

LEBLANC AND CARPENTER
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
100 WASHINGTON, P.O. BOX 100
MORGAN CITY, LOUISIANA 70301

PHONE 336-2200
FAX 336-24-0000

BOYD JOHNSON, LEBLANC, CPA
TOMMY H. CARPENTER, CPA

MEMBER
American Institute of
CERTIFIED PUBLIC ACCOUNTANTS
Member of American
College of Professional Accountants

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

Board of Commissioners
Waterworks District No. 3
Parish of St. Mary
Bayou Vista, Louisiana

We have audited the general purpose financial statements of the Waterworks District No. 3, a component unit of the Parish of St. Mary, State of Louisiana as of and for the years ended September 30, 1997 and 1996, and have issued our report thereon dated January 15, 1998.

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 financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Waterworks District No. 3 is the responsibility of Waterworks District No. 3's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Waterworks District No. 3'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 noncompliance that are required to be reported under Government Auditing Standards.

OTHER AUDIT FINDINGS
None.

This report is intended solely for the use of management and the St. Mary Parish Council. However, this report is a matter of public record and its distribution is not limited.

LeBlanc and Carpenter

January 15, 1998
Morgan City, Louisiana

WATERWORKS DISTRICT NO. 2
OF THE
PARISH OF ST. HENRY
STATE OF LOUISIANA

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

PERIODS ENDED SEPTEMBER 30, 1997 AND 1996

structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the District employs only two persons in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the use of management and the St. Mary Parish Council and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the St. Mary Parish Council is a matter of public record.

Libbons and Company

January 15, 1998
Morgan City, Louisiana

LEBLANC AND CARPENTER
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
FOURTH FLOOR, P.O. BOX 10417
MOBILE CITY, LOUISIANA 36688

PHONE (504) 833-1100
FAX (504) 833-1100

LEBLANC AND CARPENTER, CPAs
FOURTH FLOOR, P.O. BOX 10417

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
—
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
Waterworks District No. 2
Parish of St. Mary
Bayou Vista, Louisiana

We have audited the general purpose financial statements of the Waterworks District No. 2, a component unit of the Parish of St. Mary, State of Louisiana for the years ended September 30, 1997 and 1998, and have issued our report thereon dated January 18, 1999.

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 financial statements are free of material misstatement.

The management of Waterworks District No. 2 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Waterworks District No. 2 for the years ended September 30, 1997 and 1998, we obtained an understanding of the internal control structure. With respect to the internal control

WATERWORKS DISTRICT NO. 3
OF THE
PARISH OF ST. HENRY
STATE OF LOUISIANA

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

PERIODS ENDED SEPTEMBER 30, 1997 AND 1998

MATHERBORO DISTRICT NO. 2 OF THE PARISH OF ST. HENRY
STATE OF LOUISIANA

Water Rates

September 30, 1997

The Board of Commissioners approved a water rate increase on September 11, 1998, effective October 1, 1998. The new water rate is as follows:

First 3,000 Gallons - \$4.00
Over 3,000 Gallons - \$1.95 per 1000

For the period October 1992 to September 30, 1993, the water rates were as follows:

First 3,000 Gallons - \$4.75
Over 3,000 Gallons - \$.17 per 100

For the period August 1988 to September 30, 1992, the water rates were as follows:

First 3,000 Gallons - \$4.00
Over 3,000 Gallons - \$.14 per 100

Prior to August, 1988 the water rates were as follows:

First 3,000 Gallons	-	\$1.35
Next 1,000 Gallons	-	\$1.05 Per 1,000
Next 5,000 Gallons	-	\$1.00 Per 1,000
Next 8,000 Gallons	-	\$.95 Per 1,000
Next 10,000 Gallons	-	\$.90 Per 1,000
Next 10,000 Gallons	-	\$.85 Per 1,000
Next 11,000 Gallons	-	\$.80 Per 1,000
Next 50,000 Gallons	-	\$.70 Per 1,000

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. HENRY
STATE OF LOUISIANA

Insurance

September 30, 1997

(Unaudited)

Insurer	Amount of Policy	Risks Covered	Expiration Date
Transcontinental Insurance Company	\$ 85,000	Office fire Building and contents	4-28-98
	33,500	Warehouse and contents	
Louisiana Workers' Compensation Corp.	100,000	Worker's Compensation	4-28-98
Transcontinental Insurance Company	1,000,000	Comprehensive General liability	4-26-98
Valley Forge Insurance Company	1,000,000	Auto liability	4-28-98
Fidelity & Casualty Company of New York	500,000	Honesty blanket bond coverage on employees and commissioners	11-21-97
Reliance Insurance Company		Joint purification plant	2-01-98
	900,000	Building	
	485,000	Contents	
	33,000	Tank building	

