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Financial Report

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts

Chalmette, Louisiana

December 31, 1999

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St. Bernard Parish Government Department Of Public Works Water and Sewer Division and the Districts

December 31, 1999

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the St. Bernard Parish Council,
Chalmette, Louisiana.

We have audited the accompanying combined financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts (the Division), component units of the St. Bernard Parish Government, State of Louisiana, as of and for the year ended December 31, 1999, as listed in the table of contents. These combined financial statements are the responsibility of management of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts. Our responsibility is to express an opinion on these combined 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts as of December 31, 1999, and the results of their operations and 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 May 26, 2000 on our consideration of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and Districts' internal control over financial reporting and our test of their compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the combined financial statements of the Division taken as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the combined financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts. Such information, except for the Schedule of Metered Customers marked "Unaudited", on which we express no opinion, has been subjected to the procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the combined financial statements taken as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
May 26, 2000.

COMBINED BALANCE SHEET

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

December 31, 1999

ASSETS

Current

Cash and cash equivalents	\$ 909,600
Customer receivables, net of allowance for doubtful accounts of \$44,846 (Note 1)	488,343
Unbilled charges	714,429
Inventory (Note 1)	155,677
Prepaid expenses	<u>14,830</u>
 Total current assets	 <u>2,282,879</u>

Restricted Assets

Cash and cash equivalents:	
Revenue bond debt service reserve	1,298,116
Revenue bond debt service account	516,488
Capital renewal and replacement and system improvements accounts	5,464,562
Sales tax bond debt service account	848,068
Construction fund	9,249,105
Inflow and infiltration	659,372
Other debt service accounts	584,071
Customer meter deposits (Note 11)	329,013
Sales tax receivable	560,392
Ad valorem taxes receivable	<u>494,021</u>
 Total restricted assets	 <u>20,003,208</u>

Property, Plant and Equipment, Net of Accumulated Depreciation (Note 4)	<u>40,778,809</u>
------------------------------------------------------------------------------------	-------------------

Unamortized Debt Expense (Note 1)	<u>354,656</u>
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Totals assets	<u>\$ 63,419,552</u>
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See notes to combined financial statements.

LIABILITIES**Current**

Payable from current assets:

Accounts payable	\$ 451,897
Uninsured claims payable (Note 13)	13,737
Self insurance claims payable (Note 14)	734,026
Lease payable	1,000
Salaries payable	53,603
Due to St. Bernard Parish General Fund	25,000
Due to St. Bernard Parish Self Insurance Fund	17,874

Total current liabilities payable from current assets 1,297,137

Payable from restricted assets:

Accounts payable	172,201
Bonds payable (Note 8)	1,441,000
Accrued interest payable	231,757
Customer deposits (Note 11)	1,222,570
Inspection deposits	13,300

Total current liabilities payable from restricted assets 3,080,828

Long-term liabilities

Accrued vacation leave (Note 1)	226,645
Bonds payable (Note 8)	17,266,000

Total long-term liabilities 17,492,645

Total liabilities 21,870,610

Contingencies (Notes 13 to 16)

-

FUND EQUITY**Contributed Capital**

14,822,667

Retained Earnings

Reserved: (Note 9)

Capital renewal and replacement and system improvements	5,904,366
Construction	9,029,300
Debt service	203,225
Inflow and infiltration	799,470
Unreserved	10,789,914

Total retained earnings 26,726,275

Total fund equity 41,548,942

Total liabilities and fund equity \$ 63,419,552

COMBINED STATEMENT OF REVENUES AND EXPENSES

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

For the year ended December 31, 1999

Operating Revenues (Note 1)	
User fees	\$ 9,880,187
Other operating revenues	614,836
	10,495,023
 Operating Expenses (Note 1)	
Personal services and related benefits	2,981,304
Utilities	896,626
Contractual services, supplies, and materials	1,688,550
Professional services	201,333
Insurance and claims expense	510,776
Depreciation and amortization (Notes 1 and 4)	2,497,473
Other	91,691
	8,867,753
	1,627,270
 Operating Income	
 Nonoperating Revenues (Expenses)	
Sales tax (Note 1)	3,142,762
Ad valorem tax for debt retirement	548,538
Interest earnings:	
Restricted assets	350,025
Current assets	67,926
Interest expense and bank fees	(546,413)
Deductions from ad valorem taxes for debt retirement	(17,239)
	3,545,599
	\$ 5,172,869

See notes to combined financial statements.

COMBINED STATEMENT OF CHANGES IN FUND EQUITY

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

For the year ended December 31, 1999

	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Fund Equity Beginning of Year	\$ 15,424,664	\$ 20,625,910	\$ 36,050,574
Net income	-	5,172,869	5,172,869
Other - donated lines	325,499	-	325,499
Depreciation of assets purchased with contributed capital	<u>(927,496)</u>	<u>927,496</u>	<u>-</u>
Fund Equity End of Year	<u>\$ 14,822,667</u>	<u>\$ 26,726,275</u>	<u>\$ 41,548,942</u>

See notes to combined financial statements.

COMBINED STATEMENT OF CASH FLOWS**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

For the year ended December 31, 1999

Cash Flows From Operating Activities

Operating income	\$ 1,627,270
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,497,473
Increase in assets:	
Customer receivables	(52,200)
Unbilled charges	(69,410)
Inventory	(21,013)
Prepaid expenses	(1,298)
Increase in liabilities:	
Accounts payable and accruals	934,460
Total adjustments	<u>3,288,012</u>
Net cash provided by operating activities	<u>4,915,282</u>

Cash Flows Used In Noncapital Financing Activities

Operating transfer from St. Bernard Parish General Fund	25,000
Payment on St. Bernard Parish Self Insurance Fund loan	<u>(55,547)</u>
Net cash used in noncapital financing activities	<u>(30,547)</u>

Cash Flows From Capital Financing Activities

Ad valorem taxes - debt retirement	492,455
Sales tax	2,582,370
Unamortized debt expense	(72,701)
Purchase of capital assets	(2,003,997)
Principal paid on bonds	(1,126,000)
Sales tax bonds proceeds	9,950,000
Interest paid	<u>(523,628)</u>
Net cash provided by capital financing activities	<u>9,298,499</u>

Cash Flows From Investing Activities

Interest on cash management activities	<u>417,951</u>
----------------------------------------	----------------

Net Increase in Cash and Cash Equivalents

14,601,185

Cash and Cash Equivalents

Beginning of year (Note 2)	<u>5,257,210</u>
End of year (Note 2)	<u>\$19,858,395</u>

See notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS**St. Bernard Parish Government
Department Of Public Works
Water and Sewer Division
and the Districts**

December 31, 1999

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Bernard Parish Water and Sewer Commission was created by an intergovernmental agreement dated November 13, 1985, as ratified, confirmed and approved by Louisiana Revised Statute 33:7802 which became effective July 2, 1986. The statute declared the Commission to be a body politic and political subdivision of the State of Louisiana. It also gave the Commission the power to tax, incur debt, and issue bonds. The powers of the Commission were exercised within the boundaries of St. Bernard Parish. The Commission's major operation was to provide water and sewerage services for the parish of St. Bernard. The Commission was composed of seven members representing the participating entities and assumed control of operations and began providing services effective with the close of business on December 31, 1985. Prior to that time, such water and sewerage services had been provided by five separate entities: St. Bernard Water District No. 1, St. Bernard Water District No. 2, St. Bernard Sewer District No. 1, St. Bernard Sewer District No. 2, and St. Bernard Sewer District No. 1-2. On December 31, 1985, St. Bernard Sewer District No. 1-2, a contractual entity that had performed sewerage operations for St. Bernard Sewer Districts No. 1 and No. 2, was dissolved. The other water and sewerage districts had separate boards which served primarily as tax levying entities.

