

**Schedule 2  
(Continued)**

	Budget	Actual	Favorable (Unfavorable) Variance
<b>BILLING AND COLLECTIONS</b>			
Personal services:			
Salaries	115,000	110,009	4,991
Employee group insurance	20,000	20,298	(298)
Payroll taxes	12,000	11,231	769
Retirement fund	1,500	1,086	414
Total personal services	<u>148,500</u>	<u>142,624</u>	<u>5,876</u>
Supplies and materials:			
Gasoline and oil	2,000	1,230	770
Office supplies and expense	16,000	15,170	830
Total supplies and materials	<u>18,000</u>	<u>16,400</u>	<u>1,600</u>
Other services and charges:			
Data processing	40,000	35,707	4,293
Insurance and bonds	14,000	14,611	(611)
Postage	80,000	79,062	938
Repairs and maintenance:			
Truck and auto repairs	1,000	319	681
Telephone	7,000	6,780	220
Total other services and charges	<u>142,000</u>	<u>136,479</u>	<u>5,521</u>
Total billing and collections	<u>308,500</u>	<u>295,503</u>	<u>12,997</u>
<b>METER READING</b>			
Personal services:			
Salaries	225,000	227,797	(2,797)
Employee group insurance	75,000	72,740	2,260
Payroll taxes	23,000	23,678	(678)
Retirement fund	3,000	2,255	745
Total personal services	<u>326,000</u>	<u>326,470</u>	<u>(470)</u>
Supplies and materials:			
Gasoline and oil	14,500	13,118	1,382
Office supplies and expense	1,500	519	981
Small tools	4,000	2,868	1,132
Total supplies and materials	<u>20,000</u>	<u>16,505</u>	<u>3,495</u>

**Note 6 - RETIREMENT PLAN (Continued)**

A member is eligible to retire and receive disability benefits if he has at least 10 years of creditable service, is not eligible for normal retirement and suffers disability. The disability must be certified by the State Medical Disability Board. The Disability rate is 2% of the members final compensation, multiplied by his years of creditable service under certain conditions outlined in the statutes.

The Plan provides benefits for surviving spouses and minor children under certain provisions in the statutes.

In lieu of terminating employment and accepting a service retirement allowance, any member who has been an active contributing member for one full year after becoming eligible for a normal retirement allowance may elect to participate in the Deferred Retirement Option Plan (D.R.O.P.), and defer the receipt of benefits. The duration of participation in the plan shall be specified and shall not exceed two years.

Upon the effective date of the commencement of participation in the plan, membership in the system shall terminate. Employer contributions shall continue to be payable to the employer during the person's participation in the plan, but payments of employee contributions shall cease upon the effective date of the person's commencement of participation in the plan.

The monthly retirement benefits that would have been payable, had the person elected to cease employment and receive a service retirement allowance, shall be paid into the *Deferred Retirement Option Plan Fund*, which shall not earn interest.

Upon termination of employment at the end of the specified period of participation, a participant in the plan shall receive, at his option, a lump sum payment from the *Deferred Retirement Option Plan Fund* equal to the payments made to that fund on his behalf, a true annuity based upon his account in that fund, or any other method of payment approved by the Board of Trustees.

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. State statute requires employees covered by Plan B to contribute 2% of their salary to the System; the District contributed 1.0% during the year ending June 30, 1996 of the salary for each employee.

**Note 6 - RETIREMENT PLAN (Continued)**

Although contributions are determined by state statute rather than actuarial calculations, actuarially required contributions are determined for the System. For the year ended December 31, 1995, the System's total actuarially required contribution, using the aggregate actuarial cost method, for Plan B was \$769,084. The total projected payroll for the year ended December 31, 1996 of all covered employees of the System was \$31,543,138.

For the year ended December 31, 1995, the total actuarially required contribution for Plan B is 2.44% of the total projected payroll of all Plan B members. Dedicated taxes and contributions received by PERS for the year ended December 31, 1995 were 3.74% of projected covered payroll. This is 1.30% more than is actuarially required.

The actual and statutorily required contribution by the District for the year ended June 30, 1996 for Plan B was \$45,789 which consisted of \$16,026 as the employer contribution and \$29,763 from covered employees. The actuarially required contribution (computed as 2.44% of the total projected payroll for District employees in PERS) by the District and its employees for the year ended June 30, 1996 for Plan B is approximately \$38,437 which represents 5.0% of the total actuarially required contribution of all participating employers and employees in Plan B.

Detailed information for PERS is presented in the System's December 31, 1995 financial report. The District does not guarantee the benefits granted by the System.

**Note 7 - DEFERRED COMPENSATION PLAN**

Employees of the District have the option to participate in a deferred compensation program created in accordance with the Internal Revenue Code 457. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The District has the responsibility for withholding and remitting contributions from participants to the plan. The Public Employees Benefit Services Corporation, who serves as administrator, has the responsibility for maintaining a deferred account with respect to each participant, investing the participant's account in accordance with the participant's investment specification and reporting annually to the participant and the District on the status of the plan.

**Note 7 - DEFERRED COMPENSATION PLAN (Continued)**

All amounts of compensation deferred under the plan, including all property and rights purchased with those amounts, and all income attributable to such deferred 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 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 amount for each participant. Legally, the amounts deferred are the property of the employer, even though the funds have been earned by the employees and represent a portion of the employee's gross salary. Legal ownership of the plan assets does not vest with the employee until those amounts become due and payable to the employee under the terms of the plan. A participant who becomes eligible to receive distributions for the plan but chooses instead to receive the deferred amounts over a period of the time remains a general creditor the same as those participants who are still active or otherwise ineligible. If the deferred amounts and related earnings are placed in a legal trust for the participants or are otherwise beyond the reach of the government or its general creditors at any time before actual payment, these amounts become taxable income to the participants.

