

00 1000 10:18

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

BAYOU LAFOURCHE FRESH WATER DISTRICT

Thibodaux, Louisiana

***General Purpose Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended December 31, 1998***

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

Release Date 7-14-99

T.S. KEARNS & CO.


(A Professional Corporation)
Timothy S. Kearns, MBA, CPA
501 Canal Boulevard, Thibodaux, LA 70301
(504) 447-8507 Fax (504) 447-4833

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

General Purpose Financial Statements and
Independent Auditor's Report
As of and for the Year Ended December 31, 1998

C O N T E N T S

	Statement	Page No.
Independent Auditor's Report on the General Purpose Financial Statements		2
General Purpose Financial Statements:		
Combined Balance Sheet - All Fund Types and Account Groups	A	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance	B	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual (Non-GAAP Basis)	C	5
Notes to the Financial Statements		6
Supplemental Information Schedules:		
Schedule		
Summary Schedule of Prior Audit Findings	1	15
Corrective Action Plan for Current Year Audit Findings	2	18
Schedule of Per Diems Paid to Board Members	3	19
Other Reports Required By		
<u>Governmental Auditing Standards:</u>		
Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards	A	

INDEPENDENT AUDITOR'S REPORT

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

We have audited the accompanying general purpose financial statements of the Bayou Lafourche Fresh Water District as of and for the year ended December 31, 1998, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Bayou Lafourche Fresh Water District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Bayou Lafourche Fresh Water District as of December 31, 1998, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Bayou Lafourche Fresh Water District. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated June 21, 1999 on our consideration of the Bayou Lafourche Fresh Water District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.



June 21, 1999

TIMOTHY S. KEARNS
MASTER OF BUSINESS ADMINISTRATION
CERTIFIED PUBLIC ACCOUNTANT

(A Professional Corporation)
501 Canal Boulevard, Thibodaux, LA 70301
(504) 447-8507 Fax (504) 447-4833
keamscpa@mobiletel.com

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana
ALL FUND TYPES & ACCOUNT GROUPS

Balance Sheet
December 31, 1998

	GOVERNMENTAL ----- GENERAL FUND	ACCOUNT GROUPS -----		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ASSETS AND OTHER DEBITS				
Assets				
Cash and cash equivalents	\$ 17,147			\$ 17,147
Investments	1,140,100			1,140,100
Receivables:				
Ad valorem taxes (net)	471,029			471,029
State revenue sharing	15,497			15,497
Water sales	32,266			32,266
Interest receivable	14,552			14,552
General Fixed Assets:				
Land		8,783		8,783
Equipment, Furniture, Vehicles Plant & Properties		664,615 1,774,133		664,615 1,774,133
Other Debits:				
Amount to be provided for compensated absences payable			24,080	24,080
TOTAL ASSETS AND OTHER DEBITS	<u>\$1,690,592</u>	<u>\$2,447,531</u>	<u>\$ 24,080</u>	<u>\$4,162,202</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 28,927			\$ 28,927
Accrued payroll	5,645			5,645
Compensated absences payable	17,557		\$ 24,080	41,637
Total liabilities	<u>52,129</u>	<u>0</u>	<u>24,080</u>	<u>76,209</u>
Equity and other credits				
Investment in general fixed assets		\$2,447,531		2,447,531
Fund balances:				
Unreserved-undesignated	1,638,462			1,638,462
Total equity and other credits	<u>1,638,462</u>	<u>2,447,531</u>	<u>0</u>	<u>4,085,993</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$1,690,592</u>	<u>\$2,447,531</u>	<u>\$ 24,080</u>	<u>\$4,162,202</u>

The accompanying notes are an integral part of this statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
 Thibodaux, Louisiana
 GOVERNMENTAL FUND - GENERAL FUND
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Governmental Fund Type - General Fund
 For the Year Ended December 31, 1998