On November 1, 1996, the St. Bernard Parish Water and Sewer Commission was consolidated and merged into the St. Bernard Parish Government (the Parish Government) and is now known as the St. Bernard Parish Government Department of Public Works Water and Sewer Division (the Division). The Commission was abolished and the parish council assumed all rights, revenues, resources, authority and obligations of the Commission. The water and sewer districts still exist as separate political subdivisions; however, the parish council is the governing authority. Each district retained its rights, revenues, resources, jurisdiction, authority, indebtedness and any other obligations it possessed prior to November 1, 1996, including the authority to continue to levy ad valorem taxes.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division has two water plants that are capable of pumping and treating on the average 12,000,000 to 13,000,000 gallons of water per day. The maximum capacity is 20,000,000 gallons of water per day. In addition, it monitors and maintains 110 sewer lift stations. It also operates four sewerage treatment plants, one sewerage oxidation pond, and two sewerage treatment package plants. The Division has 100 employees at December 31, 1999, of which (99%) are covered by a collective bargaining agreement which expires in the year 2000.

The accounting policies of the Division conform to generally accepted accounting principles (GAAP) applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies.

a) Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. 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.

The criteria includes:

- 1) Appointment of a voting majority of the governing board
 - a) The ability of the parish government to impose its will on the organization,
 - b) The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the parish government,
- 2) Organizations which are fiscally dependent,
- 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (Continued)

Because the parish government is the governing board of the Districts, the Districts are determined to be component units of the St. Bernard Parish Government, the governing body of the parish and the governmental body with oversight responsibility. The accompanying combined financial statements present information only on the funds maintained by the Department of Public Works Water and Sewer Division including Districts and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

Annually, the St. Bernard Parish Government issues audited general purpose financial statements which include the activity contained in the accompanying combined financial statements.

b) Basis of Presentation

The accompanying combined financial statements include the St. Bernard Parish Government Department of Public Works Water and Sewer Division, a department of the St. Bernard Parish Government. The combined financial statements also include the Districts which are separate component units of the parish government. The Division is responsible for water and sewerage operations of the Parish and the Districts (St. Bernard Water District No. 1, St. Bernard Water District No. 2, St. Bernard Sewer District No. 1, and St. Bernard Sewer District No. 2). The individual districts levy ad valorem taxes for the retirement of outstanding bonds.

c) Fund Accounting

The Division is organized and operated on a fund basis whereby a separate set of self-balancing accounts (enterprise funds) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. The Division's accounts are reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

The Division applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The Enterprise Fund uses the following practices in recording certain revenues and expenses:

1) Revenues

Customers are billed monthly and the accompanying combined financial statements provide for the accrual of charges billed but not collected, as well as for unbilled charges through the date of the combined balance sheet.

Ad valorem taxes and the related state revenue sharing (which is based on population and homesteads in the parish) are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January through March of the following year.

On November 3, 1998, the citizens of St. Bernard Parish, by a special election, approved a ½% sales tax, commencing January 1, 1999. The proceeds for this tax are dedicated for improvements to the sewer and water system of the Division, including authority to fund the tax into bonds, provided that at least 25% of the annual revenues of the sales must be expended to correct inflow and infiltration in sewerage collection lines, or to repair damage caused thereby, unless required for debt service on bonds or otherwise approved by at least two-thirds of the Council.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Basis of Accounting (Continued)

1) Revenues (Continued)

Substantially all other revenues are recorded when earned.

2) Expenses

Salaries are paid biweekly and are accrued at year end.

Unamortized debt expense of the Division is comprised of costs associated with the 1991 and 1994 Revenue Bond Issues and the 1999 Sales Tax Bond Issue. The cost of issuance on the 1991 Revenue Bond Issue of \$58,707 is amortized using the straight-line method over the 19-year life of the bond. The cost of issuance on the 1994 Revenue Bond Issue of \$266,655 is amortized using the straight-line method over the 18-year life of the bond. The cost of the issuance on the 1999 Sales Tax Bond Issue of \$72,701 is amortized using the straight-line method over the 20-year life of the bond. The remaining unamortized debt expense at December 31, 1999 is \$288,176.

Unamortized debt expense of Sewer District No. 1 is comprised of costs associated with the 1991 General Obligation Refunding Bond Issue. The cost of issuance of \$36,700 is amortized using the straight-line method over the 11 year life of the bond. The remaining unamortized debt expense at December 31, 1999 is \$10,106.

Unamortized debt expense of Sewer District No. 2 is comprised of costs associated with the 1991 General Obligation Refunding Bond Issue. The cost of issuance on the 1991 General Obligation Bond Issue of \$147,300 is amortized using the straight-line method over the 13-year life of the bond. The remaining unamortized debt expense at December 31, 1999 is \$56,374.

Amortization of debt expense for the year ended December 31, 1999 was \$32,011.

Depreciation expense on all exhaustible fixed assets is determined by the straight-line method using the estimated useful life and is recorded as an operating expense during the accounting period.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Basis of Accounting (Continued)

2) Expenses (Continued)

Substantially all other expenses are recognized at the time the liability is incurred.

e) Accounts Receivable

The Division has established an allowance for doubtful accounts for write-off of delinquent accounts. The allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at December 31, 1999 is \$44,846.

f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g) Cash and Cash Equivalents

Cash includes amounts in petty cash, demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in certificates of deposit. Under state law, the Division may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

h) Inventory

The Division maintains an inventory of parts and expendable supplies that is valued at the lower of cost or market. The inventory is recognized as an expense when consumed.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Interfund Receivables and Payables

Interfund receivables and payables between the Division and Districts have been eliminated on the combined balance sheet at December 31, 1999.

j) Restricted Assets

Certain proceeds of the Division's revenue bonds and sales tax bonds as well as certain resources set aside for their repayment, are classified as restricted assets on the combined balance sheet because their use is limited by applicable bond covenants.

k) Fixed Assets and Long-Term Liabilities

Fixed assets of the Division are included on the combined balance sheet of the funds. Interest costs incurred during construction are not capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Fixed assets, other than those donated, are recorded at cost. Donated fixed assets, primarily water and sewer lines constructed by independent contractors, are recorded at estimated fair market value as of the date donated. Fixed assets are reported on the balance sheet net of accumulated depreciation.

Depreciation is computed using the straight-line method, over the following useful lives, stated in years:

	<u>Water and Sewer Division</u>	<u>Water District No. 1</u>	<u>Water District No. 2</u>	<u>Sewer Districts</u>
Pipeline system	100	100	100	5 - 20
Buildings and improvements	50 - 100	50	33	25
Machinery and equipment	5 - 10	4 - 10	8 - 10	10 - 20
Water tanks	50 - 100	33	50	-
Meter boxes	33 - 66	33	33	-

Long-term liabilities are recognized within the enterprise funds.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Fund Equity

1) Contributed Capital

The Division's grants received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Donated lines are also recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

2) Reserves

The Division's reserves represent those portions of fund equity legally segregated for a specific future use.

m) GASB Pronouncements

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

n) Compensated Absences

Employees earn two to five weeks of paid vacation each year, up to 90 days will be paid in cash at retirement or termination if proper notice is given. If proper notice is not given, up to 10 days may be subtracted from their accumulated vacation and the remainder is paid in cash. Employees earn 12 days of sick leave each year, which may accumulate to an unlimited number of days but does not vest. At December 31, 1999, the accrued vacation was \$226,645.

Note 2 - DEPOSITS

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 subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision, or with an unaffiliated bank, or 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 Division or its agent, in the Division's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the Division'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 Division's name, and deposits which are uninsured or uncollateralized.

