373,333</u>

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

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Exhibit B

Statement of Revenues, Expenditures, and Changes  
In Fund Balance - Governmental Fund Type - Debt Service Fund

Year Ended July 31, 1996

Revenues:

Ad valorem taxes	\$ 17,524
Interest earnings	<u>1,696</u>

Total revenues	19,220
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Expenditures:

Debt service:

Principal retirement	\$ 20,000
Interest expense	4,200
Paying agents' fees	<u>100</u>

Total expenditures	<u>24,300</u>
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Excess (deficiency) of revenues over expenditures	(5,080)
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Fund balance at beginning of year	<u>35,542</u>
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Fund balance at end of year	<u>\$ 30,462</u>
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The accompanying notes are an integral part of these financial statements

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Exhibit C

Statement of Revenues, Expenses, and Changes in Retained Earnings -  
Proprietary Fund Type - Enterprise Fund - Waterworks System

Year Ended July 31, 1996

Operating revenues:	
Revenues from sales and service charges:	
Water sales	\$ 1,875,947
Other water service charges	82,135
Delinquent charges	54,756
Solid waste, garbage, and sewerage collection fees	<u>34,099</u>
Total operating revenues	<u>2,046,937</u>
Operating expenses:	
Waterworks system expenses	780,564
Office, general and administrative expenses	482,608
Depreciation	<u>447,818</u>
Total operating expenses	<u>1,710,990</u>
Operating income	<u>335,947</u>
Nonoperating revenues (expenses):	
Interest income	69,785
Gain on disposal of equipment	3,326
Miscellaneous	2,153
Interest expense	(216,600 )
Amortization of debt issue costs	<u>(2,558 )</u>
Total nonoperating revenues (expenses)	<u>(143,894 )</u>
Net income	192,053
Retained earnings at beginning of year	<u>5,464,372</u>
Retained earnings at end of year	<u>\$ 5,656,425</u>

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

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Exhibit D

Statement of Cash Flows - Proprietary Fund Type -  
Enterprise Fund - Waterworks System

Year Ended July 31, 1996

INCREASE (DECREASE) in Cash and Cash Equivalents

Cash flows from operating activities:		
Operating income		\$ 335,947
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 447,818	
Changes in assets and liabilities:		
Receivables	15,773	
Inventory of supplies	(9,571)	
Prepaid expenses	1,017	
Accounts payable	(10,352)	
Other accrued expenses	<u>8,012</u>	
Total adjustments		<u>452,697</u>
Net cash provided by operating activities		788,644
Cash flows from noncapital financing activities:		
Customer deposits received	38,060	
Customer deposits refunded	<u>(28,485)</u>	
Net cash provided by noncapital financing activities		9,575
Cash flows from capital and related financing activities:		
Proceeds from disposal of equipment	3,500	
Acquisition and construction of capital assets	(367,070)	
Principal paid on revenue bonds	(41,715)	
Interest paid on revenue bonds	(218,136)	
Proceeds from contributions in aid of construction	19,703	
Other non-operating revenues	<u>2,153</u>	
Net cash used for capital and related financing activities		(601,565 )
Cash flows from investing activities:		
Interest earned on investments	69,785	
Increase in designated certificate of deposit	(400,000)	
Increase in restricted certificates of deposit - debt service	(26,000)	
Increase in restricted certificates of deposit - customers' deposit	<u>(11,000)</u>	
Net cash used for investing activities		<u>(367,215 )</u>
Net increase (decrease) in cash and cash equivalents		(170,561 )
Cash and cash equivalents at beginning of year		<u>1,047,249</u>
Cash and cash equivalents at end of year		<u>\$ 876,688</u>
Included in Balance Sheet as:		
Cash		\$ 129,070
Certificate of deposit		500,000
Designated cash - capital improvements		155,418
Restricted cash - debt service		1,442
Restricted certificate of deposit - debt service		85,000
Restricted cash - customers' deposits		<u>5,758</u>
		<u>\$ 876,688</u>

The accompanying notes are an integral part of these financial statements

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

On July 10, 1956, in accordance with the provisions of Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950, the Police Jury of the Parish of Assumption created the Waterworks District No. 1 of the Parish of Assumption, State of Louisiana (hereinafter referred to as the District). The District as created by the Police Jury encompasses the identical area as the Parish of Assumption.