	<u>ACTUAL</u>
REVENUES	
Ad Valorem Taxes Revenue	\$ 478,798
State Revenue Sharing Revenue	23,109
Water Sales	275,555
Interest income	69,497
Prior year tax	297
Refunds and reimbursement	(26)
Miscellaneous income	335
 Total revenue	 847,564
 EXPENDITURES	
Salaries	297,291
Per diems	3,350
Payroll Taxes	23,239
Group Insurance Expense	44,437
Retirement Expense	6,813
Ad val deduction for pension	15,209
Bank Charge	169
Material & supplies	10,055
Repairs & maintenance	29,145
Fuel & lube	4,369
Accounting Fees	2,500
Computer Expenses	3,983
Dues & Subscriptions	203
Insurance-General	116,820
Legal Publication	3,098
Office Expense	6,573
Telephone	8,308
Legal Fees	3,854
Electric	115,531
Garbage	137
Water	2,731
Miscellaneous expense	5,498
Capital outlay:	
Equipment & vehicle	21,550
 Total expenditures	 724,864
 EXCESS OF REVENUE OVER EXPENDITURES	 122,700
 FUND BALANCE AT BEGINNING OF YEAR	 1,531,850
 Prior period adjustment	 (16,088)
 FUND BALANCE AT END OF YEAR	 \$1,638,462

The accompanying notes are an integral part of this statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
 Thibodaux, Louisiana
 GOVERNMENTAL FUND - GENERAL FUND
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget (Non-GAAP Basis)
 and Actual (Non-GAAP Budget Basis)
 For the Year Ended December 31, 1998

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Ad Valorem Taxes Revenue	\$ 434,000.00	\$ 433,087.37	\$ (912.63)
State Revenue Sharing Revenue	46,329.00	53,939.84	7,610.84
Water Sales	268,500.00	266,451.95	(2,048.05)
Interest income	63,000.00	62,962.42	(37.58)
Prior year tax	297.00	297.20	0.20
Refunds and reimbursement	0.00	(26.20)	(26.20)
Miscellaneous income	334.00	334.51	0.51
	<u>812,460.00</u>	<u>817,047.09</u>	<u>4,587.09</u>
Total revenue			
EXPENDITURES			
Salaries	286,035.00	287,229.35	(1,194.35)
Per diems	0.00	3,650.00	(3,650.00)
Payroll Taxes	21,151.00	22,838.03	(1,687.03)
Group Insurance Expense	46,000.00	44,436.52	1,563.48
Retirement Expense	18,703.00	8,634.41	10,068.59
Ad val deduction for pension	0.00	13,789.11	(13,789.11)
Bank Charge	180.00	169.00	11.00
Material & supplies	11,000.00	10,047.67	952.33
Repairs & maintenance	33,500.00	32,485.51	1,014.49
Fuel & lube	4,354.00	4,255.60	98.40
Accounting Fees	2,500.00	2,500.00	0.00
Computer Expenses	4,000.00	4,078.43	(78.43)
Dues & Subscriptions	237.00	237.60	(0.60)
Insurance-General	75,000.00	50,389.02	24,610.98
Legal Publication	3,000.00	3,183.01	(183.01)
Office Expense	7,000.00	7,370.92	(370.92)
Tax & License	0.00	234.64	(234.64)
Telephone	8,100.00	8,270.49	(170.49)
Legal Fees	4,000.00	3,853.88	146.12
Electric	129,730.00	123,078.54	6,651.46
Garbage	0.00	126.30	(126.30)
Water	0.00	2,466.17	(2,466.17)
Miscellaneous expense	5,308.00	5,248.73	59.27
Capital outlay:			
Equipment & vehicle	21,640.00	21,550.00	90.00
	<u>681,438.00</u>	<u>660,122.93</u>	<u>21,315.07</u>
Total expenditures			
EXCESS OF REVENUE OVER EXPENDITURES	131,022.00	156,924.16	25,902.16
FUND BALANCE AT BEGINNING OF YEAR	<u>1,434,438.00</u>	<u>1,434,438.00</u>	<u>0.00</u>
FUND BALANCE AT END OF YEAR	<u>\$1,565,460.00</u>	<u>\$1,591,362.16</u>	<u>\$ 25,902.16</u>

The accompanying notes are an integral part of this statement.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

INTRODUCTION

The Bayou Lafourche Fresh Water District was created under Act 113 of 1950, of the Louisiana Legislature, for the purpose of furnishing fresh water from the Mississippi River to the incorporated villages, towns, and cities along Bayou Lafourche. The District is governed by a board of six commissioners appointed for terms of four years by the parish governments of Ascension, Assumption, and Lafourche.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The accompanying financial statements of the Bayou Lafourche Fresh Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting entity

Under Governmental Accounting and Financial Standards Section 2100, the financial reporting entity consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the primary government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the primary government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.
2. Organizations for which the primary government does not appoint a voting majority but are fiscally dependent on the primary government.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on this criteria, management has determined that the Bayou Lafourche Fresh Water District is not considered a component unit of any other reporting entity. The District is a separate reporting entity because:

1. The District is a separate legal entity, and not a part of any other governmental entities.
2. Other governmental entities do not have the ability to impose their will on the District.
3. The District is not fiscally dependent on other governmental entities, nor is the District a significant financial burden to any other governmental entities.

