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Financial Report
Consolidated Waterworks District No. 1
of the Parish of Terrebonne,
State of Louisiana
June 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the reporter, or concerned 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.

Reference Date—**6-12-1998**

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

June 30, 1998

	<u>Exhibits</u>	<u>Page Number</u>
Introductory Section		
Title Page		i
Table of Contents		ii
Financial Section		
Independent Auditor's Report		1 - 2
General Purpose Financial Statements:		
Balance Sheet	A	3 - 4
Statement of Revenues, Expenses and Changes in Retained Earnings (Budget and Actual)	B	5
Statements of Cash Flows	C	6
Notes to Financial Statements	D	7 - 19
	<u>Schedules</u>	<u>Page Number</u>
Supplementary Information Section		
Schedule of Operating Revenues	1	20
Schedule of Departmental Expenses	2	21 - 26
Schedule of Non-Operating Revenues (Expenses)	3	27

TABLE OF CONTENTS
(Continued)

	Schedules	Page Number
Supplementary Information Section (Continued)		
Schedule of Property, Plant and Equipment	4	28
Schedule of Cash Receipts and Disbursements - Restricted Accounts Required by Revenue Bond Ordinances	5	29
Schedule of Insurance in Force (Unaudited)	6	30
Water Customers (Unaudited)	7	31
Special Report of Certified Public Accountants		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the General-Purpose Financial Statements Performed in Accordance with Government Auditing Standards		32 - 33
Schedule of Findings		34
Reports By Management		
Schedule of Prior Year Findings		35
Management's Correction Action Plan		36

FINANCIAL SECTION



Georgine 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 the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 respects, the financial position of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana as of June 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 1998 on our consideration of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana taken as a whole. The accompanying financial information listed as supplementary information 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 Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana. Such information, except for the Schedules of Insurance in Force and Water Customers marked "Unaudited", on which we express no opinion, 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, La.,
August 14, 1998.

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

June 30, 1998

ASSETS**Current**

Cash and cash equivalents	\$ 5,124,704
Accounts receivable:	
Customers	514,916
Unbilled water sales	682,964
Other	8,815
Interest receivable	19,298
Inventories	308,591
Prepaid insurance	188,137
Prepaid maintenance	374,438
Deferred charge - bond insurance cost	27,422
Deferred charge - cost of consolidation	8,518
	<hr/>
Total current assets	7,378,863

Restricted

Misc. Deposit Fund:	
Cash and cash equivalents	1,321,440
Reverend Bond Sinking Fund:	
Cash and cash equivalents	706,424
Bond Reserve Fund:	
Cash and cash equivalents	7
Certificate of deposit	2,268,338
Depreciation and Cost agencies Fund:	
Cash and cash equivalents	1,368,348
Construction Fund - 1998:	
Cash and cash equivalents	6,898,388
Interest receivable	28,313
Construction Fund:	
Cash and cash equivalents	1,691,850
Interest receivable	3,444
Group Insurance Fund:	
Cash and cash equivalents	217,629
Reimbursement due from insurance company	13,973
	<hr/>
Total restricted assets	14,561,854

Noncurrent

Prepaid maintenance	554,732
Deferred charge - bond insurance cost	245,820
Deferred charge - cost of consolidation	42,488
	<hr/>
Total noncurrent assets	843,178

Property, Plant and Equipment - Net

33,179,020**Total assets**

\$ 75,945,067

See notes to financial statements.

LIABILITIES**Current**

Payable from current assets:	
Accounts payable and accrued expenses	\$ 204,785
Contracts payable	93,290
Total current liabilities payable from current assets	<u>298,075</u>

Payable from restricted assets:

Accounts payable and accrued expenses:	
Group Insurance Fund	32,848
Construction Fund - 1998	50,029
Contracts payable:	
Construction Fund - 1998	255,949
Accrued interest on bonds	284,190
Bonds payable within one year (net of \$29,440 unamortized bond discount)	745,551
Misc deposits	<u>1,221,480</u>

Total current liabilities payable from restricted assets 2,699,809

Total current liabilities 2,998,878

Long-term

Bonded debt (net of \$240,444 unamortized bond discount)	<u>23,288,556</u>
Total liabilities	<u>26,197,634</u>