Prior to December 31, 1987, the District did not have a separate plan but was included as a part of the Terrebonne Parish Consolidated Government plan. Effective December 31, 1987, the District had a separate plan. The activity is summarized here as follows:

	Balance July 1, <u>1995</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>1996</u>
<b><u>ASSETS</u></b>				
Other assets - deferred compensation plan - at market	<u>\$350,847</u>	<u>\$70,432</u>	<u>\$5,494</u>	<u>\$415,785</u>
<b><u>LIABILITIES</u></b>				
Deferred compensation fund held for participants	<u>\$350,847</u>	<u>\$70,432</u>	<u>\$5,494</u>	<u>\$415,785</u>

**Schedule 2  
(Continued)**

	Budget	Actual	Favorable (Unfavorable) Variance
<b>WATER PLANT (Continued)</b>			
Supplies and materials (continued):			
Raw water	105,000	104,606	394
Small tools	2,000	1,698	302
Warehouse supplies	7,000	6,889	111
<b>Total supplies and materials</b>	<b>772,000</b>	<b>753,976</b>	<b>18,024</b>
Other services and charges:			
Contingencies	-	15,500	(15,500)
Freight	2,000	1,652	348
Insurance and bonds	120,000	121,101	(1,101)
Janitorial services	5,000	4,855	145
Lab analysis	5,000	837	4,163
Radio communications	500	-	500
Repairs and maintenance:			
Plant maintenance	170,000	164,715	5,285
Tractor repairs	2,000	2,123	(123)
Truck and auto repairs	7,000	5,931	1,069
Seminars and schools	9,000	3,465	5,535
Telephone	8,000	7,526	474
Uniforms	1,000	957	43
Utilities	440,000	446,532	(6,532)
Amortization:			
Filter media	75,300	93,798	(18,498)
<b>Total other services and charges</b>	<b>844,800</b>	<b>868,992</b>	<b>(24,192)</b>
<b>Total water plant</b>	<b>2,277,800</b>	<b>2,239,774</b>	<b>38,026</b>
<b>Grand totals</b>	<b>\$ 5,368,429</b>	<b>\$ 5,309,687</b>	<b>\$ 58,742</b>
<b>OPERATING EXPENSES</b>			
Personal services	\$ 2,221,000	\$ 2,163,601	\$ 57,399
Supplies and materials	902,200	868,343	33,857
Other services and charges	2,245,229	2,277,743	(32,514)
<b>Totals</b>	<b>\$ 5,368,429</b>	<b>\$ 5,309,687</b>	<b>\$ 58,742</b>

**Note 6 - RETIREMENT PLAN (Continued)**

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 help users assess the funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The Parochial Employees' Retirement System does not make separate measurements of assets and pension benefit obligations for individual employers.

Information for the system 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

The Parochial Employees' Retirement System of Louisiana (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 benefit provisions. All District employees who are members of PERS are in Plan B. For the year ended December 31, 1995, the estimated total payroll of employees in PERS was \$30,348,093. The total payroll for all covered employees of the District excluding D.R.O.P. participants for the year ended June 30, 1996 was \$1,576,446.

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%, subject to the provisions of the statutes, of their final compensation (average monthly earnings during the highest 36 consecutive or joined months if service was interrupted) less the amount of \$1,200 times his years 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 below age 62.

**Note 8 - POSTRETIREMENT HOSPITALIZATION AND LIFE INSURANCE BENEFITS**

The District provides for the payment of hospitalization and life insurance premiums for retired employees. The entire premium is paid by the District for all employees retiring with at least twenty years service. The cost of providing these benefits is recognized as an expense as premiums are due. For the year ended June 30, 1996, these costs amounted to \$6,622. Future liabilities under the District's plan for potentially eligible employees are dependent upon the age and length of service of those employees. The average employee and service years are not available. At June 30, 1996, the hospitalization and life insurance costs for two retired employees was \$3,311 each.

The District also reimburses Terrebonne Parish Consolidated Government for the payment of hospitalization and life insurance premiums for certain retired former City employees. The Parish funds the entire premium for all employees retiring with at least ten years of service or retiring from the formal retirement systems. A retired employee may provide dependent hospitalization coverage at a cost of \$40 per month. The cost of providing these benefits is recognized as an expense to the District when reimbursement is made to the Parish. For the year ended June 30, 1996, those costs amounted to \$13,978. At June 30, 1996 the average hospitalization and life insurance costs per retired employee was approximately \$3,142. At the beginning of the year, there were five retired employees and at June 30, 1996, there were three retired employees.

**Note 9 - SERVICE AGREEMENT**

The District has a reciprocal agreement with Terrebonne Parish Consolidated Government in which the District provides meter reading and billing for certain gas customers of the Consolidated Government and the Consolidated Government provides meter reading and billings for certain water customers of the District. These services are provided at an agreed upon price per customer.

**Note 10 - RISK MANAGEMENT**

The District is exposed to risk of loss related to group health benefits. The District established a limited risk management program during fiscal year 1992.

Liabilities are reported when it is probable that a loss has occurred and the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (INBRs). Claim liabilities are calculated based on actual claims paid subsequent to the balance sheet date that were incurred prior to same date. The liability for claims and judgements is reported in the Fund of the District.