**THE REPORTING ENTITY.** Waterworks District No. 1 is a component unit of the Assumption Parish Police Jury.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to local governmental units as prescribed by the Governmental Accounting Standards Board (GASB).

The following is a summary of certain significant account policies.

Fund Accounting The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

**Governmental Fund - Debt Service Fund:**

Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs (i.e., ad valorem tax bonds).

**Proprietary Fund - Enterprise Fund:**

Enterprise funds are used to account for operations 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.

Long-Term Liabilities The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. Long-term liabilities financed from ad valorem taxes are accounted for in the General Long-Term Debt Account Group.

All government fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Long-term liabilities financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

Basis of Accounting Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA

Exhibit A

Balance Sheet - All Fund Types and Account Group - Continued

July 31, 1996

	Governmental Fund Type- Debt Service	Proprietary Fund Type- Enterprise	Account Group General Long-Term Debt	Total (Memorandum Only)
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable	\$ -	\$ 26,420	\$ -	\$ 26,420
Accrued wages payable	-	15,156	-	15,156
Accrued vacation payable	-	19,629	-	19,629
Obligations to employees under deferred compensation plan	-	60,476	-	60,476
Payable from restricted assets:				
Revenue bonds	-	44,010	-	44,010
Interest payable	-	71,187	-	71,187
Customers' deposits	-	171,758	-	171,758
Revenue bonds payable	-	1,897,345	-	1,897,345
Ad valorem tax bonds payable	-	-	60,000	60,000
Total liabilities	<u>-</u>	<u>2,305,981</u>	<u>60,000</u>	<u>2,365,981</u>

(Continued)

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

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE B - FLOW OF FUNDS - RESTRICTIONS ON USE**

Under the terms of the bond indenture with the Louisiana Public Financing Authority (LPFA) on the outstanding revenue bond dated March 15, 1989, all income and expenses (hereinafter referred to as revenue) of every nature, earned or derived from operation of the Waterworks System are pledged and dedicated to the retirement of said bond. Below are the revenues which are to be set aside into the following special funds:

All revenue shall be periodically deposited in a "Waterworks Utility Revenue Fund" to provide for payment of all reasonable and necessary expenses of operating and maintaining the System.

Each month there will be set aside into a fund called the "Waterworks Utility Bond and Interest Sinking Fund" an amount constituting 1/12 of the next maturing installment of principal and 1/6 of the next maturing installment of interest on the outstanding LPFA bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

There shall also be set aside into a "Waterworks Utility Revenue Bond Reserve Fund" an amount equal to 5% of the amount to be paid into the Waterworks Utility Bond and Interest Sinking Fund each month as required on the LPFA bonds until there shall have been accumulated an amount equal to the maximum principal and interest on bonds payable from the Sinking Fund which would otherwise be in default.

In addition, there shall be set aside into a "Waterworks Utility Depreciation and Contingency Fund" an amount equal to 5% of the amount to be paid into the Waterworks Utility Bond and Interest Sinking Fund described above. Such amounts are to be used for extensions, additions, improvements and replacements necessary to properly operate the Waterworks System. Money in this fund may also be used to pay principal or interest falling due on the LPFA bonds at any time there is not sufficient money for payment in the other bond funds, but if so used, such money shall be replaced from earnings of the District as soon as possible after making the required payments into the respective funds set forth above.

On July 17, 1989, the Board of Commissioners of the District created the "Waterworks Utility Revenue Fund - Capital Improvements". Said fund is to receive monies in excess of \$50,000 shown in the annual audit report remaining in the Waterworks Utility Revenue Fund at July 31 of each year after making all required payments into the Sinking, Reserve and Depreciation and Contingency Funds. The excess shall be considered surplus and shall be deposited in this fund. Said fund is to be used by the District for the purpose of making extensions, additions, improvements, renewals, and replacements to the System or for the purpose of retiring outstanding bonds in advance of their maturities, or any other legal purpose determined by the Board to be in the best interest of the District and not in violation of the 1989 LPFA bond issue requirements. The required transfer to this fund for the year ended July 31, 1996 is \$579,070.

**NOTE C - AD VALOREM TAXES**

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District during June and are actually billed to the taxpayers in November by the tax assessor. Billed taxes become delinquent on January 1 of the following year. Revenue from ad valorem taxes are budgeted in the year billed.