EQUITY

Contributed Capital 44,869,622

Retained Earnings

Reserved for:	
Revenue bond debt service	1,057,972
Renewal and replacement	1,389,148
Group insurance	<u>381,054</u>

Total reserves 2,628,174

Unreserved 3,021,577

Total retained earnings 5,649,751

Total fund equity 49,549,373

Total liabilities and fund equity \$ 75,847,007

**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, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
OPERATING REVENUES			
Revenue from water sales and service charges	<u>\$ 8,869,508</u>	<u>\$ 9,340,475</u>	<u>\$ 470,967</u>
OPERATING EXPENSES			
Personnel services	2,527,500	2,528,753	8,747
Supplies and materials	952,500	929,807	22,693
Other services and charges	2,824,300	2,816,098	7,602
Depreciation and amortization	<u>1,991,140</u>	<u>1,991,140</u>	<u>-</u>
Total operating expenses	<u>7,505,440</u>	<u>7,465,801</u>	<u>39,639</u>
Operating income	<u>1,484,057</u>	<u>1,774,674</u>	<u>290,617</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	493,000	553,982	153,982
Service agreements	88,000	380,423	8,423
Other non-operating revenues	15,000	26,573	11,573
Bond interest	(963,784)	(963,784)	-
Amortization of bond discount and issuance cost	(50,799)	(50,799)	-
Amortization of cost of consolidation	<u>(8,518)</u>	<u>(8,518)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(512,099)</u>	<u>(338,221)</u>	<u>173,878</u>
NET INCOME	<u>\$ 951,958</u>	<u>1,436,453</u>	<u>\$ 484,495</u>
RETAINED EARNINGS			
Beginning of year		<u>4,743,948</u>	
End of year		<u>\$ 5,678,751</u>	

See notes to financial statements.

STATEMENT OF CASH FLOWS

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

For the year ended June 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES

Operating income	\$ 1,374,024
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,712,084
Amortization - prepaid maintenance	279,099
Intragovernmental service revenue	106,425
Miscellaneous income	28,575
(Increase) decrease in assets:	
Accounts receivable	(288,115)
Due from State of Louisiana	294,921
Investments	(55,745)
Prepaid expenses	(12,265)
Reimbursements due from insurance company	1,162
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	82,234
Meter deposits	174,682
Total adjustments	2,320,877
Net cash provided by operating activities	4,694,901

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(2,610,781)
Bond proceeds	7,870,536
Bond issuance costs	(112,484)
Principal paid on outstanding debt	(258,080)
Interest paid on outstanding debt	(919,885)
Prepaid maintenance	(806,165)
Net cash provided by capital and related financing activities	2,257,361

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(4,517,075)
Maturities of investments	3,981,517
Investment income	515,385
Net cash used for investing activities	(40,173)
Net increase in cash and cash equivalents	6,311,969

CASH AND CASH EQUIVALENTS

Beginning of year	11,240,351
End of year	\$ 17,552,320

NONCASH OPERATING, CAPITAL AND RELATED FINANCING ACTIVITIES AND INVESTING

Revenue bonds of \$3,000,000 were issued at a discount of \$120,464.
Amortization of bond issuance cost, bond discount and cost of consolidation was \$25,312.

See notes to financial statements.

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

June 30, 1998

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 interests 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 (the Parish) 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, 1998.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) **Fund Accounting**

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 recovered 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) **Use of Estimates**

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

e) **Cash Flows**

Cash and cash equivalents include amounts in regular checking accounts and investments in certificates of deposit with maturities of three months or less.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) 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, 1998 are collectible and possible bad debt losses are immaterial.

g) Inventories

Inventories consist of supplies and materials and are valued at average cost.

h) 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 restrict ion arising from various bond indenture agreements. (See note 5)

i) Fixed Assets

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

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.

j) 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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:

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.

l) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in the fund general ledger, is not utilized by the District.

m) Bond Discount and Issuance Costs

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

n) 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.

o) Contracts Payable

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

p) 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)

g) 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 Financial Accounting Standards 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 - DEPOSITS

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 requires deposits (cash and certificates of deposits) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivisions. 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 with a trust company for the account of the political subdivision. In accordance with state law all cash and deposits were collateralized.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the District's name and deposits which are uninsured or uncollateralized.