At year end the carrying amount and the bank balances of deposits of the Division and its Districts are as follows:

	Bank Balances Category			Book Balance
	1	2	3	
Cash	<u>\$100,000</u>	<u>\$ -</u>	<u>\$19,816,635</u>	<u>\$19,858,395</u>

There were no certificates of deposit at December 31, 1999.

Note 2 - DEPOSITS (Continued)

At December 31, 1999, cash in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the depositors. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

For purposes of the Statement of Cash Flows, cash and cash equivalents consist of the following accounts:

	Beginning of Year	End of Year
Cash and cash equivalents:		
Nonrestricted	\$ 500,816	\$ 909,600
Restricted	<u>4,756,394</u>	<u>18,948,795</u>
Total cash and cash equivalents	<u>\$5,257,210</u>	<u>\$19,858,395</u>
Supplemental cash flows information:		
Interest paid during the year	<u>\$523,298</u>	
Noncash capital financing activity donated lines	<u>\$325,499</u>	

Note 3 - PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Bernard Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 1996. Taxes are due and payable November 15 of each year and become delinquent December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which taxes have not been paid are sold.

Note 3 - PROPERTY TAXES (Continued)

The following is a summary of authorized and levied ad valorem taxes for debt service for the year ended December 31, 1999:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Sewer District No. 1	Variable	4.50
Sewer District No. 2	Variable	3.25

Note 4 - CHANGE IN PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the changes of the Division's fixed assets for the year ended December 31, 1999.

	<u>Balance January 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 1999</u>
Land	\$ 141,569	\$ -	\$ -	\$ 141,569
Pipeline system	51,160,315	1,408,672	-	52,568,987
Plant, machinery, and equipment	<u>34,243,774</u>	<u>920,825</u>	<u>-</u>	<u>35,164,599</u>
Total property, plant, and equipment	85,545,658	<u>\$2,329,497</u>	<u>\$ -</u>	87,875,155
Less accumulated depreciation	<u>(44,630,884)</u>			<u>(47,096,346)</u>
Net property, plant, and equipment	<u>\$40,914,774</u>			<u>\$40,778,809</u>

Note 4 - CHANGE IN PROPERTY, PLANT, AND EQUIPMENT (Continued)

The composition of property, plant, and equipment at December 31, 1999 by entity, is as follows:

Division	\$37,628,769
Water District No. 1	20,774,020
Water District No. 2	2,128,277
Sewer District No. 1	9,775,707
Sewer District No. 2	<u>17,568,382</u>
Total property, plant, and equipment	<u>\$87,875,155</u>

Depreciation expense totaled \$2,465,462 for the year ended December 31, 1999.

Note 5 - DEFINED BENEFIT PENSION PLAN

Employees of the Division are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost sharing), public-employee retirement system (PERS). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Division are members of Plan A. For the year ended December 31, 1999, the total payroll for employees covered by the System under Plan A was \$2,179,443.

Plan Description - The Water and Sewer Division contributes to Plan A of the Parochial Employees' Retirement System of Louisiana (the System), 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 205 of the 1952 Louisiana Legislative Session established the plan.

The System is governed by Louisiana Revised Statutes 11:1901 through 11:2015, 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 70898-4619.

Note 5 - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy - Plan members are required to contribute 9.5% of their annual-covered salary and the Water and Sewer Division is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual payroll. The contribution requirements of plan members and the Water and Sewer Division are established and may be amended by state statute. The Water and Sewer Division's contributions to the System for the years ended December 31, 1999, 1998 and 1997 were \$172,484, \$163,509 and \$161,364, respectively, equal to the required contributions for each year.

Note 6 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to the pension benefits described in Note 5, the Division provides post retirement health care benefits, in accordance with the Division's personnel policy, to all employees who retire either: 1) on or after attaining age 60 with at least 10 years of service, or 2) on or after attaining age 55 with at least 25 years of service, or 3) on or after attaining any age with at least 30 years of service. As of the year end, 18 retirees have met those eligibility requirements. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the Division. Retirees and active employees, however, are responsible for dependent coverage costs. The Division reimburses the first \$20,000 of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees and their dependents. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not reported to the Division. During the year, expenses of approximately \$62,200 were recognized for postretirement health care.

Note 7 - OPERATING LEASES

The Division receives lease income under the following agreements:

<u>Lease</u>	<u>Yearly Income</u>	<u>Lease Period</u>	<u>Beginning Date</u>	<u>Option</u>
Right-of-way agreement	\$2,500	10 years	September 1, 1995	Additional 10 year term
Tower lease #1	5,000	5 years	August 9, 1995	4 additional 5 year term
Tower lease #2	6,000	5 years	June 26, 1996	4 additional 5 year term
Tower lease #3	12,000	5 years	August 22, 1996	4 additional 5 year term
Tower lease #4	13,200	5 years	November 19, 1998	4 additional 3 year term
Tower lease #5	12,500	5 years	July 28, 1998	4 additional 3 year term
Tower lease #6	9,600	5 years	December 23, 1997	4 additional 3 year term

Note 7 - OPERATING LEASES (Continued)

The Division also granted the St. Bernard Parish School Board the use of property at St. Bernard Highway and Palmisano Boulevard free of rent for a period of thirty years.

The future minimum rentals for the next five years and in the aggregate are:

<u>Year Ending</u> <u>December 31,</u>	
2000	\$ 55,800
2001	37,800
2002	37,800
2003	2,500
2004	<u>2,500</u>
Total	<u>\$136,400</u>

Rental income for the year ended December 31, 1999 was \$60,390.

Note 8 - LONG-TERM LIABILITIES

The following is a summary of long-term liabilities and the current portion due at December 31, 1999:

	<u>Water and</u> <u>Sewer</u> <u>Division</u>	<u>Sewer District</u>		<u>Total</u>
		<u>No. 1</u>	<u>No. 2</u>	
Public improvement, general obligation, revenue and sales tax bonds payable	\$16,690,000	\$320,000	\$1,697,000	\$18,707,000
Capital lease payable	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	16,691,000	320,000	1,697,000	18,708,000
Less current portion:				
Public improvement, general obligation, revenue and sales tax bonds payable	1,035,000	70,000	336,000	1,441,000
Capital lease payable	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Long-term portion	<u>\$15,655,000</u>	<u>\$250,000</u>	<u>\$1,361,000</u>	<u>\$17,266,000</u>

Note 8 - LONG-TERM LIABILITIES (Continued)

Public improvement bonds, general obligation bonds, sales tax bonds, and revenue bonds comprised of the following individual issues:

a) Public Improvement And General Obligation Bonds

Public improvement and general obligation bonds are secured by the full faith and credit of the various Districts and are financed through the levy and collection of ad valorem taxes.

The bonds were issued to construct improvements and extensions to the sewerage system. Public improvement and general obligation bonds are comprised of the following individual issues:

- 1) \$675,000 General Obligation Refunding Bonds of the Sewer District No. 1 issue of September 1, 1991, due in annual installments of \$60,000 to \$90,000 bearing interest rates of 6.1% to 6.5% through March 1, 2003. Amount outstanding - \$320,000.
- 2) \$240,000 Public Improvement Bonds of the Sewer District No. 2 issue of June 1, 1971, due in annual installments of \$1,000, bearing an interest rate of 6.00% through February 1, 2001. Amount outstanding - \$2,000.
- 3) \$3,295,000 General Obligation Refunding Bonds of the Sewer District No. 2 issue of September 1, 1991, due in annual installments of \$170,000 to \$340,000 bearing interest rates of 6.2% to 6.65% through March 1, 2005. Amount outstanding - \$1,695,000.

b) Sales Tax Bonds

On December 1, 1999, Sales Tax Bonds were issued for \$9,950,000. The interest rate on the bonds is 5.35% and the bonds mature on December 1, 2019 with debt service payments due in annual principal installments ranging from \$275,000 to \$805,000. The balance outstanding at December 31, 1999 is \$9,950,000.