Effect: The Waterworks District No. 1 of the Parish of Assumption failed to comply with Louisiana Revised Statute 31221-1226.

Management's

Response: This deficiency in the amount of pledged securities needed to secure the deposit balances was due to the financial institutions failure to pledge the proper amount of securities. The deficiency was cured by the financial institution shortly after this finding. Management of the waterworks will take additional steps necessary to ensure that the financial institution reviews the adequacy of the pledged securities on a timely basis.

We considered these instances of noncompliance in forming our opinion on whether the Assumption Parish Waterworks July 31, 1996 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated September 16, 1996, on those general-purpose financial statements.

This report is intended solely for the use of management of Waterworks District No. 1 of the Parish of Assumption, State of Louisiana, and interested state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

*Wagnerspack & Associates (APAC)*

Belle Rose, Louisiana  
September 16, 1996

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE D - UTILITY PLANT AND EQUIPMENT - Continued**

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Balances at beginning of year	\$ 17,181,823	\$ 7,031,473	\$ 10,150,350
Additions:			
Power, pumping, and purification	48,366	-	48,366
Transmission and distribution mains and accessories	388,376	-	388,376
Transportation, office and other equipment	43,875	-	43,875
Construction in progress incurred during year	164,086	-	164,086
Depreciation expense	-	447,818	(447,818)
Deletions:			
Construction in progress completed during year	(277,633 )	-	(277,633)
Sales and other dispositions of equipment	<u>(7,115 )</u>	<u>(6,941 )</u>	<u>(174)</u>
Balances at end of year	<u>\$ 17,541,778</u>	<u>\$ 7,472,350</u>	<u>\$ 10,069,428</u>

Interest incurred in the proprietary fund of \$216,600 was charged to expense (no interest was capitalized as part of utility plant and equipment).

**NOTE E - CASH and CASH EQUIVALENTS and CERTIFICATES OF DEPOSITS**

At July 31, 1996, the waterworks district has cash and cash equivalents and certificates of deposits with a maturity date greater than three months totaling \$1,769,623 (book balances) as follows:

Cash and cash equivalents:

Cash on hand	\$ 2,667
Demand deposits	12,785
Interest bearing demand deposits	277,171
Certificates of deposits	<u>614,000</u>
Total cash and cash equivalents	<u>906,623</u>

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE E - CASH and CASH EQUIVALENTS and CERTIFICATES OF DEPOSIT - Continued**

Certificates of deposit:

Designated certificate of deposits- capital improvements	\$ 500,000
Restricted certificate of deposit - debt service	197,000
Restricted certificates of deposit - customers' deposit	<u>166,000</u>
Total certificates of deposit	<u>863,000</u>
Total cash and cash equivalents and and certificates of deposit	<u>\$ 1,769,623</u>

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 fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At July 31, 1996, the district has \$2,123,314 in deposits (collected bank balances). \$1,677,910 of the deposits is secured from risk by \$200,000 of federal deposit insurance and \$1,845,855 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). \$445,404 of the remaining deposits are secured by \$100,000 of federal deposit insurance and \$201,235 of pledged securities leaving \$144,169 of the deposit balance unsecured from risk. This deficiency was cured during September 1996 by the institution pledging additional securities held by the custodial bank in the name of the fiscal agent bank.

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 F - CHANGES IN LONG-TERM DEBT**

The following is a summary of bond transactions for the year ended July 31, 1996:

	Revenue Bonds	Ad Valorem Tax Bonds	Total
Bonds payable, July 31, 1995	\$ 1,983,070	\$ 80,000	\$ 2,063,070
Bonds retired	<u>(41,715)</u>	<u>(20,000)</u>	<u>(61,715)</u>
Bonds payable, July 31, 1996	<u>\$ 1,941,355</u>	<u>\$ 60,000</u>	<u>\$ 2,001,355</u>

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE F - CHANGES IN LONG-TERM DEBT - Continued**

Bonds payable at July 31, 1996 are comprised of the following individual issues:

**Revenue Bonds**

\$2,191,460 Waterworks Utility Revenue Refunding Bonds dated April 6, 1989 due in annual installments of \$39,541 to \$142,923, excluding interest, through April 1, 2019; interest at 11%

\$ 1,941,355

**Ad Valorem Tax Bonds\***

\$300,000 public improvement bonds dated April 1, 1974 due in annual installments of \$20,000, excluding interest, through April 1, 1999; interest at 5% to 5.25%

\$ 60,000

\* The ad valorem tax bonds are secured by levy and collection of ad valorem taxes.