**Schedule 2  
(Continued)**

	Budget	Actual	Favorable (Unfavorable) Variance
<b>METER READING (Continued)</b>			
Other services and charges:			
Insurance and bonds	32,000	32,704	(704)
Meter reading contract services	130,000	129,217	783
Radio communications	500	19	481
Repairs and maintenance:			
Equipment and building repairs	-	3,664	(3,664)
Meter parts and repair	1,000	573	427
Truck and auto repairs	15,000	14,625	375
Seminars and schools	500	-	500
Uniforms	500	-	500
Total other services and charges	<u>179,500</u>	<u>180,802</u>	<u>(1,302)</u>
Total meter reading	<u>525,500</u>	<u>523,777</u>	<u>1,723</u>
<b>WAREHOUSE AND METER SHOP</b>			
Personal services:			
Salaries	62,000	61,936	64
Employee group insurance	13,000	9,688	3,312
Payroll taxes	6,500	6,339	161
Retirement fund	1,000	616	384
Total personal services	<u>82,500</u>	<u>78,579</u>	<u>3,921</u>
Supplies and materials:			
Gasoline and oil	500	160	340
Meter repair parts	3,000	1,576	1,424
Office supplies and expenses	1,500	1,238	262
Small tools	1,000	440	560
Warehouse supplies	25,000	25,098	(98)
Total supplies and materials	<u>31,000</u>	<u>28,512</u>	<u>2,488</u>
Other services and charges:			
Freight	2,000	1,482	518
Insurance and bonds	7,000	6,257	743
Repairs and maintenance:			
Equipment and building repairs	2,500	2,634	(134)
Total other services and charges	<u>11,500</u>	<u>10,373</u>	<u>1,127</u>
Total warehouse and meter shop	<u>125,000</u>	<u>117,464</u>	<u>7,536</u>



**OTHER SUPPLEMENTARY INFORMATION SECTION**

**SCHEDULE OF DEPARTMENTAL EXPENSES****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 1996

	Budget	Actual	Favorable (Unfavorable) Variance
<b>ADMINISTRATIVE</b>			
Personal services:			
Salaries	\$ 130,500	\$ 131,765	\$ (1,265)
Employee group insurance	16,000	15,283	717
Payroll taxes	14,000	13,586	414
Retirement fund	2,000	1,312	688
Total personal services	162,500	161,946	554
Supplies and materials:			
Gasoline and oil	2,000	1,230	770
Office supplies and expense	20,000	19,196	804
Total supplies and materials	22,000	20,426	1,574
Other services and charges:			
Accounting	38,000	38,354	(354)
Attorney	115,000	110,011	4,989
Board meetings	22,000	20,911	1,089
Bond agent fees	5,000	3,807	1,193
Consulting engineer	15,000	11,880	3,120
Insurance and bonds	16,000	13,771	2,229
Janitorial services	20,000	18,395	1,605
Publish proceedings	6,000	5,394	606
Radio communications	10,000	9,240	760
Repairs and maintenance:			
Equipment and building repairs	18,000	23,503	(5,503)
Truck and auto repairs	1,000	727	273
Seminars and schools	12,000	6,154	5,846
Telephone	100	42	58
Utilities - office	10,000	9,152	848
Total other services and charges	288,100	271,341	16,759
Total administrative	472,600	453,713	18,887

**SCHEDULE OF OPERATING REVENUES****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Revenue from water sales:			
Customers (net of bad debts - \$14,437)	\$8,500,000	\$8,648,862	\$ 148,862
Parish of Lafourche	34,000	36,330	2,330
Service connection fees	160,000	177,900	17,900
Meter installation fees	24,000	27,310	3,310
Penalties - reconnections	<u>15,000</u>	<u>17,023</u>	<u>2,023</u>
 Total operating revenues	 <u>\$8,733,000</u>	 <u>\$8,907,425</u>	 <u>\$ 174,425</u>

**Schedule 2  
(Continued)**

	Budget	Actual	Favorable (Unfavorable) Variance
<b>MAINTENANCE AND FIELD CREWS (Continued)</b>			
Supplies and materials:			
Chemicals	2,000	1,080	920
Gasoline and oil	15,000	13,147	1,853
Office supplies and expenses	500	239	261
Small tools	8,000	5,439	2,561
	<u>25,500</u>	<u>19,905</u>	<u>5,595</u>
Total supplies and materials			
Other services and charges:			
Freight	500	134	366
Insurance and bonds	60,000	66,361	(6,361)
Mobile phones	1,000	704	296
Radio communications	1,000	558	442
Repairs and maintenance:			
Equipment repairs - field	30,000	29,231	769
Truck and auto repairs	13,000	12,757	243
Waterline maintenance	350,000	372,000	(22,000)
Seminars and schools	2,000	1,283	717
Uniforms	3,000	3,237	(237)
Amortization of water tower painting	129,629	129,629	-
	<u>590,129</u>	<u>615,894</u>	<u>(25,765)</u>
Total other services and charges			
	<u>1,185,129</u>	<u>1,207,561</u>	<u>(22,432)</u>
Total maintenance and field crews			
<b>WATER PLANT</b>			
Personal services:			
Salaries	490,000	467,168	22,832
Employee group insurance	114,000	95,570	18,430
Payroll taxes	51,000	49,388	1,612
Retirement fund	6,000	4,680	1,320
	<u>661,000</u>	<u>616,806</u>	<u>44,194</u>
Total personal services			
Supplies and materials:			
Chemicals	630,000	614,865	15,135
Computer supplies	500	78	422
Fuel for generator	2,000	545	1,455
Gasoline and oil	9,000	8,057	943
Lab equipment	11,500	11,972	(472)
Office supplies and expense	5,000	5,266	(266)

**LIABILITIES****Current**

## Payable from current assets:

Accounts payable and accrued expenses	\$ 173,262
Contracts payable	111,611

Total current liabilities payable from current assets	284,873
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## Payable from restricted assets:

Accounts payable and accrued expenses:	
Group Insurance Fund	46,004

Contracts payable:	
Depreciation and Contingencies Fund	5,211

Construction Fund:	79,530
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Accrued interest on bonds	161,464
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Bonds payable within one year (net of \$32,411 unamortized bond discount)	682,589
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Meter deposits	1,024,922
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Total current liabilities payable from restricted assets	1,999,720
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Total current liabilities	2,284,593
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**Long-term**

Bonded debt (net of \$288,618 unamortized bond discount)	16,876,382
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Due to Deferred Compensation Program	415,785
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Total long-term liabilities	17,292,167
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Total liabilities	19,576,760
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**FUND EQUITY****Contributed Capital**

	44,065,622
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**Retained Earnings**

## Reserved for:

Revenue bond debt service	476,667
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Renewal and replacement	717,134
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Group insurance	147,118
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Total reserves	1,340,919
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Unreserved	1,604,356
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Total retained earnings	2,945,275
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Total fund equity	47,010,897
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Total liabilities and fund equity	\$ 66,587,657
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Note 10 - RISK MANAGEMENT (Continued)

For the period ending June 30, 1996, the District was self-insured for the first \$15,000 of each claim. The District is covered under an insurance contract for the excess liability up to \$1,000,000. Any claim in excess of \$1,000,000 is not covered by insurance.

At June 30, 1996, the amount of liability was \$46,004. This liability is the District's best estimate based on available information. Changes in the reported liabilities during the past two years are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimate</u>	<u>Net Claim Payments</u>	<u>Balance at Fiscal Year End</u>
1995	\$84,365	\$132,478	\$207,437	\$9,406
1996	\$9,406	\$187,585	\$150,987	\$46,004

The District also participates in Terrebonne Parish's (oversight entity) risk management internal service funds for general liability, workers compensation, and auto liability. During the first half of the fiscal year, the District paid monthly premiums to Terrebonne Parish for workers compensation and general liability based a fixed percentage of payroll and premiums for auto liability based on type of vehicle operated by the District. During the second half of the fiscal year, the District's premiums for general liability is based on various factors such as operations and maintenance budget, exposure and claims experience. The premiums for auto liability is now based on claims experience, vehicle type, and mileage. Terrebonne Parish handles all claims filed against the District. The District does not have any additional exposure unless the claims exceed the Parish's insurance contracts.

Note 11 - COMPENSATION OF BOARD OF COMMISSIONERS

<u>Board Members</u>	Number of Meetings Attended	<u>Payments for</u>		Total Amount Received
		<u>Meetings Attended</u>	<u>Mileage</u>	
Chester P. Voisin	21	\$ 1,170	\$ 268	\$ 1,438
Russell Redmond	17	930	5	935
Arlen Guidry	21	1,170	27	1,197
Willie Bonvillain, Jr.	19	1,110	138	1,248
Jules LeBoeuf	20	1,110	186	1,296
Amos Usie, Jr.	14	810	57	867
Saul Thomas, Sr.	21	1,170	6	1,176
Bob J. Boudreaux	18	1,080	10	1,090
Warb Pledger	21	1,170	6	1,176
Richard P. Porche	10	600	32	632
Calvin Authement	21	1,170	183	1,353
Robert J. Boudreaux	17	990	148	1,138
Ernest Voisin, Jr.	20	1,140	186	1,326
Melvin Benoit	17	960	217	1,177
Conrad M. LeBlanc	20	1,110	218	1,328
Charles Guidry	19	1,050	276	1,326
Tracy Rhodes	19	1,050	55	1,105
Robert J. Vice	18	<u>990</u>	<u>115</u>	<u>1,105</u>
Totals		<u>\$18,780</u>	<u>\$2,133</u>	<u>\$20,913</u>

**Note 12 - CONTRACT COMMITMENTS**

On June 30, 1996, the District had \$3,554,031 in public works contracts of which \$164,663 was uncompleted.

**Note 13 - CONSOLIDATION**

As indicated in Note 1, Terrebonne Parish Waterworks District's No. 1, 2 and 3 and the City of Houma Water System were consolidated on July 1, 1994 into the Consolidated Waterworks District No. 1. In connection with the consolidation, the above entities transferred \$9,798,282 of cash and investments and \$34,267,340 of other net assets and liabilities to the Consolidated Waterworks District No. 1 on July 1, 1994. These transfers are recorded as contributed capital which is comprised of the following:

Waterworks District No. 1	\$26,639,274
Waterworks District No. 2	3,803,900
Waterworks District No. 3	7,416,617
City of Houma Water System	<u>6,205,831</u>
Total	<u>\$44,065,622</u>



**Schedule 2  
(Continued)**

	Budget	Actual	Favorable (Unfavorable) Variance
<b>ENGINEERING</b>			
Personal services:			
Salaries	220,000	215,658	4,342
Employee group insurance	25,000	25,119	(119)
Payroll taxes	23,000	22,485	515
Retirement fund	3,000	2,152	848
Total personal services	<u>271,000</u>	<u>265,414</u>	<u>5,586</u>
Supplies and materials:			
Computer supplies	3,200	3,382	(182)
Gasoline and oil	8,000	7,378	622
Office supplies and expenses	2,500	1,859	641
Total supplies and materials	<u>13,700</u>	<u>12,619</u>	<u>1,081</u>
Other services and charges:			
Insurance and bonds	19,000	19,701	(701)
Mobile phones	700	646	54
Radio communications	500	-	500
Repairs and maintenance:			
Truck and auto repairs	5,000	4,875	125
Seminars and schools	9,000	5,887	3,113
Total other services and charges	<u>34,200</u>	<u>31,109</u>	<u>3,091</u>
Total engineering	<u>318,900</u>	<u>309,142</u>	<u>9,758</u>
<b>OPERATIONS</b>			
Other services and charges:			
Utilities	155,000	162,753	(7,753)
<b>MAINTENANCE AND FIELD CREWS</b>			
Personal services:			
Salaries	410,000	397,738	12,262
Employee group insurance	111,500	128,673	(17,173)
Payroll taxes	43,000	41,427	1,573
Retirement fund	5,000	3,924	1,076
Total personal services	<u>569,500</u>	<u>571,762</u>	<u>(2,262)</u>