The bonds were issued for the purpose of financing improvements to the sewer and water systems of the Division. The bonds are special and limited obligations of the Parish for the Division, secured by and payable from a pledge and dedication of a ½% sales tax levied by the Parish for the Division.

Note 8 - LONG-TERM LIABILITIES (Continued)

b) Sales Tax Bonds (Continued)

The gross proceeds of the sales tax are collected by the St. Bernard Parish Sheriff, who withholds a portion to pay the reasonable and necessary expenses of collection and administration of the tax. After payment of such expenses, the remaining balance of the revenues of the tax are paid to the Parish for the Division and constitute a dedicated fund of the Division, from which appropriations and expenditures by the Division shall be made solely for the purposes designated in the proposition authorizing the levy of the tax, including the payment of the bonds. The bond resolution requires the Water and Sewer Division to established and maintain the following accounts:

1. A debt service account with monthly deposits of one-twelfth of the principal falling due on the next principal payment date and one-sixth of the interest falling due on the next interest payment date.
2. A debt service reserve account equal to the lesser of a) 10% of the original proceeds of the bonds or b) the maximum principal and interest requirements for any succeeding bond year.

Management has established the following accounts to report the use of sales tax proceeds:

1. A reserve for inflow and infiltration account equal to 25% of the annual revenues of the tax to correct inflow and infiltration in sewage collection lines, or to repair damage caused thereby, unless required for debt service on bonds or otherwise approved by at least two-thirds of the total membership of the Parish Council.
2. A reserve for system improvements account with monthly transfers which represent the ½% sales tax being levied and collected.

The Division has established and maintained theses accounts, and at December 31, 1999, the cash and cash equivalents balances in the debt service account, the debt service reserve account, the inflow and infiltration account and the system improvement account are \$0, \$848,068, \$659,372 and \$1,977,731, respectively. The account balances exceed the minimum requirements of the bond indenture.

Note 8 - LONG-TERM LIABILITIES (Continued)

c) Revenue Bonds

On April 1, 1994, \$7,195,000 of the 1986 Revenue Bond was defeased. The bonds had interest rates ranging from 7.50% to 8% and debt service payments from \$400,000 to \$990,000. As a result of the defeasance \$7,950,000 Series 1994 Revenue Refunding Bonds were issued. The interest rate on the new bonds ranges from 4.2% to 5.2% and the bonds mature on August 1, 2006 with debt service payments due in annual principal installments ranging from \$645,000 to \$940,000. The balance outstanding at December 31, 1999 is \$5,720,000. The 1991 Revenue Bonds are due in annual principal installments of \$50,000 to \$135,000, bearing interest rates of 6.15% to 7.10% through August 1, 2011. The balance outstanding at December 31, 1999 is \$1,020,000.

The bonds are payable solely from and secured by a first lien upon and a pledge of the net revenues of the system. The revenues pledged by the Water and Sewer Division include all fees, rents, charges, and other income derived, or to be derived by or for the account of the Division from, or for, the ownership, operation, use, or services of the system and any other amounts paid into and credited to the revenue fund created by the 1991 and 1994 revenue bond resolutions. Such revenues include, but are not limited to, proceeds of any ad valorem taxes received by the Division pursuant to the terms of the intergovernmental agreement. Such revenues exclude (a) federal, state, or local government monies received for capital improvements to the system and (b) amounts necessary to pay the reasonable and necessary current expenses of operating and maintaining the system.

Pursuant to a resolution, the Water and Sewer Division has agreed in each bond year to fix, establish, and collect such rates and collect such fees, rentals, or other charges for all services, after making due allowance for delinquencies in collection and after providing for the payment of the reasonable and necessary expenses of operating and maintaining the system, to produce net revenues (1) that are sufficient to pay debt service on all outstanding bonds and to maintain the funds and accounts established in the resolution and (2) that result in each fiscal year in the greater of (a) the sum of debt service payable on the bonds in the ensuing fiscal year plus any required deposit to the Debt Service Reserve Fund or (b) a ratio of net revenues to average annual debt service of not less than 1.25 to 1. The ratio of net revenues to average annual debt service for the year ended December 31, 1999, is 3.76 to 1. The ratio is more than the minimum requirements of the bond indenture. The bond agreement requires the Water and Sewer Division to establish and maintain the following accounts:

Note 8 - LONG-TERM LIABILITIES (Continued)

c) Revenue Bonds (Continued)

1. A debt service reserve account with the sum equal to the maximum annual debt service on the bonds.
2. A debt service account with monthly deposits of one-twelfth of the annual principal and interest payment to pay promptly and fully the principal and interest on the loan as it becomes due and payable.
3. A renewal and replacement account with monthly deposits of 5% of the prior month's operating expenses, which will be used to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system.

The Division has established and maintained these accounts, and at December 31, 1999, the cash and cash equivalent balances in the debt service reserve account, the debt service account, and the renewal and replacement account are \$1,298,116, \$516,488, and \$3,486,831, respectively. The account balances in the debt service reserve, debt service and renewal and replacement accounts exceed the minimum requirements of the bond indenture.

The following is a summary of the bonds payable transactions for the year ended December 31, 1999:

	<u>Water and Sewer Division</u>	<u>Sewer District</u>		<u>Total</u>
		<u>No. 1</u>	<u>No. 2</u>	
Outstanding at January 1, 1999	\$ 7,465,000	\$385,000	\$2,033,000	\$ 9,883,000
Additions	9,950,000	-	-	9,950,000
Payments	<u>(725,000)</u>	<u>(65,000)</u>	<u>(336,000)</u>	<u>(1,126,000)</u>
Outstanding at December 31, 1999	<u>\$16,690,000</u>	<u>\$320,000</u>	<u>\$1,697,000</u>	<u>\$18,707,000</u>

Note 8 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize all bonds outstanding at December 31, 1999, including interest are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$1,441,000	\$998,320	\$2,439,320
2001	1,496,000	922,926	2,418,926
2002	1,565,000	842,848	2,407,848
2003	1,630,000	758,408	2,388,408
2004	1,440,000	677,860	2,117,860
2005 – 2019	<u>11,135,000</u>	<u>4,434,966</u>	<u>15,569,966</u>
Totals	<u>\$18,707,000</u>	<u>\$8,635,328</u>	<u>\$27,342,328</u>

Note 9 - RESERVED RETAINED EARNINGS

The St. Bernard Water and Sewer Division has established four reserves as reflected on the balance sheet, as follows:

a) Reserve For Capital Renewal and Replacement and System Improvements

1) Revenue Bonds – Reserve For Capital Renewal and Replacement

The account accumulates monies to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the sewerage system. Such monies will also be available to pay the principal and interest on outstanding bonds in the event funds are not sufficient in the debt service and debt service reserve accounts. (Minimum deposits are made monthly to the reserve account from revenues in an amount equal to 5% of the prior month's operating expenses.) In addition, net assets acquired with the Water and Sewer Division's funds are included in the reserve per board resolution. The reserved retained earnings are \$3,486,831 at December 31, 1999.

Note 9 - RESERVED RETAINED EARNINGS (Continued)

**a) Reserve For Capital Renewal and Replacement and System Improvements
(Continued)**

2) Sales Tax Bonds – System Improvements

The account accumulates monies from the sales tax fund which represent the ½% sales tax being levied and collected. The reserved retained earnings are \$2,417,535 at December 31, 1999.

b) Reserve For Construction

1) Revenue Bonds

There is no reserve because the construction projects have been completed.