This report includes all funds and account groups which are controlled by the Bayou Lafourche Fresh Water District. The district is not included in any other governmental "reporting entity" as defined by the GASB pronouncement.

C. Fund accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The only fund of the Fresh Water District is classified as a governmental fund. Governmental funds account for the district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The governmental fund of the District includes:

General Fund - the general operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

D. Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement presents increases and decreases in net current assets. The District's records are maintained on the cash basis of accounting. However, the general fund reported in the financial statements has been converted to the modified accrual basis of accounting using the following practices in recording revenues and expenditures:

Revenues -

Ad valorem taxes and the related state revenue sharing (which is based on population and homesteads in the parishes) are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due November 15 of each year and become delinquent on December 31. The taxes are generally collected in December of the current year. The revenue collected by the sheriffs of the parishes involved are transmitted to the District.

Water sales are recorded when earned.

Interest income on time deposits is recorded when earned.

All other revenue are recorded when received.

Expenditures -

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. Budgets

Annually, the Board of Commissioners of the District adopts a detailed budget for the general fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget. The budget is prepared on a modified accrual basis of accounting. Budgeted amounts included in the accompanying financial statements include original adopted budget amounts and all subsequent amendments.

F. Encumbrances

The District does not use encumbrance accounting.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

G. Cash, cash equivalents, and investments

The District has deposits in a checking account and a money market account at a local financial institution. The District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana or any other state in the United States. The District may also invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the board may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

H. Inventories

Physical inventories consist of expendible supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

I. Fixed assets

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized in the general fixed assets account group. Public domain or infrastructures are not capitalized. Interest cost incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical costs or estimated cost if historical cost is not available.

J. Compensated absences

The District employees accumulate an unlimited amount of annual and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave is credited as earned service in computing retirement benefits.

The cost of leave privileges are computed in accordance with GASB Codification Section C60. An estimate of the leave privileges requiring current resources is accrued in the General Fund. Any amount of leave actually paid over the amount accrued is expensed in the year paid. The cost of leave privileges not requiring current resources is recorded in the general long-term obligations account group.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

K. Long-term obligations

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental fund when due.

L. Total columns on statement

The total columns on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2. LEVIED TAXES

Maintenance taxes attach as enforceable liens on property as of January 1 of each year. Taxes are levied by the parishes in November and are actually billed to the taxpayers in December. Billed taxes become delinquent on January 1 of the following year.

In 1998, the District was authorized to levy up to 2.18 mills in ad valorem taxes. A 1.56 mill ad valorem tax was levied for the year ended December 31, 1998. This assessment is made on real property and business personal properties located in part of Ascension Parish and within the boundaries of Assumption and Lafourche Parishes.

The District records as a receivable the total ad valorem taxes assessed for the year less the deduction for pension. An Allowance for Doubtful Accounts is not recorded by the District because the amount of uncollected taxes is immaterial and written off in the year following the year of assessment.

NOTE 3. CASH AND CASH EQUIVALENTS

At December 31, 1998, the board has cash and cash equivalents (book balance) totaling \$17,147.02, as follows:

Interest-bearing demand deposits	\$ 7,211.31
Money market deposits	9,935.71

	\$17,147.02
	=====

These deposits are stated at cost, which approximates market. Under state law, these deposits (bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1998, the board has \$22,462.73 in deposits (collected bank balance). These deposits are fully secured from risk by federal deposit insurance.

NOTE 4. INVESTMENTS

At December 31, 1998, the district has investments totaling \$1,140,100, as follows:

	Carrying Value	Market Value
	-----	-----
Federal National Mortgage Association Note	\$1,140,100	\$1,154,636
	=====	=====

These investments are stated on the balance sheet at amortized cost. The investments are in the name of the Bayou Lafourche Fresh Water District and are managed by Sisung Investment Management Services, Inc., New Orleans, Louisiana.