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. BERRY
STATE OF LOUISIANA

Schedule of Gallons of Water Purchased and Sold
and Number of Water Customers

For the years ended September 30, 1997 and 1996

(Audited)

	9-30-97	9-30-96
Gallons purchased for the period	189,729,000	188,838,800
Gallons sold for the period	147,907,160	148,143,420
Number of users at 9-30-96 and 9-30-95	1,939	1,894
Gallons not sold for the period	41,821,840	40,694,580
Cost per 1000 gallons purchased	.6442	.6491
Cost of gallons not sold	\$ 26,942	\$ 26,985

WATERBORES DISTRICT NO. 2 OF THE PARISH OF ST. HENRY
STATE OF LOUISIANA

Payments for Board of Commissioners Meetings

September 30, 1997

	Meetings Attended	
WATERBORES DISTRICT NO. 2		
Don Ryan, Chairman	13	\$ 360
Herbert Adams, Commissioner	9	540
Sam McElroy, Commissioner	13	660
Geary Legendre, Commissioner	9	540
John Head, Commissioner	13	660
Irvin Richard	1	60
		\$3,340
 NEWICK-BAYOU VISTA JOINT WATERBORES COMMISSION		
Irvin Richard, Commissioner	12	720
Clarence Robert, Commissioner	10	600
	TOTAL	\$4,680

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. PERRY
STATE OF LOUISIANA

Statement of Changes in Assets
Restricted for Water Revenue Refunding Bonds Debt Service
Series Dated 1992

For the year ended September 30, 1993

	Total	Refunding Bond Sinking Fund	Refunding Bond Reserve Fund	Refunding Bond Contingencies Fund
Assets restricted for refunding bond debt service, Sept. 30, 1992	\$ 78,228	\$ 39,394	\$ 34,234	\$ 8,788
Receipts				
Transfer from Revenue Fund	<u>21,545</u>	<u>48,540</u>	<u>2,082</u>	<u>21,523</u>
TOTAL ASSETS AVAILABLE FOR DEBT SERVICE	<u>149,773</u>	<u>87,934</u>	<u>36,316</u>	<u>30,311</u>
Disbursements				
Transfer to Revenue Fund	--	--	--	--
Retirement of matured Bonds	48,000	48,000	--	--
Payment of matured Interest coupons	<u>8,158</u>	<u>8,158</u>	<u>--</u>	<u>--</u>
TOTAL DISBURSEMENTS	<u>48,158</u>	<u>48,158</u>	<u>--</u>	<u>--</u>
Assets restricted for revenue bond debt service, September 30, 1993	\$100,623	\$ 38,694	\$ 36,316	\$ 30,704
Composed of				
Cash	\$ 73,908	\$ 38,694	\$ 13,492	\$19,704
Investments	<u>22,723</u>	<u>--</u>	<u>22,723</u>	<u>--</u>
TOTALS	<u>\$100,623</u>	<u>\$ 38,694</u>	<u>\$ 36,316</u>	<u>\$30,704</u>

SCHEDULE 2

WATERBURY DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Combined Schedule of Investments

September 30, 1997

		SECURITY	Rate	Cost	Market Value
REVENUE FUND					
Time Certificates of Deposit					
Greenwood Trust Co.	4-21-99	6.85%		28,000	29,896
Associated Bank, NA					
Greenbay, WI	10-10-97	8.35%		120,000	99,930
Mortgage-Backed Securities					
GSEA pass through pool	Monthly	7.25%-11.5%		12,378	12,554
				<u>182,378</u>	<u>141,380</u>
MONEY MARKET FUND					
Time Certificates of Deposit					
LaSalle Nat'l Bank-Chicago	1-12-98	6.45%		21,994	11,998
Texas Federal Savings Bank	8-15-98	5.32%		20,000	20,000
Mortgage-Backed Securities					
GSEA pass through pool	Monthly	7.25%-11.5%		25,571	24,145
GSEA pass through pool	Monthly	8.35%		21,023	11,356
				<u>68,588</u>	<u>67,499</u>
REVENUE BOND SINKING FUND					
None.					
REVENUE BOND RESERVE FUND					
Time Certificates of Deposit					
LaSalle Nat'l Bank-Chicago	1-12-98	6.45%		11,071	11,071
Mortgage-Backed Securities					
GSEA pass through pool	Monthly	11.5%		2,973	2,601
GSEA pass through pool	Monthly	7.25%		8,482	8,112
				<u>22,526</u>	<u>21,784</u>
TOTAL WATERBURY SYSTEM				5233,735	5231,465