Note 2 - DEPOSITS (Continued)

The year end bank balances of deposits and the carrying amounts as shown on the balance sheet are as follows:

	Bank Balances			Book Balance
	Category			
	1	2	3	
Cash	\$369,212	\$-	\$1,645,621	\$1,534,842
Certificates of deposit	<u>393,069</u>	-	<u>17,785,716</u>	<u>18,285,716</u>
Totals	<u>\$369,212</u>	<u>\$-</u>	<u>\$19,431,337</u>	<u>\$19,820,628</u>

At June 30, 1998, cash and certificates of deposit in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the depositor. 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 79:1229 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.

A reconciliation of deposits and investments as shown on the Balance Sheet is as follows:

Cash on hand	\$ 150
Carrying amount of deposits	<u>19,820,628</u>
Total	<u>\$19,820,828</u>
Cash and cash equivalents	\$ 5,324,794
Cash and cash equivalents restricted	<u>12,227,585</u>
Total cash and cash equivalents	17,552,299
Certificate of deposit-restricted	<u>2,268,528</u>
Total	<u>\$19,820,828</u>

Note 3 - BUDGET

The Board is required by revenue bond resolutions 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, 1998. 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, 1998 follows:

	Annual Straight-Line Depreciation Rate	Amount
Land	-	\$ 398,713
Water plant	2% - 20%	18,985,645
Distribution system	2% - 20%	58,168,757
Administrative building	3%	993,283
Plant equipment	10%	350,960
Furniture and equipment	10% - 20%	500,705
Automobiles and trucks	20% - 33%	662,035
Construction in progress	-	<u>991,957</u>
Total		82,021,055
Less accumulated depreciation		<u>(48,842,035)</u>
Net property, plant and equipment		<u>\$ 33,179,020</u>

Note 5 - LONG-TERM DEBT

As part of the consolidation, (see note 1a), the three formerly separate water districts refunded all their bonds outstanding 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. The bonds have an interest rate ranging from 3.4% to 6.8% and are scheduled to mature November 1, 2013.

Note 5 - LONG-TERM DEBT (Continued)

In June 1998, the District sold \$8,000,000 of revenue bonds for construction. The bonds were sold at a discount of \$128,464 and issuance costs of \$112,484. The bonds have an interest rate ranging from 3.75% to 4.90% and are scheduled to mature November 1, 2017.

The following is a summary of bond transactions of the District for the year ended June 30, 1998:

	<u>Water Revenue Bonds</u>
Bonds payable at July 1, 1997	\$17,165,000
Bonds issued	8,000,000
Bonds retired	<u>(7,500,000)</u>
Bonds payable at June 30, 1998	17,665,000
Less unamortized bond discount	<u>(3,728,832)</u>
Net bonds payable at June 30, 1998	<u>\$13,936,168</u>
Long term	\$23,288,556
Current	<u>745,551</u>
Total	<u>\$24,034,107</u>

The annual requirements to amortize all debt outstanding as of June 30, 1998, including interest payments of \$12,982,971 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 785,000	\$ 1,224,718	\$ 2,009,718
2000	980,000	1,213,298	2,193,298
2001	1,039,000	1,166,218	2,196,218
2002	1,085,000	1,115,829	2,200,829
2003	1,140,000	1,060,852	2,200,852
2004 - 2008	6,710,000	4,321,341	11,031,341
2009 - 2013	7,800,000	2,236,820	10,036,820
2014 - 2018	<u>4,885,000</u>	<u>565,395</u>	<u>5,450,395</u>
Totals	<u>\$28,415,000</u>	<u>\$12,982,971</u>	<u>\$31,317,971</u>

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 \$2,268,545 have been deposited into this fund. 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 transfers 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 resolution for Water Revenue Bonds, as stated in a) through c) above, have been complied with for the year ended June 30, 1998.

Note 6 - DEFEASANCE OF DEBT

Certain proceeds of the Consolidated Waterworks District No. 1 revenue bonds, were transferred to an escrow agent in an irrevocable trust to provide for the future payments on the old bonds of the three formerly separate water districts. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's general-purpose financial statements.