NOTE 5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 1998	Additions	Deletions	Balance December 31, 1998
	-----	-----	-----	-----
Land	\$ 8,783.00	\$ -0-	\$ -0-	\$ 8,783.00
Plant and Properties	1,774,133.00	-0-	-0-	1,774,133.00
Equipment, furniture, & vehicles	645,299.00	21,550.00	(2,234.48)	664,614.52
	-----	-----	-----	-----
Total	\$2,428,215.00	\$ 21,550.00	\$ (2,234.48)	\$2,447,530.52
	=====	=====	=====	=====

NOTE 6. PENSION PLAN

Plan Description. Substantially all employees of the Bayou Lafourche Fresh Water District are members of the Parochial Employees Retirement System of Louisiana (the System), a cost-sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. The System is

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan B.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan B, employees who retire at or after age 62 with at least 10 years creditable service or at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 per cent of their final-average salary in excess of \$100 for each year of creditable service. Further, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 per cent for each year retirement precedes age 62. In any case, monthly retirement benefits paid under Plan B cannot exceed the lesser of 100 per cent of final-average salary or \$70 multiplied by total years of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

Funding Policy. Under Plan B, members are required by state statute to contribute 2.0% of their annual covered salary in excess of \$1,200 and the district is required to contribute at an actuarially determined rate. The current rate is 2.50% of annual covered payroll. Contributions to the System include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the district are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The district's contribution to the System under Plan B for the years ending December 31, 1998, 1997, and 1996, were \$8,634, \$6,509, and \$2,515, respectively, equal to the required contributions each year.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

NOTE 8. POST EMPLOYEE HEALTH CARE BENEFITS

Effective June 15, 1994, the district is offering an early retirement benefit to all current and future classified employees between the ages of sixty-two and sixty-five who are fully vested in and eligible to retire in the Parochial Employees' Retirement System at the time of retirement. The district will pay the entire cost of the state portion of the retiring employee's medical insurance premium until the employee reaches the age of sixty-five and becomes eligible for medical insurance primary coverage, or until revoked by the commissioners or the retiring employee fails to submit payment to the district for his/her portion of the premium by the fifth day of the month in which the premium is due. The cost of retirees' health care benefits is recognized as an expenditure when the related premium liability is incurred. For 1998, the district did not incur any costs related to post employee health care benefits.

NOTE 9. LEASES

The board had no capital leases to be recorded as assets and obligations in the accompanying financial statements.

NOTE 10. DEFERRED COMPENSATION PLAN

Some employees of the Bayou Lafourch Fresh Water District contribute to the State of Louisiana Deferred Compensation Plan. This plan was created in accordance with Internal Recenue Code Section 457. The plan, which is available to all employees, permits employees to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 11. LITIGATION AND CLAIMS

At December 31, 1998, there were two matters in litigation against the Bayou Lafourche Fresh Water District. In both matters, the plaintiffs are seeking damages for alledged property damage due to water levels. The District has denied responsibilty and intends to vigorously contest these cases. Both cases are still in the discovery stage, so it is impossible to evaluate the range of any potential losses.

NOTE 12. PRIOR PERIOD ADJUSTMENT

Prior period revenue recorded as a receivable in prior period when received.

NOTE 13. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 1998

that may adversely affect the Fresh Water District's operations. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determined until year 2000 and thereafter. Management cannot assure that the Fresh Water District is or will be Year 2000 ready, that the Fresh Water District's remediation efforts will be successful in whole or in part, or that parties with whom the Fresh Water District does business will be Year 2000 ready.

SUPPLEMENTAL INFORMATION SCHEDULES

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Summary Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 1998

Ref. No.

97-1

Fiscal Year Finding Initially Occurred

All previous years

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Bayou Lafourche Fresh Water District's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Taken (Yes, No, Partially)

No

Planned Corrective Action/Partial Corrective Action Taken

None

Additional Explanation

This is a common reportable condition noted in audits of small governmental entities. The District's office does not employ enough people in its accounting department to segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

The reportable condition can not be remedied in a cost effective manner.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Summary Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 1998

Ref. No.

97-2

Fiscal Year Finding Initially Occurred

Year ended December 31, 1997

Description of Finding

The review of travel expenses indicated that there was an inconsistent policy with respect to amounts reimbursed to employees as well as travel expenses paid for employees who may have traveled on office business.