	9-30-97	9-30-96
LIABILITIES		
Current		
Payable from current assets		
Accounts payable and accrued expenses	\$ 10,288	\$ 8,388
Contracts payable	--	15,388
Due to other governmental units	<u>10,811</u>	<u>14,155</u>
Total Current Liabilities	<u>21,099</u>	<u>22,931</u>
Payable from restricted assets		
Accrued interest payable-		
Revenue Bond Sinking Fund	991	1,284
Bond payable within one year	48,000	48,000
Due to other governmental units	<u>169</u>	<u>158</u>
Total Current Restricted Liabilities	<u>49,160</u>	<u>49,442</u>
Water Deposits	<u>113,579</u>	<u>109,888</u>
Long-term Bonded Debt	<u>90,880</u>	<u>110,880</u>
TOTAL LIABILITIES	<u>164,618</u>	<u>172,941</u>
FUND EQUITY		
Contributed Capital	<u>158,337</u>	<u>158,337</u>
Retained Earnings		
Reserves required by revenue		
bond indentures	188,891	77,228
Unreserved	<u>888,414</u>	<u>845,095</u>
Total Retained Earnings	<u>1,077,305</u>	<u>922,323</u>
Total Fund Equity	<u>1,235,642</u>	<u>1,080,660</u>
TOTAL LIABILITIES AND FUND EQUITY	\$1,470,823	\$1,461,838
	*****	*****

See notes to financial statements.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. PERRY
STATE OF LOUISIANA

Balance Sheets - Proprietary Fund Type

September 30, 1997 and September 30, 1996

	9-30-97	9-30-96
ASSETS		
Current		
Cash	\$ 29,253	\$ 70,326
Investments, at cost	142,376	48,174
Accounts Receivable		
Utility customers	56,815	105,283
Due from other governmental		
units	4,334	2,251
Interest receivable	3,139	1,874
Inventory - at cost	10,824	9,350
Prepaid expenses	<u>4,322</u>	<u>3,522</u>
Total Current Assets	<u>251,453</u>	<u>317,814</u>
Restricted		
Money Deposit Fund		
Cash	49,887	36,527
Investments, at cost	68,636	73,722
Revenue Bond Sinking Fund		
Cash	34,684	35,284
Investments, at cost	--	--
Revenue Bond Reserve Fund		
Cash	13,452	9,850
Investments, at cost	22,723	25,384
Depreciation and Contingencies Fund		
Cash	29,724	8,780
Investments, at cost	<u>--</u>	<u>--</u>
Total Restricted Assets	<u>229,146</u>	<u>189,577</u>
Waterworks System and Equipment	<u>120,485</u>	<u>166,581</u>
Other		
Prepaid water tower maintenance	149,886	165,185
Investment in Bernick-Bayou Vista		
Joint Waterworks Commission	89,117	71,642
Unamortized bond expense	<u>3,516</u>	<u>3,422</u>
Total Other Assets	<u>232,519</u>	<u>240,250</u>
TOTAL ASSETS	<u>\$1,470,423</u>	<u>\$1,464,538</u>

SUPPLEMENTARY SCHEDULES

NOTE H - PREPAID WATER TOWER MAINTENANCE

The District has recorded the total cost of having its 250,000 gallon water storage tank coated, painted, and repaired as prepaid water tower maintenance. The project was completed September 18, 1986 at a total cost of \$144,184. This cost will be amortized over its estimated useful life of ten years beginning in October, 1986.

Total prepaid water tower maintenance	\$144,184
Amortize tower maintenance September, 1987	—118,510
Net prepaid water tower maintenance	\$140,680

NOTE F - RETIREMENT PLAN

All Waterworks District employees are covered under the Federal Insurance Contribution Act (Social Security). In addition, qualified employees also belong to a SEP/IRA Retirement Plan that was established by the Waterworks District in 1990. The District contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis.