2) Sales Tax Bonds

The account is established in accordance with bond requirements and the Parish's resolution for the Division. The reserved funds pay for construction projects required by the United States Environmental Protection Agency. Upon completion of the projects, any remaining funds may be reserved for debt service to satisfy any deficiency in funds needed to pay principal and interest on the Sales Tax Bonds issue. The reserved retained earnings at December 31, 1999 are \$9,029,300.

c) Reserve For Debt Service

1) Revenue Bonds

This reserve consists of two accounts. 1) The debt service account accumulates money from the net utilities revenues for the payment of interest and principal on the 1991 and 1994 revenue bonds. 2) The debt service reserve account consisting of \$1,111,165 of bond proceeds is set aside for the benefit of bondholders. As of December 31, 1999, the reserved retained earnings were \$242,409.

Note 9 - RESERVED RETAINED EARNINGS (Continued)

2) Sales Tax Bonds

This reserve consists of two accounts. 1) The debt service account accumulates money from the net collection of sales tax for the payment of interest and principal on the sales tax bonds. 2) The debt service reserve account accumulates interest on the \$848,068 of bond proceeds set aside for the benefit of bondholders. The reserved retained earnings deficit at December 31, 1999 is \$39,184.

d) Reserve For Inflow And Infiltration

1) Revenue Bonds

There is no reserve for inflow and infiltration related to the revenue bonds.

2) Sales Tax Bonds

The account is established in accordance with a special election held in November 1998. The election authorized the Parish to levy a ½% sales tax for improvements to the sewer and water system, including authority to fund tax into bonds, provided that at least 25% of the annual revenues of the tax must be expended to correct inflow and infiltration in sewage collection lines or to repair damage caused thereby, unless required for debt service on bonds or otherwise approved by at least two-thirds of the total membership of the Council. As of December 31, 1999 the reserved retained earnings were \$799,470.

The Parish transferred \$848,068 to the reserve for debt service account to satisfy the requirements for 1999 Sales Tax Bonds issue. This amount is shown as a deposit in transit at December 31, 1999. The Parish also transferred \$28,094 of interest earned on the bond issue on January 5, 2000 and \$70,570 on January 13, 2000 to the debt service account to complete the transactions required for the bond issue. The interest is shown as an interfund payable and receivable at December 31, 1999.

Note 9 - RESERVED RETAINED EARNINGS (Continued)

The components of the reserve accounts are as follows:

	<u>Reserve For Capital Renewal and Replacement</u>	<u>Reserve For Debt Service and Reserve</u>
1991 and 1994 Revenue Bonds		
Assets		
Cash and cash equivalents	\$3,486,831	\$1,814,604
Liabilities		
Current portion of bonds payable	-	316,667
Accrued interest payable	-	144,363
Long-term 1999 and 1994 revenue bonds payable	-	<u>1,111,165</u>
Total liabilities	-	<u>1,572,195</u>
Reserved Retained Earnings	<u>3,486,831</u>	<u>242,409</u>

Note 9 - RESERVED RETAINED EARNINGS (Continued)

	<u>Reserve For System Improvements</u>	<u>Reserve For Construction</u>	<u>Reserve For Debt Service and Reserve</u>	<u>Reserve For Inflow and Infiltration</u>
1999 Sales Tax Bonds				
Assets				
Cash and cash equivalents	1,977,731	9,249,105	848,068	659,372
Receivables	<u>439,804</u>	<u>-</u>	<u>28,094</u>	<u>140,098</u>
Total assets	<u>2,417,535</u>	<u>9,249,105</u>	<u>876,162</u>	<u>799,470</u>
Liabilities				
Current portion of bonds payable	-	-	22,917	-
Accrued interest payable	-	-	44,361	-
Other payable	-	219,805	-	-
Long-term 1999 sales tax bonds	<u>-</u>	<u>-</u>	<u>848,068</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>219,805</u>	<u>915,346</u>	<u>-</u>
Reserved Retained Earnings	<u>2,417,535</u>	<u>9,029,300</u>	<u>(39,184)</u>	<u>799,470</u>
Total Reserved Retained Earnings	<u>\$5,904,366</u>	<u>\$9,029,300</u>	<u>\$203,225</u>	<u>\$799,470</u>

**Exhibit E
(Continued)**

Note 10 - PROPRIETARY FUNDS (SEGMENT INFORMATION)

Segment information for the Water and Sewer Division's enterprise funds is as follows:

	Water and Sewer Division		Water District		Sewer District		Total
		\$	No. 1	No. 2	No. 1	No. 2	
Operating revenues	\$ 10,495,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,495,023
Operating expenses:							
Depreciation and amortization	1,499,967	272,642	38,292	274,959	411,613	2,497,473	
All other	6,370,280	-	-	-	-	6,370,280	
Operating income (loss)	2,624,776	(272,642)	(38,292)	(274,959)	(411,613)	1,627,270	
Sales and ad valorem tax revenues	3,142,762	-	-	92,650	455,888	3,691,300	
Net income (loss)	5,738,247	(268,222)	(33,216)	(201,858)	(62,082)	5,172,869	
Property, plant and equipment additions	2,003,998	-	-	-	-	2,003,998	
Donated lines	325,499	-	-	-	-	325,499	
Bonds payable:							
Payable from operating revenue	6,740,000	-	-	-	-	6,740,000	
Payable from other sources	9,950,000	-	-	320,000	1,697,000	11,967,000	
Net working capital (deficiency)	985,742	(68,653)	-	68,632	-	985,721	
Total assets	45,971,513	10,497,828	810,497	2,604,643	3,535,071	63,419,552	
Contributed capital	8,820,805	3,588,922	-	1,131,930	1,281,010	14,822,667	
Total fund equity	26,160,957	10,429,175	810,497	2,346,490	1,801,823	41,548,942	

Note 11 - CUSTOMER DEPOSITS

The Division has used funds from Customer Meter Deposit cash account to pay operating expenses and capital improvements. At December 31, 1999, the customer meter deposits cash account had a balance of \$329,013 and the customer meter deposits liability was \$1,222,570.

Note 12 - COMPENSATION PAID TO COUNCIL MEMBERS

The Division did not pay any compensation to the members of the St. Bernard Parish Council.

Note 13 - CONTINGENCIES

The Division is involved in various claims for alleged negligence. The exposure to the Division is estimated to be approximately \$13,737. The estimated claims liability is computed based on information received from the insurance company. The claims liability at December 31, 1999 is presented at current value and has not been discounted.

The Water and Sewer Division is currently involved in a class action lawsuit. In April of 2000, the St. Bernard Parish District Court certified the claimants' request to deem the suit as a class action suit. Parish Government is in the process of appealing this decision. After all appeals have been exhausted the Parish will re-evaluate any effects of the suit. Currently, the defense obligations are within the initial reserve allocation of \$250,000, which equates to the self-insurance retention.

Note 14 - SELF INSURANCE/RISK MANAGEMENT

The Division is exposed to various risks of loss related to general liability, auto liability, workers' compensation, unemployment compensation, property and group health benefits. Various suits and claims arising from personal injury and property damage, some for substantial amounts, are pending against the Division, its insurers and others. In accordance with Statement of Financial Accounting Standards No. 5, the Division has provided for, in its financial statements, estimated losses from the aforementioned pending suits and claims based on the estimated ultimate cost of settling the claims, considering the effects of inflation, recent claim settlement trends and other social and economic factors, including the effect of specific incremental claim adjustment expenses, salvage and subrogation. The Division believes the ultimate settlement costs will not materially exceed the amounts provided for the claims.

Note 14 - SELF INSURANCE/RISK MANAGEMENT (Continued)

The Division is self insured for group health claims up to approximately \$20,000 per employee or an aggregate of approximately \$231,000 claims per year. The excess is insured under an insurance policy. An independent insurance service company administers the fund.