The annual requirements to amortize all debt outstanding at July 31, 1996, including \$3,059,672 interest payments, are as follows:

	Revenue Bonds	Ad Valorem Tax Bonds	Total
1997	\$ 257,559	\$ 23,150	\$ 280,709
1998	255,138	22,100	277,238
1999	252,585	21,050	273,635
2000	249,890	-	249,890
2001	247,048	-	247,048
2002-2006	1,186,825	-	1,186,825
2007-2011	1,088,285	-	1,088,285
2012-2016	959,497	-	959,497
2017-2020	497,900	-	497,900
	<u>\$ 4,994,727</u>	<u>\$ 66,300</u>	<u>\$ 5,061,027</u>

During the year ended July 31, 1989, the District defeased its 1974 revenue bonds by payment to Hibernia National Bank of \$725,000 (including expenses) which defeased \$684,112 of bonds outstanding. This defeasance was done by the District so as to allow a first mortgage on the revenues of the District to be taken by the Refunding Bonds (see above). The principal balance outstanding of these defeased bonds at July 31, 1996 is \$15,000.

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE G - CONTRIBUTION FROM ASSUMPTION PARISH**

On June 10, 1958, the District entered into an agreement with the Parish of Assumption whereby, in order to afford fire protection to the Parish and in order to provide adequate finances for construction of the waterworks system, the Parish agreed to issue \$1,065,000 ad valorem tax bonds to acquire necessary facilities and equipment for fire protection. Of this amount, \$935,000 was pledged to be used for construction of the joint waterworks and fire protection system. The Parish agreed to pay to the District an annual rental of \$30 for each fire hydrant installed within the system. This agreement provides that the system be owned jointly by the Parish and the District. The undivided interest of the Parish in the system is 29.21875% and the undivided interest of the District in the system is 70.78125%. The District agreed to pay the Parish an annual rental of \$4,500 for the facilities of the Parish for a 99 year term beginning in August 1959.

**NOTE H - RETIREMENT COMMITMENTS**

Employees of the District are members of Plan B of the Parochial Employees' Retirement System of Louisiana (PERS). Contributions to the system are made by both employees and the District as a percentage of salaries. The District contributed \$5,007 to this system as its share of the contributions for the year ended July 31, 1996 along with employee contributions to the plan of \$9,533.

Funding Status

The "pension benefit obligation" is a standardized disclosure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. PERS does not make separate measurements of assets and pension benefit obligations for individual employers.

Information for the system for Plan B follows:

Valuation Date	12/31/95
Pension Benefit Obligation	\$ 37,420,470
Net Assets Available for Benefits	\$ 48,304,460
Excess of Assets	\$ 10,883,990

PERS, a cost-sharing, multiple-employer public employee retirement system, is controlled and administered by a separate Board of Trustees. PERS is composed of two distinct plans; Plan A and Plan B, with separate assets, and separate benefits provisions. All District employees who are members of PERS are in Plan B. For the year ended December 31, 1995, the total payroll for employees in PERS was \$30,348,093. The total payroll for all covered employees of the District for the year ended July 31, 1996 was \$476,635.

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE H - RETIREMENT COMMITMENTS - Continued**

All permanent employees working at least 28 hours per week, who meet the age requirements and who are paid wholly or in part from district funds must be members of the System. Under Plan B, employees who retire at or after age 62 with at least 10 years of credited service, or at or after age 55 with 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2% of their final-average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years, but less than 30 years of credited service, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3% for each year retirement precedes age 62 unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under plan B cannot exceed 100 per cent of final - average salary.

Employees who terminate with at least the amount of credited service stated previously, and who do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. PERS also provides death and disability benefits. Benefits are established by state statute.

Contributions to PERS include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. Employee and employer contributions to the plan are established by state statute. Effective January 1, 1995, state statute established the required employee at 2% and employer contributions at 1% of all earnings over \$100 per month and 2% on gross earnings, respectively.