**NOTES TO FINANCIAL STATEMENTS****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

June 30, 1996

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying general purpose financial statements conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board. The more significant of the District's accounting policies are described below:

**a) Reporting Entity**

Business interest and the people of Terrebonne Parish expressed strong sentiment for the consolidation of governmental services. Legislation was introduced and passed in the 1992 session of the Louisiana Legislature that allowed for the consolidation of the City of Houma water system, with that of Waterworks District Nos. 1, 2 and 3 of Terrebonne Parish, into a Board of Commissioners that would vary in size from 12 to 18 members. The Act provided that the Parish would create the Consolidated District upon request from the individual water districts. Waterworks District No. 1, by resolution dated February 7, 1994 and Waterworks District Nos. 2 and 3 by resolutions dated January 19, 1994, requested the Terrebonne Parish Consolidated Government to form the Consolidated District. By an ordinance adopted by Terrebonne Parish Consolidated Government on March 23, 1994, the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, Louisiana (the District) was created on July 1, 1994.

In accordance with the implementation of GASB 14, "the Financial Reporting Entity", Consolidated Waterworks District No. 1's financial statements include the accounts of all the District's functions and activities. The criteria used to determine whether component units (separate governmental units, agencies, or nonprofit corporations associated with the District) include appointment of a voting majority, imposition of will, imposition of financial benefit to or burden on the District, and fiscal dependency. The District has determined that no other outside entity meets the above criteria and should be included in its financial statements. It has been determined however based upon the above criteria that the District is a component unit of the Terrebonne Parish Consolidated Government and will be included in its comprehensive financial report for the year ending December 31, 1996.

WATER CUSTOMERS

**Consolidated Waterworks District No. 1  
of the Parish of Terrebonne,  
State of Louisiana**

June 30, 1996

(Unaudited)

Records maintained by the District indicated 35,137 water customers at June 30, 1996.

There were no unmetered customers.

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**(Continued)**

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Bourgeois Bennett

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,  
Consolidated Waterworks District No. 1 of the  
Parish of Terrebonne, State of Louisiana,  
Houma, Louisiana.

We have audited the accompanying general purpose financial statements of Consolidated Waterworks District No. 1 (the District), a component unit of the Parish of Terrebonne, State of Louisiana as of and for the year ended June 30, 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 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 general purpose 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 respects, the financial position of the District as of June 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

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 supporting 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 Consolidated Waterworks District No. 1, Terrebonne Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

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*Financial Report*  
*Consolidated Waterworks District No. 1*  
*of the Parish of Terrebonne,*  
*State of Louisiana*  
*June 30, 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

Release Date NOV 27 1996

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June 30, 1996

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In accordance with Government Auditing Standards, we have also issued a report dated August 27, 1996 on our consideration of the Consolidated Waterworks District No. 1's internal control and a report dated August 27, 1996 on its compliance with laws and regulations.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, La.,  
August 27, 1996.



**STATEMENT OF CASH FLOWS****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 1996

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating income	\$ 1,978,008
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,619,730
Amortization - prepaid maintenance	236,432
Intergovernmental service revenue	117,567
Miscellaneous income	21,747
(Increase) decrease in assets:	
Accounts receivable	(150,553)
Due from State of Louisiana	118,079
Due from Terrebonne Parish Consolidated Government	(146,588)
Inventory	(20,456)
Prepaid expenses	7,957
Reimbursement due from insurance company	(243)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(34,735)
Meter deposits	128,800
Total adjustments	1,897,737
Net cash provided by operating activities	3,875,745

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(2,552,777)
Prepaid maintenance	(527,007)
Bond issuance cost	(10,030)
Principal paid on outstanding debt	(690,000)
Interest paid on outstanding debt	(981,893)
Net cash used for capital and related financing activities	(4,761,707)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest income	568,406
Net decrease in cash and cash equivalents	(317,556)

**CASH AND CASH EQUIVALENTS**

Beginning of year	11,576,030
End of year	\$ 11,258,474

**NONCASH OPERATING, CAPITAL AND RELATED FINANCING ACTIVITIES AND INVESTING**

Amortization of bond issuance cost, bond discount and cost of consolidation was \$63,738.

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED EARNINGS (BUDGET AND ACTUAL)**

**Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance
<b>OPERATING REVENUES</b>			
Revenues from water sales and service charges	<u>\$8,733,000</u>	<u>\$8,907,425</u>	<u>\$ 174,425</u>
<b>OPERATING EXPENSES</b>			
Personal services	2,221,000	2,163,601	57,399
Supplies and materials	902,200	868,343	33,857
Other services and charges	2,245,229	2,277,743	(32,514)
Depreciation	<u>1,619,730</u>	<u>1,619,730</u>	-
Total operating expenses	<u>6,988,159</u>	<u>6,929,417</u>	<u>58,742</u>
Operating income	<u>1,744,841</u>	<u>1,978,008</u>	<u>233,167</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	375,000	579,003	204,003
Service agreement	110,000	117,567	7,567
Other non-operating revenues	10,000	21,747	11,747
Bond interest	(976,702)	(976,702)	-
Amortization of bond discount and issuance cost	(55,221)	(55,221)	-
Amortization of cost of consolidation	<u>(8,518)</u>	<u>(8,518)</u>	-
Total non-operating revenue (expenses)	<u>(545,441)</u>	<u>(322,124)</u>	<u>223,317</u>
<b>NET INCOME</b>	<u>\$1,199,400</u>	1,655,884	<u>\$ 456,484</u>
<b>RETAINED EARNINGS</b>			
Beginning of year		<u>1,289,391</u>	
End of year		<u>\$2,945,275</u>	

See notes to financial statements.