At June 30, 1998, the following outstanding bonds are considered defeased:

Waterworks District No. 2 General Obligation Bonds, Series 1989	<u>\$30,000</u>
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Note 7 - CONTRIBUTED CAPITAL

In connection with the consolidation, described in Note 1a, the consolidating entities transferred \$8,798,282 of cash and investments and \$34,287,340 of other net assets 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	\$26,839,174
Waterworks District No. 2	3,889,900
Waterworks District No. 3	7,416,617
City of Houma Water System	<u>6,285,811</u>
Total	<u>\$44,431,502</u>

Note 8 - DEFINED BENEFIT PENSION PLAN

Plan Description - The District contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 285 of the 1953 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1901 through 11:2013, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70808.

Note 8 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy - Plan members are required to contribute 2.00% of their annual covered salary less \$100 per month and the District is required to contribute at an actuarially determined rate. The District's contribution rate is 2.50%. In addition, the System also receives a percentage of tax revenues from various taxing bodies. The contribution requirements of plan members and the District are established and may be amended by state statute. The District's contributions to the System for the years ending June 30, 1998, 1997 and 1996 were \$47,788, \$30,590 and \$38,026, respectively, equal to the required contributions for each year.

Note 9 - RISK MANAGEMENT

The District is exposed to risk of loss related to group health benefits.

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 (INRBs). Claim liabilities are the estimated unpaid ultimate costs of settling claims.

For the year ending June 30, 1998, 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 the responsibility of the employee.

At June 30, 1998, the amount of liability was \$32,848. 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>
1997	\$46,004	(\$64,855)	\$175,133	\$34,826
1998	\$34,826	(\$46,867)	\$148,145	\$32,848

The District also participates in the Parish's risk management internal service fund for general liability, workers compensation and auto liability. The District pays monthly premiums to the Parish for workers' compensation based on a fixed percentage of payroll.

Note 9 - RISK MANAGEMENT (Continued)

The District's premiums for general liability are based on various factors such as operations and maintenance budget, exposure and claims experience. The premiums for auto liability are based on claims experience, vehicle type and mileage. The Parish handles all claims filed against the District. The District could have additional exposure for claims in excess of the Parish's insurance contracts as described below:

Policy	Coverage Limits
General Liability	\$6,500,000
Workers' Compensation	Statutory
Auto Liability	\$6,250,000

Coverage for claims in excess of the above stated limits are to be funded first by assets of the Parish's risk management internal service fund, \$887,817 at December 31, 1997, then secondly by the District and other participating funds and agencies. At June 30, 1998, the District had no claims in excess of the above coverage limits.

Note 10 - CONTRACT COMMITMENTS

On June 30, 1998, the District had \$783,887 in public works contracts of which \$158,838 was uncompleted.

Note 11 - BOARD MEMBERSHIP AND COMPENSATION OF BOARD OF COMMISSIONERS

Board Members	Number of Meetings Attended	Payments for		Total Amount
		Meetings Attended	Mileage	
Chester P. Voisin	23	\$ 680	\$ 293	\$ 983
Russell Redmond	23	630	6	636
Arken J. Guidry	23	630	27	657
Willie Barvillein, Jr.	20	600	145	745
Julien LaRoche	22	660	284	944
Arnon Uric, Jr.	19	570	77	647
Bob J. Doudreaux	23	690	13	703

Note 11 - BOARD MEMBERSHIP AND COMPENSATION OF BOARD OF COMMISSIONERS
(Continued)

Board Member	Number of Meetings Attended	Payments for		Total Amount
		Meetings Attended	mileage	
Walt Pledger	23	690	7	697
Calvin Aushbaum	21	630	183	813
Ernest Volsin, Jr.	23	690	213	903
Melvin Bernol	16	480	204	684
Conrad M. Lulliane	16	480	174	654
Charles Guidry	23	690	334	1,024
Tracy Rhodes	23	690	67	757
Robert J. Vize	22	660	141	801
Totals		<u>59,480</u>	<u>\$2,083</u>	<u>\$61,563</u>

House Bill No. 90 of the 1997 Regular Session was enacted which effective on or after July 1, 1998, the governing authority of Consolidated Wastewater District No. 1 of the Parish of Terrebonne shall consist of nine members, one member to be appointed from each of the nine coincubatic districts. The terms of the members of the current board of commissioners in office immediately prior to July 1, 1998, shall terminate on that date and the new board members shall be appointed.