The Waterworks District contributions to the above plans totaled approximately \$7,843 and \$6,467 for the years ended September 30, 1997 and 1996, respectively. This amount is paid to the Retirement Systems which are responsible for administering the plans and disbursing benefits. There were no unfunded contributions under either plan at September 30, 1997.

NOTE G - INVESTMENT - BERWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION

All of the water sold by Waterworks District No. 2 is obtained from Berwick-Bayou Vista Joint Waterworks Commission. The Berwick-Bayou Vista Joint Waterworks Commission was created and established with the sole responsibility and duty to maintain, operate, and administer the joint water treatment plant for District No. 2 and Town of Berwick. The water treatment plant was constructed and is owned by the District and the Town of Berwick, Louisiana. The District and the Town of Berwick appoint the members of the Board of Commissioners for the Joint Waterworks Commission. The District's portion of the cost of the plant is carried in property, plant and equipment. Amounts reported as an investment in other assets represents the District's equity in the joint venture. The Berwick-Bayou Vista Joint Waterworks Commission reports as a component unit of the St. Mary Parish Council. The following is a summary of selected financial information of the Berwick-Bayou Vista Joint Waterworks Commission:

	Year Ended <u>9-30-97</u>	Year Ended <u>9-30-96</u>
Total assets	\$199,610	\$161,400
Total liabilities	34,876	23,615
Total fund equity	164,734	137,785
Total revenues	343,738	344,287
Total expenditures	327,789	312,300
Net income	15,949	31,987

Waterworks District No. 2 purchased the following quantities and amounts of water from the Joint Waterworks Commission:

	Year Ended <u>9-30-97</u>	Year Ended <u>9-30-96</u>
Gallons of water purchased	189,129,028	189,838,028
Cost of water purchases	\$ 123,222	\$ 123,222

NOTE B - LONG-TERM DEBT (Continued)

Water Revenue Bonds and Water Revenue Refunding Bonds

On April 13, 1992, the Waterworks District No. 2 had \$380,000 aggregate principal amount of outstanding Waterworks Utility Revenue Bonds, dated March 13, 1978. The United States of America, Farmers Home Administration, as the owner of the outstanding bonds, ordered the Waterworks District No. 2 to prepay and refund the outstanding balance of the \$380,000 bonds. Pursuant to Chapter 14-A of Title 38 of the Louisiana Revised Statutes of 1950, as amended, the District issued \$300,000 principal amount of its Water Revenue Refunding Bonds, Series 1992, for the purpose of prepaying and refunding the outstanding revenue bonds. The District paid the balance of the outstanding revenue bonds and all interest payments due from funds accumulated in the related sinking, reserve, and depreciation and contingencies funds. The balance of those funds reserved for debt retirement were transferred to the Revenue Fund (operating account), except for \$20,000 which was transferred to a Reserve Fund as part of the requirements of the Refunding Bonds issued.

Under the terms of bond indentures for the outstanding Water Revenue Refunding 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 Waterworks System. All revenues must be deposited in the Revenue Fund and required transfers made to the following Funds on a monthly basis after the payment of operating expenses.

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.

Bond Reserve Fund - The District was required to deposit \$30,000 into the "Reserve Fund" simultaneously with the delivery of the water revenue refunding bonds. The Fund is restricted to the payment of principal and interest in case of default.

Depreciation and Contingencies Fund - Monthly transfer of 5% of gross revenues of the System for the preceding month is required. Total transfers to the fund was \$21,034 and \$25,887 for 1993 and 1994, respectively. The Fund is restricted to payments for extensions, additions, improvements, renewals and replacements necessary to properly operate the System. It will also be used to pay principal and interest if there are not sufficient funds in the Sinking Fund and Bond Reserve Fund. \$0 and \$45,000 was transferred to the Revenue Fund in the years ending 1993 and 1994, respectively, to be used for the cost of renewals and replacements necessary for the water system. These transfers were in accordance with the Depreciation and Contingencies Fund restrictions.

There are a number of limitations, restrictions, and requirements contained in the Water Revenue Refunding Bonds. The District is in compliance with all significant limitations, restrictions, and requirements.