**Note 5 - LONG-TERM DEBT (Continued)**

**Water Revenue Bonds:**

Under the terms of various bond indentures for outstanding Water Revenue Bonds, the principal and interest is secured and payable solely from a pledge of the income and revenues to be derived from the operation of the District. All revenues must be deposited in the District and required transfers made to the following Funds on a monthly basis after the payment of operating expenses:

**a) Revenue Bond Sinking Fund**

Monthly transfers are required to this Fund in an amount necessary to make the principal and interest payments as they become due. The Fund is restricted for this purpose.

**b) Bond Reserve Fund**

Monies in the amount of \$1,712,808 have been deposited into this fund and, this amount is equal to the highest amount of principal and interest due in future years on the District's outstanding water revenue bonds. The Fund is restricted to the payment of principal and interest in case of default.

**c) Depreciation and Contingencies Fund**

Monthly transfer of 5% of gross revenues of the District for the preceding month is required. The Fund is restricted to payments for extensions, additions, improvements, renewals and replacements necessary to properly operate the District. It will also be used to pay principal and interest if there are not sufficient funds in the Revenue Bond Sinking Fund and Bond Reserve Fund.

**d) Bond Requirements**

The accounting requirements of the bond resolutions for Water Revenue Bonds have been complied with for the year ended June 30, 1996.

**Note 6 - RETIREMENT PLAN**

Employees of the District are members of the Parochial Employee's Retirement System (PERS).

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Fund Structure

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following is the District's Fund.

**PROPRIETARY FUND**

**Enterprise Fund** - The Enterprise Fund is 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 services to the general public on a continuing basis be financed or recorded primarily through user charges. The District's Waterworks System is an Enterprise Fund.

c) Basis of Accounting

Basis of accounting refers to when revenues and 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.

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.

d) Cash Flows

Cash and cash equivalents includes amounts in regular checking accounts and *investments in certificates of deposits with maturities of three months or less.*

e) Accounts Receivables

The general purpose financial statements contain no allowance for uncollectible accounts receivable. It is the opinion of management that receivables at June 30, 1996 are collectible and possible bad debt losses are immaterial.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f) Inventory**

Inventory is valued at average cost.

**g) Restricted Assets and Reserves**

Specific assets are required to be segregated as to use and are therefore identified as restricted assets. Certain assets are restricted pursuant to restrictions arising from various bond indenture agreements. (See note 5)

**h) Fixed Assets**

The Enterprise Fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on its balance sheet. Its reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Enterprise Fund operating statements present increases (revenue) and decreases (expenses) in net total assets.

Fixed assets are valued at historical costs. Donated assets are valued at their estimated fair value on the date donated. Interest on bond proceeds used for construction are capitalized. Total interest capitalized for 1996 was \$22,624.

Depreciation of all exhaustible fixed assets of the Enterprise Fund is charged against its operations. Accumulated depreciation is reported on its balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method.

**i) Prepaid Maintenance**

Prepaid maintenance consists of the cost of painting water tanks which is amortized over a period of five years and filter media for the plant which is amortized over a period of three years.

**j) Accumulated Unpaid Vacation and Sick Leave**

The District accrues benefits in the period they were earned. Full-time employees of the District shall be entitled to vacation with pay and shall accrue vacation time in the following manner:

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j) Accumulated Unpaid Vacation and Sick Leave (Continued)**

First year	Five days (40 hours)
Second year through fourteenth year	Ten days (80 hours)
Fifteen years or more	Fifteen days (120 hours)

Employees may not accumulate and carry forward vacation time beyond the year earned. Accumulated vacation leave is due to the employee at the time of termination of employment. Although sick leave accumulates and is available for employees when needed, it does not vest nor is it payable at termination of employment.

**k) Bond Discount and Issuance Costs**

Bond discount and issuance costs are being amortized by the interest method.

**l) Deferred Charges - Cost of Consolidation**

These charges represent cost incurred by the Terrebonne Parish Consolidated Government Water Revenue Fund, Waterworks District Nos. 1, 2, and 3 for their efforts towards the creation of the Consolidated Waterworks District No. 1, Terrebonne Parish. These costs are amortized over a period of ten years using the straight line method.

**m) Contracts Payable**

Liability for work performed on contracts is entered as billings are received.

**n) Fund Equity**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Contributed capital is funds that have been received from capital grants or contributions from developers, customers, or other funds.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**o) GASB Pronouncements:**

Government Accounting Standards Board (GASB) Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," provides that proprietary funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; Statements and Interpretations of the Financial Accounting Standard Board, (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedure. The District has elected to apply only FASB, APB and ARB materials issued on or before November 30, 1989.

**Note 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

During the year Consolidated Waterworks District No. 1's investments (excluding the Deferred Compensation Fund) consisted solely of certificates of deposit. The District's cash, cash equivalents and investments at financial institutions in excess of the FDIC insurance were collateralized by securities held by an unaffiliated bank in the name of the financial institution pledged to Consolidated Waterworks District No. 1. At June 30, 1996 deposits at one fiscal agent bank were not adequately secured by pledged securities for approximately \$495,835.