SUPPLEMENTARY INFORMATION SECTION

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

For the year ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenue from water sales and service charges:			
Customers (net of bad debts - \$15,000)	\$ 8,700,000	\$ 8,951,238	\$ 251,238
Lafourche Parish Water District No. 1	28,000	30,720	2,720
Service connection fees	155,000	210,000	55,000
Meter installation fees	27,000	28,045	1,045
Penalties - reconstructions	19,500	20,474	974
Total operating revenues	<u>\$ 8,968,500</u>	<u>\$ 9,340,477</u>	<u>\$ 371,977</u>

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

For the year ended June 30, 1998

	Budget	Actual	Favorable (Unfavorable) Variance
ADMINISTRATIVE			
Personal services:			
Salaries	\$ 147,000	\$ 147,253	\$ (253)
Employee group insurance	25,500	26,312	1,188
Payroll taxes	15,500	15,345	(155)
Retirement fund	4,000	3,759	241
Total personal services	188,000	186,509	1,131
Supplies and materials:			
Gasoline and oil	1,500	1,125	725
Office supplies and expense	25,000	26,261	(1,261)
Total supplies and materials	26,500	27,386	(886)
Other services and charges:			
Accounting	38,000	33,370	4,430
Attorney	130,000	123,480	4,520
Hotel roomings	12,500	11,568	932
Head agent fees	2,000	925	1,075
Consulting engineer	17,000	17,653	(653)
Insurance and bonds	15,000	14,327	673
Judicial services	18,500	18,395	105
Public proceedings	6,000	4,869	1,177
Radar communications	10,500	9,581	919
Repairs and maintenance:			
Equipment and building repairs	20,000	20,444	(444)
Tire and auto repairs	1,000	531	469
Seminars and schools	10,000	4,884	5,516
Telephone	-	256	(256)
Utilities - office	8,000	7,882	718
Total other services and charges	287,000	289,381	18,719
Total administrative	501,000	483,616	15,984
BILLING AND COLLECTIONS			
Personal services:			
Salaries	155,000	157,549	(2,549)
Employee group insurance	44,000	46,585	(2,585)
Payroll taxes	16,500	16,136	324
Retirement fund	4,000	3,912	88
Total personal services	219,500	224,216	(4,716)

Favorable
(Unfavorable)
Variance

Budget

Actual

BILLING AND COLLECTIONS (Continued)

Supplies and materials:			
Gasoline and oil	1,500	1,135	375
Office supplies and expense	13,000	12,267	733
Total supplies and materials	14,500	13,402	1,108
Other services and charges:			
Data processing	40,000	37,424	2,576
Insurance and bonds	15,000	17,252	(2,252)
Postage	92,000	89,750	2,249
Repairs and maintenance:			
Truck and auto repairs	1,000	834	166
Telephones	8,000	8,250	(250)
Total other services and charges	156,000	153,476	2,524
Total billing and collections	300,000	291,104	(8,896)

METER READING

Personal services:			
Salaries	285,000	280,195	4,805
Employee group insurance	92,000	94,331	(2,331)
Payroll taxes	29,500	28,994	506
Retirement fund	7,000	6,830	170
Total personal services	383,500	370,215	13,285
Supplies and materials:			
Gasoline and oil	14,000	12,006	1,994
Office supplies and expense	3,000	3,935	(935)
Small tools	3,500	3,197	303
Total supplies and materials	20,500	15,798	4,702
Other services and charges:			
Insurance and bonds	30,000	34,322	(4,322)
Meter reading contract services	12,000	11,309	691
Radio communications	1,000	255	745
Repairs and maintenance:			
Equipment and building repairs	-	2,344	(2,344)
Meter parts and repair	-	2,087	(2,087)
Truck and auto repairs	15,000	15,216	(216)
Total other services and charges	58,000	65,813	(7,813)
Total meter reading	462,000	451,824	10,176