NOTE D - WATERWORKS SYSTEM AND EQUIPMENT

A Summary of the Waterworks System Plant and Equipment follows:

PROPERTY	Annual	9-30-87	9-30-88
	Straight-Line Depreciation Rate		
Land		\$ 5,834	\$ 5,834
Water plant	2.54 - 10%	838,485	838,485
Distribution system	3.83% - 10%	3,538,308	4,532,519
Administrative buildings	2.54 - 10%	40,527	40,527
Furniture and equipment	2.54 - 10%	78,055	89,888
Trucks	28%	22,408	8,330
TOTAL		2,512,803	2,514,893
Less accumulated depreciation		<u>(1,722,318)</u>	<u>(1,728,482)</u>
NET		\$ 790,485	\$ 786,411

NOTE E - LONG-TERM DEBT

The following is a summary of bond transactions of the District for the years ended September 30, 1987 and 1988:

	Water Revenue Bonds	
	1987	1988
Bonds payable at beginning of year	\$ 178,000	\$ 205,000
Debt retired	48,000	(35,000)
Bonds issued	---	---
Bonds payable at end of year	<u>\$ 130,000</u>	<u>\$ 170,000</u>

The annual requirements to amortize the outstanding principal and interest on the \$134 Water Revenue Refunding Bonds, Series 1982, dated June 3, 1982 at September 30, 1987 are as follows:

Water Revenue Bonds	Principal	Interest	Total
1988-2003	\$130,000	\$ 12,300	\$142,300
TOTALS	<u>\$130,000</u>	<u>\$ 12,300</u>	<u>\$142,300</u>

NOTE B - CASH AND INVESTMENTS (Continued)

Cash and investments categorized by level of risk are:

	Cost	Market Value
Amounts insured by the FDIC or collateralized with securities held by the District in its name	\$318,874	\$318,587
Amounts collateralized with securities held by the pledging financial institution's trust department in the District's name	--	--
Uncollateralized, uninsured or unregistered	<u>71,809</u>	<u>49,792</u>
Total cash and investments	\$390,683	\$368,379

NOTE C - DUE TO/FROM OTHER GOVERNMENTAL UNITS

	Due From Other Governments	Due To Other Governments
Due from Recreation District No. 3 (Inter-governmental service)	\$4,334	
Due to Norwalk-Bayou Vista Joint Waterworks (Water purchases)		\$18,874
Due to Sewerage District No. 2 (Inter-governmental service - sewerage fees)		48,248
Due to St. Mary Parish Council (Inter-governmental service - garbage fees)	<u>-----</u>	<u>15,304</u>
	\$4,334	\$70,413

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Column on Combined Balance Sheet

The total column on the Combined balance sheet is captioned Memorandum Only to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH AND INVESTMENTS

The Waterworks District No. 1 may invest in time deposits or certificate of deposits of state banks or savings and loan associations or savings banks organized under Louisiana law and national banks having principal offices in Louisiana. State law requires that deposits be fully collateralized at all times. Acceptable collateralization includes the \$100,000 FDIC/FDIC insurance and the market value of securities purchased and pledged. 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 District or with an unaffiliated bank or trust company for the account of the District.

The District's cash and investments are categorized to give an indication of the level of risk assumed by the District at September 30, 1997:

- Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Uncollateralized or securities uninsured or unregistered and held by the counter party (this includes OPM Pool investments and mutual fund shares held in "book-entry-only" form by brokerage firms)

Cash and investments (including restricted assets) stated at cost consist of the following:

Checking and money market accounts	\$145,511
Certificate of deposit	173,065
OPM pool investments	60,678
Mutual fund money market	21,323
Total cash and investments	\$399,577

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

The Waterworks System is accounted for on a cost of services or "capital maintenance" measurement basis. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included in the balance sheet. All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Leased property, plant and equipment are valued at their estimated fair value on the date donated.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water plant	10-40 years
Distribution system	10-35 years
Administrative buildings	10-40 years
Furniture and equipment	10-40 years
Automobiles and trucks	5 years

Bad Debts

The financial statements contain no allowance for uncollectable accounts receivables which is a generally accepted accounting principle. Uncollectable receivables are charged off at the time information becomes available which would indicate the uncollectability of the particular receivable. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

Accumulated vacation, Compensatory Time and Sick leave

Accumulated vacation, compensatory time and sick leave are recorded as an expenditure of the period in which paid. At September 30, 1997 unrecorded liabilities for the above are of an immaterial amount.

Bond Issuance Cost

Bond issuance costs are capitalized and amortized on a straight-line basis over the life of the bonds. Bond issuance costs are recorded as "Unamortized Bond Expense".

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

- D. The Proprietary Fund Statement of Income, Expenses, and Changes in Retained Earnings does not reflect budget and actual comparisons of the administrative budget because it is not a legally adopted budget.