**Note 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Details of cash and cash equivalents and investments at June 30, 1996 were as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Regular checking accounts	\$ 1,713,581	\$ -
Certificates of deposit	<u>9,544,893</u>	<u>1,712,800</u>
Totals	<u>\$11,258,474</u>	<u>\$1,712,800</u>

At June 30, 1996 \$12,403,512 of cash and cash equivalents, and investments were collateralized by securities held by unaffiliated banks for the account of the depositors. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized.

Even though the pledged securities are considered uncollateralized 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 depositor that the fiscal agent has failed to pay deposited funds upon demand.

Investments in the Deferred Compensation Fund consisted of the unit value of various fixed annuities and investment funds at market value. Collateralization information was not available on these investments.

**Note 3 - BUDGET**

The Board is required by revenue bond resolution to adopt a line item budget for the District within thirty days of the end of its fiscal year for the following year. The Board adopted a line item budget for the year ended June 30, 1996. All revisions to the budget must be approved by the Board. The budget lapses at year-end.



**Note 4 - PROPERTY, PLANT, AND EQUIPMENT**

A summary of property plant and equipment at June 30, 1996 follows:

	<u>Annual Straight-Line Depreciation Rate</u>	<u>Amount</u>
Land		\$ 323,694
Water plant	2% - 20%	18,541,009
Distribution system	2% - 20%	53,501,836
Administrative buildings	5%	992,283
Plant equipment	10%	266,892
Furniture and equipment	10 - 20%	456,250
Automobiles and trucks	20 - 33%	609,128
Construction in progress		<u>1,764,844</u>
 Total		 76,455,936
Less accumulated depreciation		<u>(25,634,737)</u>
 Net property, plant and equipment		 <u>\$ 50,821,199</u>

**Note 5 - LONG-TERM DEBT**

On July 1, 1994, Terrebonne Parish Waterworks District No. 1, 2, and 3 and Terrebonne Parish Consolidated Government Water Fund consolidated their activities into Terrebonne Parish Consolidated Waterworks District No. 1. As part of the plan, the three Districts refunded their revenue bonds (\$15,415,000) by the issuance of Consolidated Waterworks District No. 1 revenue bonds on June 30, 1994 in the amount of \$16,298,540 and additional bonds for construction in the amount of \$2,411,460 for a total of \$18,710,000. The bonds were sold at a discount of \$391,384 and issuance costs of \$234,612. Funds in the amount of \$15,958,584 were transferred to the escrow agent in an irrevocable trust to provide for all future payments on the old bonds of the three districts. Accordingly, the trust account assets and the liability, for the defeased bonds are not included in the District's general purpose financial statements. The bonds have an interest rate ranging from 3.4% to 6.0% and are scheduled to mature November 1, 2013.

**Note 5 - LONG-TERM DEBT (Continued)**

The following is a summary of bond transactions of the District for the year ended June 30, 1996:

	<u>Water Revenue Bonds</u>
Bonds payable at July 1, 1995	\$18,570,000
Bonds retired	<u>(690,000)</u>
Bonds payable at June 30, 1996	17,880,000
Less unamortized bond discount	<u>(321,029)</u>
Net bonds payable at June 30, 1996	<u>\$17,558,971</u>
Long term	\$16,876,382
Current	<u>682,589</u>
Total	<u>\$17,558,971</u>

The annual requirements to amortize all debts outstanding as of June 30, 1996, including interest payments of \$9,549,432 are as follows:

<u>Year Ending June 30,</u>	<u>Principal and Interest</u>
1997	\$ 1,668,053
1998	1,669,885
1999	1,668,411
2000	1,669,369
2001	1,667,954
2002 - 2006	8,340,005
2007 - 2011	8,354,145
2012 - 2014	<u>2,391,610</u>
Total	<u>\$27,429,432</u>

## BALANCE SHEET

### Consolidated Waterworks District No. 1 of the Parish of Terrebonne State of Louisiana

June 30, 1996

#### ASSETS

##### **Current**

Cash and cash equivalents	\$ 5,871,749
Accounts receivable:	
Customers	452,016
Unbilled water sales	418,070
Other	21,864
Interest receivable	13,883
Due from other governmental units - State of Louisiana	48,719
Inventory of materials and supplies	241,586
Prepaid insurance	85,013
Prepaid maintenance	266,048
Deferred charge - bond issuance cost	20,259
Deferred charge - cost of consolidation	8,518
	<hr/>
Total current assets	7,447,725

##### **Restricted**

Meter Deposit Fund:	
Cash and cash equivalents	1,024,922
Revenue Bond Sinking Fund:	
Cash and cash equivalents	638,130
Bond Reserve Fund:	
Cash and cash equivalents	8
Investments	1,712,800
Depreciation and Contingencies Fund:	
Cash and cash equivalents	722,345
Construction Fund:	
Cash and cash equivalents	2,818,379
Due from other governmental units - Terrebonne Parish Consolidated Government	146,588
Interest receivable	4,461
Group Insurance Fund:	
Cash and cash equivalents	182,941
Reimbursement due from insurance company	10,181
	<hr/>
Total restricted assets	7,260,755

##### **Noncurrent**

Investments - Deferred Compensation Program	415,785
Prepaid maintenance	402,164
Deferred charge - bond issuance cost	180,406
Deferred charge - cost of consolidation	59,623
	<hr/>
Total noncurrent assets	1,057,978

##### **Property, Plant and Equipment - Net**

50,821,199

##### Total assets

\$ 66,587,657

See notes to financial statements.