The estimated claims liability is computed based on information received from the administrator of the plan. The following represents a reconciliation of total claims liability:

	1999	1998	1997
Claims liability at beginning of year	\$ 60,566	\$ 60,104	\$ 40,587
Plus provision for incurred claims	320,799	259,947	276,359
Less claims paid	<u>(242,571)</u>	<u>(259,485)</u>	<u>(256,842)</u>
Claims liability at end of year	<u>\$138,794</u>	<u>\$ 60,566</u>	<u>\$ 60,104</u>

The claims liability at December 31, 1999 is presented at current value and has not been discounted.

Effective February 1, 1997, the Division established a self-insurance fund for their workman's compensation, unemployment compensation, property, general and automobile liability. The Division is self insured for claims up to \$250,000 per occurrence. They have an insurance policy for claims between \$250,000 and \$5,000,000 per occurrence. This policy has a 20% coinsurance clause with a maximum liability to the Division of \$1,000,000. An independent insurance service company administers the fund.

Estimated claims liability related to the current year's general liability, auto and workers compensation was determined by using the average annual claims expense incurred for each type of coverage.

Note 14 - SELF INSURANCE/RISK MANAGEMENT (Continued)

The following represents a reconciliation of total claims liability:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Claims liability at beginning of year	\$188,776	\$ 23,326	\$ -
Plus provision for incurred claims	518,619	218,451	86,858
Less claims paid	<u>(112,163)</u>	<u>(53,001)</u>	<u>(63,532)</u>
Claims liability at end of year	<u>\$595,232</u>	<u>\$188,776</u>	<u>\$ 23,326</u>

The claims liability at December 31, 1999 is presented at current value and has not been discounted.

Note 15 - ADMINISTRATIVE ORDER

During 1996, the Division received an administrative order from the United States Environmental Protection Agency (EPA). The order stated that the Division has violated its National Pollutant Discharge Permit and the Clean Water Act. The EPA has allowed the Division a reasonable period to take corrective action to eliminate and prevent recurrence of the noncompliant discharges cited in the findings or to submit a comprehensive plan to eliminate and prevent recurrence of violations cited in the findings.

The Division has filed a response to the deficiencies cited in the order and has implemented a plan to improve and expand the treatment plant. The EPA issued another order stating that construction and compliance must be completed by December 1, 2001. The Division can be assessed up to \$27,500 per day in penalties for noncompliance to the order. There have been no assessments by the EPA or penalties accrued in these combined financial statements.

Note 16 - FEDERAL INVESTIGATION

The federal investigation concerning the Division's wastewater disposal from its facilities initiated in 1997 was still ongoing during 1999. In May of 2000, the lead federal agency took final individual action against the persons concerned. Even though the investigation of current and former employees may be continuing, neither the Division nor Parish Government has been implicated in the process.

SUPPLEMENTARY INFORMATION SECTION

COMBINING BALANCE SHEET

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

December 31, 1999

ASSETS	Water and Sewer Division	Water District		Sewerage District		Total
		No. 1	No. 2	No. 1	No. 2	
Current						
Cash and cash equivalents	\$ 909,600	\$ -	\$ -	\$ -	\$ -	\$ 909,600
Customer receivables, net of allowance for doubtful accounts of \$44,846	488,343	-	-	-	-	488,343
Unbilled charges	714,429	-	-	-	-	714,429
Inventory	155,677	-	-	-	-	155,677
Prepaid expenses	14,830	-	-	-	-	14,830
Total current assets	2,282,879	-	-	-	-	2,282,879
Restricted Assets						
Cash and cash equivalents:						
Revenue bond debt service reserve	1,298,116	-	-	-	-	1,298,116
Revenue bond debt service account	516,488	-	-	-	-	516,488
Capital renewal and replacement and system improvements accounts	5,464,562	-	-	-	-	5,464,562
Sales tax bond debt service account	848,068	-	-	-	-	848,068
Construction fund	9,249,105	-	-	-	-	9,249,105
Inflow and infiltration	659,372	-	-	-	-	659,372
Other debt service accounts	-	78,762	105,702	58,930	340,677	584,071
Customer meter deposits	329,013	-	-	-	-	329,013
Sales tax receivable	560,392	-	-	-	-	560,392
Ad valorem taxes receivable	-	-	-	80,205	413,816	494,021
Total restricted assets	18,925,116	78,762	105,702	139,135	754,493	20,003,208
Property, Plant and Equipment, Net of Accumulated Depreciation	24,475,342	10,419,066	704,795	2,455,402	2,724,204	40,778,809
Unamortized Debt Expense	288,176	-	-	10,106	56,374	354,656
Totals assets	\$45,971,513	\$10,497,828	\$ 810,497	\$ 2,604,643	\$ 3,535,071	\$63,419,552

	Water and Sewer Division	Water District		Sewerage District		Total
		No. 1	No. 2	No. 1	No. 2	
LIABILITIES						
Current						
Payable from current assets:						
Accounts payable	\$ 451,876	\$ -	\$ -	\$ 21	\$ -	\$ 451,897
Uninsured claims payable	13,737	-	-	-	-	13,737
Self insurance claims payable	734,026	-	-	-	-	734,026
Lease payable	1,000	-	-	-	-	1,000
Salaries payable	53,603	-	-	-	-	53,603
Due to (from) other funds	25,000	68,653	-	(68,653)	-	25,000
Due to St. Bernard Parish Self Insurance Fund	17,874	-	-	-	-	17,874
Total current liabilities payable from current assets	1,297,116	68,653	-	(68,632)	-	1,297,137
Payable from restricted assets:						
Accounts payable	172,201	-	-	-	-	172,201
Bonds payable	1,035,000	-	-	70,000	336,000	1,441,000
Accrued interest payable	188,724	-	-	6,785	36,248	231,757
Customer deposits	1,222,570	-	-	-	-	1,222,570
Inspection deposits	13,300	-	-	-	-	13,300
Total current liabilities payable from restricted assets	2,631,795	-	-	76,785	372,248	3,080,828
Long-Term Liabilities:						
Accrued vacation leave	226,645	-	-	-	-	226,645
Bonds payable	15,655,000	-	-	250,000	1,361,000	17,266,000
Total long-term liabilities	15,881,645	-	-	250,000	1,361,000	17,492,645
Total liabilities	19,810,556	68,653	-	258,153	1,733,248	21,870,610
Fund Equity						
Contributed Capital						
	8,820,805	3,588,922	-	1,131,930	1,281,010	14,822,667
Retained Earnings						
Reserved:						
Capital renewal and replacement and system improvements	5,904,366	-	-	-	-	5,904,366
Construction	9,029,300	-	-	-	-	9,029,300
Debt service	203,225	-	-	-	-	203,225
Inflow and infiltration	799,470	-	-	-	-	799,470
Unreserved	1,403,791	6,840,253	810,497	1,214,560	520,813	10,789,914
Total retained earnings	17,340,152	6,840,253	810,497	1,214,560	520,813	26,726,275
Total fund equity	26,160,957	10,429,175	810,497	2,346,490	1,801,823	41,548,942
Total liabilities and fund equity	\$45,971,513	\$10,497,828	\$ 810,497	\$ 2,604,643	\$ 3,535,071	\$63,419,552