	Budget	Actual	Favorable (Unfavorable) Variance
WAREHOUSE AND METER SHOP			
Personal services:			
Salaries	69,900	68,767	233
Employee group insurance	15,900	12,359	2,441
Payroll taxes	7,900	7,153	747
Retirement fund	2,900	1,731	569
Total personal services	96,600	90,190	3,310
Supplies and materials:			
Gasoline and oil	500	184	316
Meter repair parts	7,000	8,062	(1,062)
Office supplies and expenses	2,000	918	1,182
Small tools	500	118	382
Warehouse supplies	18,000	16,132	1,868
Total supplies and materials	28,000	25,317	2,683
Other services and charges:			
Freight	1,000	900	110
Insurance and bonds	6,000	6,405	(405)
Repairs and maintenance:			
Equipment and building repairs	3,000	2,684	316
Total other services and charges	10,000	9,439	561
Total warehouse and meter shop	131,500	124,946	6,554
ENGINEERING			
Personal services:			
Salaries	242,000	233,299	6,701
Employee group insurance	27,000	27,281	(281)
Payroll taxes	25,000	24,339	641
Retirement fund	6,000	5,747	253
Total personal services	300,000	292,666	7,314
Supplies and materials:			
Computer supplies	5,000	3,888	1,112
Gasoline and oil	7,000	6,778	222
Office supplies and expenses	1,000	2,232	568
Total supplies and materials	15,000	12,898	2,102
Other services and charges:			
Insurance and bonds	19,000	18,335	665
Mobile phones	-	2,065	(2,065)
Radio communications	3,400	219	3,181

	Budget	Actual	Favorable (Unfavorable) Variance
ENGINEERING (Continued)			
Other services and charges: (Continued)			
Repairs and maintenance:			
Equipment and building repairs	1,000	552	448
Truck and auto repairs	6,800	6,275	(275)
Scenarios and schools	9,000	7,165	1,835
Total other services and charges	37,400	34,611	2,789
Total engineering	152,400	149,595	12,285
OPERATIONS			
Other services and charges:			
Utilities	168,000	158,458	542
MAINTENANCE AND FIELD CREWS			
Personal services:			
Salaries	485,000	496,089	(11,089)
Employee group insurance	94,800	92,750	1,270
Payroll taxes	49,000	51,291	(2,291)
Retirement fund	12,200	12,364	(164)
Total personal services	641,000	652,474	(12,274)
Supplies and materials:			
Chemicals	2,000	1,855	145
Diesel fuel and oil	13,000	13,033	683
Office supplies and expenses	500	436	64
Small tools	8,500	9,688	(1,188)
Total supplies and materials	24,000	25,002	7
Other services and charges:			
Freight	500	66	436
Insurance and bonds	60,000	63,257	(3,257)
Mobile phones	-	125	(125)
Radio communications	2,690	787	1,233
Repairs and maintenance:			
Equipment repairs - field	34,000	33,178	61,179
Truck and auto repairs	13,000	14,267	(1,267)
Welding maintenance	430,000	432,003	(2,003)
Scenarios and schools	2,000	634	1,366
Uniforms	3,000	2,944	56
Total other services and charges	548,500	549,348	(5,448)
Total maintenance and field crews	1,208,700	1,206,413	(17,713)

	Budget	Actual	Favorable (Unfavorable) Variance
WATER PLANT			
Personal services:			
Salaries	489,000	488,500	500
Employee group insurance	87,000	97,423	(10,423)
Payroll taxes	50,500	50,500	(7)
Retirement fund	12,900	12,284	616
Total personal services	640,000	649,707	(9,707)
Supplies and materials:			
Chemicals	670,000	660,238	9,762
Computer supplies	2,000	1,557	443
Fuel for generator	1,000	-	1,000
Gasoline and oil	7,000	6,619	381
Office supplies and expense	5,000	5,516	(516)
Raw water	116,000	116,334	(334)
Small tools	2,000	1,833	167
Warehouse supplies	6,000	5,145	855
Total supplies and materials	815,000	800,432	14,568
Other services and charges:			
Freight	2,000	1,661	339
Insurance and bonds	115,000	108,739	6,261
Radio communications	200	163	37
Repairs and maintenance:			
Plant maintenance	150,000	151,506	(1,506)
Tractor repairs	3,000	2,753	247
Truck and auto repairs	4,000	3,555	445
Seminars and schools	4,000	2,214	1,786
Telephone	7,000	5,915	1,085
Uniforms	1,000	1,074	(74)
Utilities	490,000	494,805	(4,805)
Total other services and charges	736,200	744,485	(8,285)
Total water plant	2,100,000	2,194,640	(94,640)
BACT-LAB			
Personal services:			
Salaries	55,000	51,439	3,561
Employee group insurance	6,100	4,600	1,499
Payroll taxes	3,500	3,006	494
Retirement fund	1,400	1,213	186
Total personal services	66,000	62,258	3,741