SCHEDULE OF PROPERTY, PLANT AND EQUIPMENTConsolidated Waterworks District No. 1 of the Parish of Terrebonne  
State of Louisiana

June 30, 1996

	Annual Depreciation Rate	Fixed Assets Contributed July 1, 1995	Additions	Transfers	Retirements	Balance June 30, 1996	Accumulated Depreciation June 30, 1996	Net Book Value
Land	-	\$ 323,594	\$ 100	\$ -	\$ -	\$ 323,694	\$ -	\$ 323,694
Water plant	2% - 20%	18,013,144	-	527,865	-	18,541,009	6,224,544	12,316,465
Distribution system	2% - 20%	51,992,856	372,215	1,136,765	-	53,501,836	18,100,894	35,400,942
Administrative buildings	5%	992,283	-	-	-	992,283	398,046	594,237
Plant equipment	10%	234,148	32,744	-	-	266,892	133,006	133,886
Furniture and equipment	10% - 20%	437,566	20,313	-	1,629	456,250	297,559	158,691
Automobiles and trucks	20% - 33%	581,529	59,445	-	31,846	609,128	480,688	128,440
Construction in progress	-	1,493,245	1,936,229	(1,664,630)	-	1,764,844	-	1,764,844
Totals		\$ 74,068,365	\$ 2,421,046	\$ -	\$ 33,475	\$ 76,455,936	\$ 25,634,737	\$ 50,821,199

SCHEDULE OF INSURANCE IN FORCEConsolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana

June 30, 1996

(Unaudited)

Insurer	Type of Coverage	Amount of Insurance	Expiration Date
Terrebonne Parish Consolidated Government	Automobile liability	\$ 1,000,000	Not applicable
Terrebonne Parish Consolidated Government	General liability	\$ 6,500,000	Not applicable
Terrebonne Parish Consolidated Government	Workmen's compensation	Statutory	Not applicable
Boston Old Colony	Combined building & personal property	\$ 46,110,276	5-20-97
TIG Insurance Co.	Hull coverage on sludge dredge	\$ 83,650	6-27-97
Continental Casualty Co.	Public employee dishonesty, theft, disappearance & destroy	\$ 65,000	5-20-97

**SPECIAL REPORTS OF INDEPENDENT AUDITOR'S**



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL BASED ON AN AUDIT OF GENERAL PURPOSE  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners,  
Consolidated Waterworks District No. 1 of the  
Parish of Terrebonne, State of Louisiana,  
Houma, Louisiana.

We have audited the general purpose financial statements of Consolidated Waterworks District No. 1 (the District), a component unit of the Parish of Terrebonne, State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated August 27, 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. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control 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 general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations of any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control 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 the District for the year ended June 30, 1996, we obtained an understanding of internal control. With respect to internal control, 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 auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control would not necessarily disclose all matters in internal control 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 internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operations that we considered to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, La.,  
August 27, 1996.



To the Board of Commissioners  
Consolidated Waterworks District No. 1  
of the Parish of Terrebonne  
Page 2

4) **SIGNIFICANT AUDIT ADJUSTMENTS**

We initiated significant audit adjustments during our recent audit. Copies have been furnished to management.

This information is intended solely for the use of the Board, management of the Consolidated Waterworks District No. 1 and should not be used for any other purpose.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, La.,  
August 27, 1996.



Bourgeois Bennett

## COMMUNICATIONS WITH BOARD OF COMMISSIONERS

To the Board of Commissioners,  
Waterworks District No. 1 of the  
Parish of Terrebonne, State of Louisiana,  
Houma, Louisiana.

In fulfilling our responsibility as Consolidated Waterworks District No. 1 auditors for the year ended June 30, 1996, we are required to communicate to the Board of Commissioners certain matters related to the conduct of our audit.

### 1) AUDITOR'S RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

Our audit was conducted in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatements.

As required, separate letters have been issued on internal control and compliance with laws and regulations.

### 2) SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted, nor required to be adopted for the year ended June 30, 1996.

### 3) MANAGEMENT JUDGEMENTS AND ACCOUNTING ESTIMATES

The most significant estimates reflected in the financial statements relate to unbilled water revenue, and claims and judgements incurred. Management has provided us with representations concerning these matters.

**COMMUNICATIONS LETTER**

**SCHEDULE OF NON-OPERATING REVENUES (EXPENSES)****Consolidated Waterworks District No. 1 of the Parish of Terrebonne,  
State of Louisiana**

For the year ended June 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Investment income	\$ 375,000	\$ 579,003	\$ 204,003
Service agreements:			
Gas Distribution System	43,000	44,144	1,144
Sewerage Districts	45,000	49,382	4,382
Garbage Collections	22,000	24,041	2,041
Other non-operating revenues:			
Miscellaneous	10,000	13,643	3,643
Gain on sale of assets	-	6,656	6,656
Unclaimed meter deposit refunds	-	1,448	1,448
Bond interest	(976,702)	(976,702)	-
Amortization of bond discount and issuance cost	(55,221)	(55,221)	-
Amortization of cost of consolidation	(8,518)	(8,518)	-
 Total non-operating revenues (expenses)	 <u>\$ (545,441)</u>	 <u>\$ (322,124)</u>	 <u>\$ 223,317</u>



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN  
AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners,  
Consolidated Waterworks District No. 1 of the  
Parish of Terrebonne, State of Louisiana,  
Houma, Louisiana.

We have audited the general purpose financial statements of Consolidated Waterworks District No. 1 (the District), a component unit of the Parish of Terrebonne, State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated August 27, 1996.

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

Compliance with laws, regulations, contracts and grants applicable to the District, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the general purpose 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 no instances of non-compliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, La.,  
August 27, 1996.