COMBINING STATEMENT OF REVENUES AND EXPENSES

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

For the year ended December 31, 1999

	Water and Sewer Division	Water District		Sewerage District		Total
		No. 1	No. 2	No. 1	No. 2	
Operating Revenues						
User fees	\$ 9,880,187	\$ -	\$ -	\$ -	\$ -	\$ 9,880,187
Other operating revenues	614,836	-	-	-	-	614,836
Total operating revenues	<u>10,495,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,495,023</u>
Operating Expenses						
Personal services and related benefits	2,981,304	-	-	-	-	2,981,304
Utilities	896,626	-	-	-	-	896,626
Contractual services, supplies, and materials	1,688,550	-	-	-	-	1,688,550
Professional services	201,333	-	-	-	-	201,333
Insurance and claims expense	510,776	-	-	-	-	510,776
Depreciation and amortization	1,499,967	272,642	38,292	274,959	411,613	2,497,473
Other	91,691	-	-	-	-	91,691
Total operating expenses	<u>7,870,247</u>	<u>272,642</u>	<u>38,292</u>	<u>274,959</u>	<u>411,613</u>	<u>8,867,753</u>
Operating Income (Loss)	<u>2,624,776</u>	<u>(272,642)</u>	<u>(38,292)</u>	<u>(274,959)</u>	<u>(411,613)</u>	<u>1,627,270</u>
Nonoperating Revenues (Expenses)						
Sales tax	3,142,762	-	-	-	-	3,142,762
Ad valorem tax for debt retirement	-	-	-	92,650	455,888	548,538
Interest earnings:						
Restricted assets	350,025	-	-	-	-	350,025
Current assets	33,624	4,420	5,076	4,368	20,438	67,926
Interest expense and bank fees	(412,940)	-	-	(21,016)	(112,457)	(546,413)
Deductions from ad valorem taxes for debt retirement	-	-	-	(2,901)	(14,338)	(17,239)
Total nonoperating revenues (expenses)	<u>3,113,471</u>	<u>4,420</u>	<u>5,076</u>	<u>73,101</u>	<u>349,531</u>	<u>3,545,599</u>
Net Income (Loss)	<u>\$ 5,738,247</u>	<u>\$ (268,222)</u>	<u>\$ (33,216)</u>	<u>\$ (201,858)</u>	<u>\$ (62,082)</u>	<u>\$ 5,172,869</u>

**COMBINING STATEMENT OF CHANGES IN FUND EQUITY
(RETAINED EARNINGS AND CONTRIBUTED CAPITAL)**

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

For the year ended December 31, 1999

	Water and Sewer Division	Water District		Sewerage District		Total
		No. 1	No. 2	No. 1	No. 2	
Contributed Capital, Beginning of Year	\$ 9,056,082	\$ 3,682,837	\$ -	\$ 1,256,867	\$ 1,428,878	\$ 15,424,664
Other - donated lines	325,499	-	-	-	-	325,499
Depreciation of assets purchased with contributed capital	(560,776)	(93,915)	-	(124,937)	(147,868)	(927,496)
Contributed Capital, End of Year	<u>8,820,805</u>	<u>3,588,922</u>	<u>-</u>	<u>1,131,930</u>	<u>1,281,010</u>	<u>14,822,667</u>
Retained Earnings, Beginning of Year	11,041,129	7,014,560	843,713	1,291,481	435,027	20,625,910
Net income (loss)	5,738,247	(268,222)	(33,216)	(201,858)	(62,082)	5,172,869
Depreciation of assets purchased with contributed capital	560,776	93,915	-	124,937	147,868	927,496
Retained Earnings, End of Year	<u>17,340,152</u>	<u>6,840,253</u>	<u>810,497</u>	<u>1,214,560</u>	<u>520,813</u>	<u>26,726,275</u>
Fund Equity, End of Year	<u>\$ 26,160,957</u>	<u>\$ 10,429,175</u>	<u>\$ 810,497</u>	<u>\$ 2,346,490</u>	<u>\$ 1,801,823</u>	<u>\$ 41,548,942</u>

COMBINING STATEMENT OF CASH FLOWS

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

For the year ended December 31, 1999

	Water and Sewer Division	Water District		Sewerage District		Total
		No. 1	No. 2	No. 1	No. 2	
Cash Flows From Operating Activities						
Operating income (loss)	\$ 2,624,776	\$ (272,642)	\$ (38,292)	\$ (274,959)	\$ (411,613)	\$ 1,627,270
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
<i>Depreciation and amortization</i>	1,499,967	272,642	38,292	274,959	411,613	2,497,473
Increase in assets:						
Customer receivables	(52,200)	-	-	-	-	(52,200)
Unbilled charges	(69,410)	-	-	-	-	(69,410)
Inventory	(21,013)	-	-	-	-	(21,013)
Prepaid expenses	(1,298)	-	-	-	-	(1,298)
Increase in liabilities:						
Accounts payable and accruals	934,460	-	-	-	-	934,460
Total adjustments	2,290,506	272,642	38,292	274,959	411,613	3,288,012
Net cash provided by operating activities	4,915,282	-	-	-	-	4,915,282
Cash Flows From Noncapital Financing Activities						
Operating transfer (to) from other funds	53,466	68,653	-	(68,653)	(28,466)	25,000
Payment on St. Bernard Parish Self Insurance Fund loan	(55,547)	-	-	-	-	(55,547)
Net cash provided by (used in) noncapital financing activities	(2,081)	68,653	-	(68,653)	(28,466)	(30,547)
Cash Flows From Capital Financing Activities						
Ad valorem taxes - debt retirement	-	-	-	88,607	403,848	492,455
Sales tax	2,582,370	-	-	-	-	2,582,370
Unamortized debt expense	(72,701)	-	-	-	-	(72,701)
Purchase of capital assets	(2,003,997)	-	-	-	-	(2,003,997)
Principal paid on bonds	(725,000)	-	-	(65,000)	(336,000)	(1,126,000)
Sales tax bonds proceeds	9,950,000	-	-	-	-	9,950,000
Interest paid	(381,998)	-	-	(22,337)	(119,293)	(523,628)
Net cash provided by (used in) capital financing activities	9,348,674	-	-	1,270	(51,445)	9,298,499
Cash Flows From Investing Activities						
Interest on cash management activities	383,649	4,420	5,076	4,368	20,438	417,951
Net Increase in Cash and Cash Equivalents	14,645,524	73,073	5,076	(63,015)	(59,473)	14,601,185
Cash and Cash Equivalents						
Beginning of year	4,628,800	5,689	100,626	121,945	400,150	5,257,210
End of year	\$19,274,324	\$ 78,762	\$ 105,702	\$ 58,930	\$ 340,677	\$19,858,395

SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

December 31, 1999

Years	Water and Sewer Division 1999 Sales Tax Bonds			Water and Sewer Division 1991 and 1994 Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2000	\$ 275,000	\$ 532,325	\$ 807,325	\$ 760,000	\$ 349,510	\$ 1,109,510
2001	295,000	517,612	812,612	790,000	314,360	1,104,360
2002	310,000	501,830	811,830	830,000	276,608	1,106,608
2003	330,000	485,245	815,245	875,000	236,165	1,111,165
2004	345,000	467,590	812,590	915,000	193,025	1,108,025
2005	365,000	449,132	814,132	965,000	145,975	1,110,975
2006	390,000	429,605	819,605	1,010,000	95,430	1,105,430
2007	410,000	408,740	818,740	105,000	41,650	146,650
2008	435,000	386,805	821,805	110,000	34,300	144,300
2009	460,000	363,532	823,532	120,000	26,600	146,600
2010	485,000	338,922	823,922	125,000	18,200	143,200
2011	515,000	312,975	827,975	135,000	9,450	144,450
2012	545,000	285,423	830,423	-	-	-
2013	575,000	256,265	831,265	-	-	-
2014	605,000	225,502	830,502	-	-	-
2015	645,000	193,135	838,135	-	-	-
2016	680,000	158,628	838,628	-	-	-
2017	720,000	122,248	842,248	-	-	-
2018	760,000	83,728	843,728	-	-	-
2019	805,000	43,068	848,068	-	-	-
Total debt service requirements	<u>\$ 9,950,000</u>	<u>\$ 6,562,310</u>	<u>\$ 16,512,310</u>	<u>\$ 6,740,000</u>	<u>\$ 1,741,273</u>	<u>\$ 8,481,273</u>