Although contributions are determined by state statute rather than actuarial calculations, actuarially required contributions are determined for the System. The actuarially required employer contribution as determined by the funding method (the aggregate actuarial cost method with allocation based on earnings) and assumptions specified in the report for Plan B for 1996 is \$1,043,626 or 2.44% of payroll. The Plan currently receives employee contributions amounting to 2% of payroll on salaries in excess of \$100 per month and employer contributions of 2% of payroll. In addition, the plan also receives a percentage of tax revenues from various taxing bodies. Thus, for Plan B the estimated net employer contribution for fiscal 1996 amounts to 1% of payroll; or 2.44% of payroll more than the amount required to fund the plan according to the methods and assumptions stipulated in the report for Plan B.

Detailed information for PERS is presented in its December 31, 1995 financial report. Eight years historical trend information is available in the separately issued retirement system reports issued by the administrators of the State Parochial Employees Retirement System of Louisiana. The District does not guarantee the benefits granted by the System.

**NOTE I - POST-EMPLOYMENT HEALTH CARE BENEFITS**

In addition to the retirement benefits described in Note H, the district provides post-employment health care benefits in accordance with the district's policy. The current district policy regarding the premiums which the district will pay is as follows:

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE I - POST-EMPLOYMENT HEALTH CARE BENEFITS - Continued**

The district will pay the percentage of the equivalent premiums for those persons who are retiring at 55 years of age and have the following years of service time.

<u>Years of Service</u>	<u>Waterworks Share</u>	<u>Retiree's Share</u>
15-19	30	70
20-29	50	50
30+	75	25

The equivalent premium for the appropriate category will be set after renewal of insurance coverage each year and the retirees must pay the equivalent premium of the appropriate category in order to continue coverage as a retiree. For fiscal year 1996, the cost of the district's portion of this benefit was approximately \$4,485.

**NOTE J - DEFERRED COMPENSATION PLAN**

Employees of the District may participate in the deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans With Respect to Service For State and Local Governments).

The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by the Public Employees Benefit Services Corporation (PEBSCO), an independent entity. Under the terms of an IRC Section 457 deferred compensation plan, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant. The District believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise. All assets of the plan are reported at fair market value and are administered by an independent entity. As part of its fiduciary role, the District has an obligation of due care in selecting the third party administrator.

The following is a summary of activity in the fund for the year ended July 31, 1996:

Asset balance at August 1, 1995	\$ 47,905
Deferrals of compensation	10,142
Earnings	4,294
Withdrawals	(1,200)
Asset fees and others	<u>(665)</u>
Asset balance at July 31, 1996	<u>\$ 60,476</u>

**WATERWORKS DISTRICT NO. 1 OF THE  
PARISH OF ASSUMPTION, STATE OF LOUISIANA**

**Notes to Financial Statements**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The Debt Service Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income is considered "measurable" when in the hands of collecting governments and is recognized as revenue at that time. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt which are recognized when due.

The Enterprise Fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Services for water are recorded as revenues as billed to customers on a monthly route reading cycle. At the end of the year, water services which have been rendered, but unbilled, are accrued for financial reporting purposes.

Cash and Cash Equivalents All highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents for purposes of reporting cash flows.

Inventory The District values its inventory of supplies at the lower of cost or market using the first-in, first-out method.

Utility Plant and Equipment All utility plant and equipment are capitalized in the proprietary fund and are stated at historical cost less accumulated depreciation.

Depreciation of all exhaustible utility plant and equipment used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method (see Note D).

Contributions for Meters Contributions received from customers for new meter services are treated as income. The cost of installing new meter services are expensed in the year incurred.

Vacation and Sick Leave The District's employees earn one to five weeks vacation annually based on number of years of employment. Employees can accumulate a maximum of 40 hours of unused vacation which can be carried forward and taken in subsequent periods. Upon termination, employees are paid for any unused current year and any accumulated vacation hours. Employees are allowed ten days of sick leave annually which can accumulate up to ninety days that may be used for sickness only. The sick leave plan is coupled with a disability insurance policy.

Total Column on Combined Statement-Overview The total column on the combined statement-overview is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.



Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of management of Waterworks District No. 1 of the Parish of Assumption, State of Louisiana, and interested state and federal agencies. However, this report is a matter of public record and its distribution is not limited.

*Wagnespach + Associates (APAC)*

Belle Rose, Louisiana

September 16, 1996