Restricted Assets

In accordance with the revenue bond covenants, certain resources are set aside for the repayment of the bonds. These funds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Joint Venture

The Waterworks District No. 2 and the Town of Berwick jointly constructed a water treatment plant to provide a water supply to each entity. Each participant has a 50% interest in the venture. The cost of constructing the plant was borne by the two communities, and they have appointed a board to operate and maintain the plant. The Berwick-Bayou Vista Joint Waterworks Commission was created to maintain, operate and administer the joint water treatment plant. The District has included its share of the joint venture cost and current operations in these financial statements using the equity method of accounting. See Note G for additional disclosure.

Investments

State statutes authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts; and mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

Investments are stated at cost or amortized cost, which approximates market. No write-down has been made to reflect the decline in market value of GNM pass through pool investments because the declines are considered temporary and the investments are considered to be long-term investments.

Inventory

The Proprietary Fund inventory is stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund Type

Enterprise Fund - An 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.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Their reported fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present Increases (i.e., revenues) and Decreases (i.e., expenses) in net total assets.

The Waterworks System is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Definition of Cash and Cash Equivalents

For purposes of the statement of cash flows, the Waterworks District No. 2 considers all cash or investments (certificates of deposit only), including restricted assets, to be cash or cash equivalents.

Budgets and Budgetary Accounting

The Waterworks District No. 2 follows these procedures in establishing administrative budgetary accounting:

- a. An administrative budget is employed as a management planning and control device during the year for the Proprietary Fund. The forecasted budget is prepared on a basis consistent with generally accepted accounting principles (GAAP), which for the Proprietary Fund is the accrual basis of accounting.

**WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA****Notes to Financial Statements****September 30, 1997****NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Waterworks District No. 2 was created and established May 14, 1952 pursuant to the provisions of an ordinance adopted by the Police Jury of the Parish of St. Mary, State of Louisiana, in compliance with the provisions of Chapter 8 of Title 33 of the Louisiana Revised Statutes of 1950. The District is composed of and managed by six board of commissioners. The District is authorized to do all things necessary to provide distribution of treated water for human consumption and maintenance of the system needed to perform this service.

The financial statements of Waterworks District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

GASB Statement No. 14, Governmental Reporting Entity, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Waterworks District No. 2 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CPMR of the Council for the year ended December 31, 1997. The Waterworks District No. 2 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

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.

Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board and all Financial Accounting Standards Board's statements and interpretations, APB Opinions and NBEs issued, except for those that conflict with or contradict GASB pronouncements.

WATERWORKS DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

	Page
A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
Reporting Entity	9
Fund Accounting	9
Proprietary Fund Type	10
Basis of Accounting	10
Definition of Cash and Cash Equivalents	10
Budgets and Budgetary Accounting	10-11
Restricted Assets	11
Joint Venture	11
Investments	11
Inventory	11
Fixed Assets	12
Bad Debts	12
Accumulated Vacation, Compensatory Time and Sick Leave	12
Bond Issuance Cost	12
Total Column on Combined Balance Sheet	13
B. CASH AND INVESTMENTS	13-14
C. DUE TO/FROM OTHER GOVERNMENTAL UNITS	14
D. WATERWORKS SYSTEM AND EQUIPMENT	15
E. LONG-TERM DEBT	16
Water Revenue Bonds and Water Revenue Refunding Bonds	16
F. RETIREMENT PLAN	17
G. INVESTMENT- MORWICK-BAYOU VISTA JOINT WATERWORKS COMMISSION	17
H. PREPAID WATER TOWER MAINTENANCE	18

EXHIBIT C

	2-28-87	2-28-86
Net increase (decrease) in cash and cash equivalents	59,866	189,483
Cash and cash equivalents at beginning of year	230,838	282,942
Cash and cash equivalents at end of year	\$ 290,704	\$ 472,425
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (27,512)	\$ (28,030)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	88,079	82,438
Amortize tower maintenance	16,818	—
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	6,470	(10,082)
(Increase) decrease in inventory	11,240	837
(Increase) decrease in prepaid expenses	(889)	961
Increase (decrease) in accounts payable	1,928	(18,375)
Increase (decrease) in due to governmental units	(11,752)	8,527
Net cash provided by operating activities	\$ 61,568	\$ 48,229

See notes to financial statements.