	Budget	Actual	Favorable (Unfavorable) Variance
BAC-T-LAB (Continued)			
Supplies and materials:			
Chemicals	1,000	-	1,000
Computer supplies	800	584	216
Gasoline and oil	1,200	1,001	199
Lab supplies	8,000	8,028	(28)
Office supplies and expense	1,000	380	620
Total supplies and materials	12,000	10,623	1,377
Other services and charges:			
Freight	100	34	66
Insurance and bonds	5,900	5,159	741
Instructor services	4,900	3,595	1,305
Lab analysis	5,000	3,277	1,723
Repairs and maintenance:			
Equipment and building repairs	3,000	3,351	(351)
Tire and auto repairs	1,000	2,566	424
Telephone and radio	1,000	1,874	1,126
Utilities	1,000	1,098	(98)
Total other services and charges	33,100	30,147	2,953
Total bar-t-lab	115,100	103,090	12,010
Totals	\$ 5,514,300	\$ 5,475,308	\$ 38,992
OPERATING EXPENSES			
Personnel services	\$ 2,537,500	\$ 2,528,733	\$ 8,767
Supplies and materials	952,500	925,857	26,643
Other services and charges	2,024,300	2,016,698	7,602
Totals	\$ 5,514,300	\$ 5,475,308	\$ 38,992

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, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Investment income	\$ 400,000	\$ 553,882	\$ 153,882
Service agreements:			
Sewerage Districts	70,000	75,788	5,788
Garbage Collections	28,000	30,635	2,635
Other non-operating revenues:			
Miscellaneous	13,000	21,956	8,956
Unclaimed meter deposit refunds	3,000	4,617	2,617
Bond interest	(965,780)	(965,780)	-
Amortization of bond discount and insurance cost	(20,795)	(20,795)	-
Amortization of cost of consolidation	(8,518)	(8,518)	-
 Total non-operating revenues (expenses)	 <u>\$ (212,099)</u>	 <u>\$ (338,221)</u>	 <u>\$ 173,878</u>

SCHEDULE OF PROPERTY, BLAST AND EQUIPMENT

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

June 30, 1998

	Accumulated Depreciation Rate	Balance July 1, 1997	Additions	Transfers	Retirements	Balance June 30, 1998	Accumulated Depreciation From 7/1, 1997	Net Book Value
Land	-	\$ 508,713	\$ -	\$ -	\$ -	\$ 508,713	\$ -	\$ 508,713
Water plant	2% - 20%	93,848,119	30,000	108,000	-	18,995,645	3,008,000	11,995,262
Distribution system	7% - 25%	21,672,118	467,281	3,039,844	-	59,149,317	20,239,842	18,416,514
Administrative building	5%	999,280	-	-	-	992,281	479,397	413,884
Plant equipment	10%	247,929	71,481	-	31	319,560	209,289	110,271
Furniture and equipment	10% - 25%	459,865	41,289	-	628	200,289	218,286	141,479
Automobiles and trucks	20% - 45%	649,869	87,228	-	71,381	661,005	411,397	189,598
Construction in progress	-	2,652,000	1,064,413	17,277,690	-	991,297	-	991,297
Totals		\$ 79,111,289	\$ 2,762,279	\$ 3	\$ 73,064	\$ 81,021,009	\$ 28,843,004	\$ 51,178,005