Management of the District established policies and procedures with respect to reimbursements and payments of travel expenditures. Legal counsel was consulted to determine the allowable reimbursement or travel expense amounts in compliance with state statutes. The District implemented policies and procedures and determined allowable travel expense amounts. The travel amounts cover meals, lodging, mileage reimbursements, and other related travel expenses.

Corrective Action Taken (Yes, No, Partially)

Yes

Planned Corrective Action/Partial Corrective Action Taken

None. Corrective action has already been taken.

Additional Explanation

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, LouisianaSummary Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 1998Ref. No.

97-3

Fiscal Year Finding Initially Occurred

Year ended December 31, 1997

Description of Finding

A review of payroll records and discussions with the management of the district indicated that controls over payroll as it related to monitoring and recording leave benefits, as well as correctly recording actual hours worked, needed to be improved.

Management of the District established policies and procedures with respect to monitoring overtime hours earned and leave benefits taken by salaried and hourly employees. The management of the District contacted it's legal counsel, the Louisiana Department of Civil Service, and the U. S. Department of Labor to ensure compliance with all applicable requirements.

Corrective Action Taken (Yes, No, Partially)

Yes

Planned Corrective Action/Partial Corrective Action Taken

None. Corrective action has already been taken.

Additional Explanation

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, LouisianaCorrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 1998Ref. No.

9812-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of Bayou Lafourche Fresh Water District's operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Planned

None

Name of Contact Person

Carol Leblanc, Accountant

Anticipated Completion Date

None

Additional Explanation

This is a common reportable condition noted in audits of small governmental entities. The Fresh Water District's office does not employ enough people in its accounting department to segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

The reportable condition can not be remedied in a cost effective manner.

BAYOU LAFOURCHE FRESH WATER DISTRICT
Thibodaux, Louisiana

Schedule of Per Diems Paid to Board Members
For the Year Ended December 31, 1998

MEMBER -----	PER DIEM -----	NO. OF DAYS -----	TOTAL PER DIEM -----
Lynn Aysenne	\$ 50	12	\$ 600
Peggy Bagala	50	2	100
Hamilton Dantin	50	5	250
Alfred Diez, Jr.	50	6	300
Bruno Ruggiero	50	5	600
Alvin Hebert	50	6	300
Gasper Varvaro	50	6	300
Gaston Waguespack, Jr.	50	12	600
Austin Stevens	50	6	300

Total			\$ 3,350 =====

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Report on Compliance and on Internal Control

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

BAYOU LAFOURCHE FRESH WATER DISTRICT
1018 ST. MARY STREET
WATER DISTRICT
Thibodaux, Louisiana

We have audited the general purpose financial statements of the Bayou Lafourche Fresh Water District as of and for the year ended December 31, 1998, and have issued our report thereon dated June 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bayou Lafourche Fresh Water 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, noncompliance with which could have a direct and material effect on the determination financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

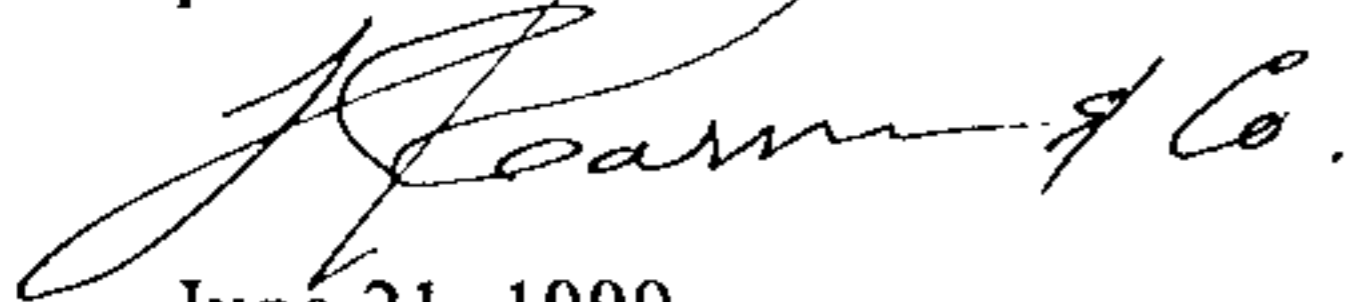
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bayou Lafourche Fresh Water 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. However, we noted a single matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying corrective action plan for the current year audit finding as item 9812-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course

of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

A handwritten signature in cursive script, appearing to read "J. Pearm & Co.", is written over the printed name.

June 21, 1999