WATERWORKS DISTRICT NO. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Cash Flows - Proprietary Fund Type

For the years ended September 30, 1997 and 1996

Increase (Decrease) in Cash and Cash Equivalents

	9-30-97	9-30-96
Cash flows from operating activities:		
Cash received from customers	\$ 348,033	\$ 303,423
Cash payments for personal services	(88,897)	(74,886)
Cash payments for operating services	(174,967)	(295,051)
Cash payments for supplies	(4,538)	(4,809)
Net cash provided by operating activities	<u>79,631</u>	<u>28,677</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(18,873)	(14,810)
Prepaid water tower maintenance	"	(145,185)
Construction contract payable	(18,388)	31,331
Proceeds from sale of property	"	308
Principal paid on revenue bond securities	(40,088)	(35,088)
Interest paid on revenue bonds	(18,178)	(12,283)
Investment in Joint Waterworks Commission	(28,828)	(28,828)
Net cash used for capital and related financing activities	<u>(148,825)</u>	<u>(228,745)</u>
Cash flows from investing and nonoperating revenue and expense activities:		
Ad valorem taxes	59,870	85,288
Interest income on investments	16,483	17,054
Redemption of investment securities	12,828	11,983
Net cash provided by nonoperating revenues and expenses	<u>89,181</u>	<u>114,325</u>
Cash flows from noncapital financing activities		
Due from other governmental units	(2,883)	(87)
Cash from meter deposits	7,970	7,018
Due to other governmental units	<u>11</u>	<u>—</u>
Net cash provided (used) by noncapital financing activities	<u>5,098</u>	<u>6,924</u>
Net increase (decrease) in cash and cash equivalents	<u>45,904</u>	<u>(187,143)</u>

	9-30-87	9-30-86
LOSS BEFORE NONOPERATING REVENUE AND EXPENSES	\$(21,512)	\$(25,038)
NON OPERATING REVENUES (EXPENSES)		
Sale of property	--	388
Ad valorem taxes	98,478	85,288
Interest income	17,558	17,878
FROM reimbursements	--	3,872
Interest on bonds	(8,845)	(11,173)
Amortize bond cost	(913)	(913)
Bond administration fees	(3,029)	(854)
TOTAL NONOPERATING REVENUE (NET)	102,261	91,388
NET INCOME	68,729	68,946
RETAINED EARNINGS		
Beginning of year	818,308	845,382
End of year	987,037	918,288
	*****	*****

See notes to financial statements.

WATERWORKS DISTRICT NO. 3 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Income, Expenses and Changes in Retained Earnings
Proprietary Fund Type

For the years ended September 30, 1997 and 1996

	9-30-97	9-30-96
OPERATING REVENUES		
Charges for water service	\$193,846	\$186,438
Delinquency charges	2,883	2,838
Meter installation, reconnects, etc.	5,883	4,542
Sewerage collection fees	14,480	14,480
Garbage collection fees	13,346	13,197
Sewerage maintenance fees	<u>12,880</u>	<u>12,880</u>
TOTAL OPERATING REVENUES	<u>343,318</u>	<u>344,375</u>
OPERATING EXPENSES		
Personnel services		
Clerical salaries	30,034	28,712
Other salaries	20,440	25,464
Board meetings	4,680	4,620
Payroll taxes	1,827	1,433
Employee group insurance	9,253	4,535
Retirement contributions	7,043	6,667
Operating services		
Cost of water	122,229	122,229
Insurance	6,928	7,212
Audit fees	8,788	8,788
Engineering fees	1,980	1,980
Legal fees	--	--
Computer consulting	178	628
Repairs and maintenance	50,028	62,623
Amortize tower maintenance and debts	26,518	--
Utilities and telephone	188	248
Vehicle expenses	1,818	1,565
2,518	2,128	
Materials and supplies		
Office expense	1,942	1,942
Postage	4,010	4,238
Advertising	421	565
Miscellaneous	138	154
Depreciation	<u>84,078</u>	<u>81,418</u>
TOTAL OPERATING EXPENSES	<u>379,068</u>	<u>381,753</u>