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS,
HEALTH CARE COSTS IS BIDDING FOR MEDICAL BOARD ORDINANCES**

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

For the year ended June 30, 1958

	Total	Revenue Bond Sinking Fund	Bond Reserve Fund	Depreciation and Contingencies Fund	Construction Fund - 1958	Construction Fund
Cash, cash equivalents, and investments July 1, 1957	\$ 3,271,127	\$ 654,021	\$ 1,212,895	\$ 1,125,158	\$ -	\$ 1,215,840
Receipts:						
Transfers from the District Fund insurance proceeds	\$ 766,474	1,720,088	255,737	498,629	7,879,256	-
Interest on bonds	2,070,216	-	-	-	-	56,081
Investment income from other entities	86,481	-	-	-	-	86,582
Interest earned	81,341	-	-	-	1,279	-
Total receipts	30,274,412	1,720,088	255,737	498,629	7,880,735	157,183
Total assets available for debt service	16,546,539	2,326,109	2,268,645	1,613,827	7,880,735	2,083,022
Disbursements:						
Amortment of insured bonds	738,308	156,889	-	-	-	-
Amortment of insured interest coupons	913,883	913,883	-	-	-	-
Bond issuance cost	104,549	-	-	-	-	-
Capital improvements	1,176,547	-	-	236,739	164,586	713,073
Transfers to other funds	337,366	-	-	-	257,635	557,804
Total disbursements	2,268,754	1,669,855	-	236,739	909,857	114,179
Cash, cash equivalents, and investments June 30, 1958	\$ 12,054,751	\$ 769,424	\$ 1,268,545	\$ 1,379,148	\$ 6,970,738	\$ 1,969,843

SCHEDULE OF INSURANCE IN FORCE

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

June 30, 1998

(Continued)

Insurer	Type of Coverage	Amount of Insurance	Expiration Date
Terrebonne Parish Consolidated Government	Automobile liability	\$ 6,250,000	Not applicable
Terrebonne Parish Consolidated Government	General liability	\$ 6,400,000	Not applicable
Terrebonne Parish Consolidated Government	Workers' compensation	Statutory	Not applicable
Zurich-American Insurance Co.	Combined building & personal property	\$ 48,800,000	3/30/99
TIG Insurance Co.	Hull coverage on dredge dredge	\$ 80,400	6/30/99
Continental Casualty Co.	Public employee dishonesty, theft, disappearance & destruction	\$ 20,000 - 25,000	3/30/99
Great American Insurance Co.	Computer hardware and software	\$ 225,429	3/30/99
Lloyd's of London	Contractor's equipment	\$ 10,000	3/30/99

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

June 30, 1998

(Unaudited)

Records maintained by the District indicated 38,514 water customers at June 30, 1998.

There were no unmetered customers.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Ernst & Young

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING, BASED ON AN AUDIT OF THE 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 the Consolidated Waterworks District No. 1 of the Parish of Terrebonne, State of Louisiana, (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 14, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or

more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting and its operations that we consider 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

Monroe, La.,
August 14, 1998.

SCHEDULE OF FINDINGS

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

For the year ended June 30, 1998

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Reportable condition(s) identified that are not
 considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

Consolidated Waterworks District No. 1 of the Parish of Terrebonne did not receive federal awards during the year ended June 30, 1998.

Section II Financial Statement Findings

No financial statement findings were noted during the audit for the year ended June 30, 1998.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

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

For the year ended June 30, 1998

Section I Internal Control and Compliance Material to the General-Purpose Financial Statements

Internal Control

No material weaknesses were reported during the audit for the year ended June 30, 1997.
No reportable conditions were reported during the audit for the year ended June 30, 1997.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended June 30, 1997.

Section II Internal Control and Compliance Material to Federal Awards

Consolidated Waterworks District No. 1 of the Parish of Terrebonne did not receive federal awards during the year ended June 30, 1997.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 1997.

MANAGEMENT'S CORRECTIVE ACTION PLAN

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

For the year ended June 30, 1998

Section I Internal Control and Compliance Material to the General-Purpose Financial Statements

Internal Control

No material weaknesses were noted for the year ended June 30, 1998.
No reportable conditions were noted for the year ended June 30, 1998.

Compliance

No compliance findings material to the general-purpose financial statements were noted during the audit for the year ended June 30, 1998.

Section II Internal Control and Compliance Material to Federal Awards

Consolidated Waterworks District No. 1 of the Parish of Terrebonne did not receive federal awards during the year ended June 30, 1998.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 1998.