	Proprietary Fund Type Waterworks System	Totals (Memoranda Only)	
		8-30-97	8-30-98
LIABILITIES			
Accounts payable and accrued expenses	\$ 18,298	\$ 18,298	\$ 8,360
Contracts payable	---	---	18,360
Due to other governmental units	79,413	79,413	79,565
Payable from restricted assets			
Accrued interest on bonds	891	891	1,296
Water revenue bonds due within one year	40,860	40,860	40,860
Due to other governmental units	169	169	168
Meter deposits	313,578	313,578	306,628
Water Revenue bonds	<u>50,880</u>	<u>50,880</u>	<u>330,088</u>
TOTAL LIABILITIES	<u>325,449</u>	<u>325,449</u>	<u>374,967</u>
FUND EQUITY			
Contributed capital	<u>158,337</u>	<u>158,337</u>	<u>158,337</u>
Retained earnings			
Reserved for bond debt	180,623	180,623	77,508
Unreserved	<u>88,414</u>	<u>88,414</u>	<u>83,600</u>
TOTAL RETAINED EARNINGS AND FUND BALANCE	<u>269,037</u>	<u>269,037</u>	<u>219,108</u>
TOTAL FUND EQUITY	<u>427,374</u>	<u>427,374</u>	<u>377,445</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,479,629</u>	<u>\$1,479,629</u>	<u>\$1,451,536</u>

See notes to financial statements.

WATERWORKS DISTRICT NO. 3 OF THE PARISH OF ST. HENRY
STATE OF LOUISIANA

Combined Balance Sheet - All Fund Types

September 30, 1997

	Proprietary Fund Type Waterworks System	Totals (Memorandum Only)	
		9-30-97	9-30-96
ASSETS			
Cash	\$ 29,853	\$ 29,853	\$ 70,226
Inventory, at cost	142,376	142,376	48,178
Accounts receivable	98,815	98,815	108,285
Due from other governmental units	4,334	4,334	2,253
Interest receivable	2,339	2,339	1,974
Inventory	10,624	10,624	9,958
Prepaid expenses	4,359	4,359	3,533
Restricted assets			
cash	127,787	127,787	89,471
investments, at cost	91,359	91,359	99,886
Waterworks system and equipment (net)	730,485	730,485	783,691
Prepaid water tower maintenance	148,666	148,666	165,185
Investment in Merryick-Bayou Vista Joint Waterworks Commission	69,317	69,317	71,443
Unamortized bond expense	2,336	2,336	3,428
TOTAL ASSETS	\$1,470,823	\$1,470,823	\$1,451,538

a required part of the component unit financial statements of Waterworks District No. 2. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the component unit financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

LeBlanc and Carpenter

January 15, 1998
Morgan City, Louisiana

LEBLANG AND CARPENTER
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
116 BROADVIEW, P.O. DRAWER 610
MONROE CITY, LOUISIANA 70001

PHONE (504) 481-1211
FAX (504) 384-0305

1000 JOHNSON LEBLANC, CPA
5000041 CARPENTER, CPA

MEMBER
ASSOCIATION OF CPAs
OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF CPAs
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Waterworks District No. 3
Parish of St. Mary
Bayou Vista, Louisiana

We have audited the accompanying general purpose financial statements of Waterworks District No. 3, a component unit of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 1997 and 1996, as listed in the schedule of contents. These 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 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 3 as of September 30, 1997 and 1996, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 13, 1997 on our consideration of Waterworks District No. 3's internal control structure and a report dated December 13, 1997 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The individual fund financial statements, schedules, and statistical data listed in the table of contents are presented for purposes of additional analysis and are not

TABLE OF CONTENTS

	SCHEDULE	PAGE NO.
INDEPENDENT AUDITOR'S REPORT		1-3
GENERAL PURPOSE FINANCIAL STATEMENTS		
Combined Balance Sheet- All Fund Types	A	3-4
Statement of Income, Expenses and Changes in Retained Earnings- Proprietary Fund Type	B	5-6
Statement of Cash Flows- Proprietary Fund Type	C	7-8
Notes to Financial Statements	D	9-18
	SCHEDULES	PAGE NO.
SUPPLEMENTARY INFORMATION SECTION		
Balance Sheets - Proprietary Fund Type	1	19-20
Combined Schedule of Investments	2	21
Statement of Changes in Assets Restricted for Water Revenue Refunding Bonds Debt Service	3	22
Payments for Board of Commissioners Meetings	4	23
Schedule of Millions of Water Purchased and Sold and Number of Water Customers (Unaudited)	5	24
Insurance (Unaudited)	6	25
Water Rates	7	26
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>		27-28
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>		29

3257

1000-30000-1000
9070-1 10-10-25

1000-30000-1000
9070-1 10-10-25
This necessary
copy from this
copy and place
back in folder

PARISH DISTRICT NO. 2
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 1997 AND 1998

from provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or assigned, entity and other appropriate public officials. The report is available for public inspection at the Union House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/14/99