Sewer Districts Nos. 1 and 2 Public Improvement Bonds			Total	Total	Total
Principal	Interest	Total	Principal	Interest	Total
\$ 406,000	\$ 116,485	\$ 522,485	\$ 1,441,000	\$ 998,320	\$ 2,439,320
411,000	90,954	501,954	1,496,000	922,926	2,418,926
425,000	64,410	489,410	1,565,000	842,848	2,407,848
425,000	36,998	461,998	1,630,000	758,408	2,388,408
180,000	17,245	197,245	1,440,000	677,860	2,117,860
170,000	5,653	175,653	1,500,000	600,760	2,100,760
-	-	-	1,400,000	525,035	1,925,035
-	-	-	515,000	450,390	965,390
-	-	-	545,000	421,105	966,105
-	-	-	580,000	390,132	970,132
-	-	-	610,000	357,122	967,122
-	-	-	650,000	322,425	972,425
-	-	-	545,000	285,423	830,423
-	-	-	575,000	256,265	831,265
-	-	-	605,000	225,502	830,502
-	-	-	645,000	193,135	838,135
-	-	-	680,000	158,628	838,628
-	-	-	720,000	122,248	842,248
-	-	-	760,000	83,728	843,728
-	-	-	805,000	43,068	848,068
<u>\$ 2,017,000</u>	<u>\$ 331,745</u>	<u>\$ 2,348,745</u>	<u>\$ 18,707,000</u>	<u>\$ 8,635,328</u>	<u>\$ 27,342,328</u>

**SCHEDULE OF COMPUTATION OF THE RATIO OF
NET REVENUES (EXCLUDING WATER AND SEWER DISTRICTS)
TO AVERAGE ANNUAL DEBT SERVICE**

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

For the year ended December 31, 1999

Division operating revenues	\$ 10,495,023
Add nonoperating revenue - interest earned on current assets	<u>33,624</u>
Total revenues available	<u>10,528,647</u>
Division operating expenses	7,870,247
Less depreciation and amortization	<u>1,499,967</u>
Total adjusted expenses	<u>6,370,280</u>
Net revenues	<u>\$ 4,158,367</u>
Average annual debt service requirement	<u>\$ 1,106,935</u>
Ratio of net revenues to average annual debt service requirement	<u>3.76 to 1</u>

SCHEDULE OF METERED CUSTOMERS

**St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
and the Districts**

December 31, 1999

(Unaudited)

At December 31, 1999, the St. Bernard Parish Government Department of Public Works Water and Sewer Division had 24,402 metered customers.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

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

To the St. Bernard Parish Council,
Chalmette, Louisiana.

We have audited the combined financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts (the Division), as of and for the year ended December 31, 1999, and have issued our report thereon dated May 26, 2000. 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 Division's combined 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 of 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 tests 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 Division's internal control over combined financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Division's combined financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the combined financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-1.

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 combined 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. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Division in a separate letter dated May 26, 2000.

This report is intended solely for the information of the Administration of St. Bernard Parish Government, the St. Bernard Parish Council, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
May 26, 2000.

SCHEDULE OF FINDINGS

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts

For the year ended December 31, 1999

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 weakness X yes ___ none reported

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts did not receive federal awards during the year ended December 31, 1999.

Section II - Financial Statement Findings

Internal Control

99-1 Criteria - The meter deposit payable general ledger account should be reconciled to the meter deposit subsidiary ledger on a monthly basis.

Condition - Currently the Division does not prepare a reconciliation of the meter deposit general ledger control account and the subsidiary ledger.

Section II - Financial Statement Findings (Continued)

Internal Control (Continued)

99-1 (Continued)

Questioned Cost - None

Context - Not applicable.

Effect - At December 31, 1999, there is a difference between the general ledger control and subsidiary ledger account balances. The subsidiary ledger account balance exceeded the general ledger account balance in the amount of \$61,638.

Cause - Management oversight.

Recommendation - The Division should investigate and correct the difference between the meter deposit subsidiary and general ledger. Also, reconciliation's should be prepared on a monthly basis.

Views of responsible officials of the auditee when there is disagreement with the finding, to the extent practical - None.

Compliance

No compliance findings material to the combined financial statements were noted during the audit for the year ended December 31, 1999.

Section III - Federal Award Findings and Questioned Cost

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts

For the year ended December 31, 1999

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

Internal Control

98-1 Recommendation - The meter deposit payable general ledger account should be reconciled to the subsidiary ledger on a monthly basis.

Management's Response - Unresolved, see finding 99-1 in the accompanying Schedule of Findings and Questioned Costs.

Compliance

No compliance findings material to the combined financial statements were noted during the audit for the year ended December 31, 1998.

Section II - Internal Control and Compliance Material To Federal Awards

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts did not receive federal awards during the year ended December 31, 1998.

Section III - Management Letter

98-2 Recommendation – The Division should implement a program to fund the meter deposit cash account to an amount equal to the meter deposit liability.

Management's Response - Resolved.

98-3 Recommendation - The Division should upgrade its fixed asset accounting system, which is a spreadsheet application, to software that would maintain detailed records of fixed assets and depreciation.

Management's Response - Unresolved, see finding 99-2 in the accompanying Management' Corrective Action Plan.

MANAGEMENT'S CORRECTIVE ACTION PLAN

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts

For the year ended December 31, 1999

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

Internal Control

99-1 Recommendation - The Division should investigate and correct the difference of \$61,638 between the meter deposit subsidiary ledger and meter deposit general ledger account. Also, reconciliations should be prepared on a monthly basis.

Management's Corrective Action – The Finance Department is reviewing the variance in the subsidiary ledger and will make the appropriate corrections to ensure that the account reconciles with the general ledger.

Compliance

No compliance findings material to the combined financial statements were noted during the audit for the year ended December 31, 1999.

Section II - Internal Control and Compliance Material To Federal Awards

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts did not receive federal awards during the year ended December 31, 1999.

Section III - Management Letter

99-2 Recommendation - The Division should upgrade its fixed asset accounting system, which is a spreadsheet application, to software that would maintain detail records of fixed assets and depreciation.

Management's Corrective Action - The Division has identified a software package that meets the requirements to properly account for fixed assets and the depreciation associated with the assets. Administration is dedicated to eliminating the problems concerning the recording of Water and Sewer fixed assets.

99-3 Recommendation - The Division should establish a system to consistently record expenses to properly account for capital additions and repairs and maintenance, related retainage payables and proper cut-off.

Management's Corrective Action - The Finance Department does have a system to consistently record expenses for capital and repairs. The variances were isolated instances. However, Administration will review all procedures to assure the proper coding of purchases and eliminate the comment from future audits.



Bourgeois Bennett

To the St. Bernard Parish Council,
Chalmette, Louisiana.

We have audited the combined financial statements of the St. Bernard Parish Government, Department of Public Works Water and Sewer Division and the Districts, (the Division), a component unit of the St. Bernard Parish Government, State of Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated May 26, 2000. In planning and performing our audit we considered the Division's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the combined financial statements and not to provide assurance on internal control.

Reportable conditions noted during our consideration of the internal control have been reported on in a separately issued report entitled "Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Combined Financial Statements Performed In Accordance With Government Auditing Standards."

This memorandum summarizes various other matters which have come to our attention. While not involving reportable conditions, these matters do present opportunities for strengthening the internal control and improving the operating efficiency of the Division.

We have already discussed these comments and suggestions with various administrative personnel. We will be pleased to discuss these comments and suggestions with you in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

Bourgeois Bennett, L.L.C.
Certified Public Accountants.

New Orleans, La.,
May 26, 2000.

Fixed Asset Records

- 1) The recording of fixed assets is incomplete due to the following:
 - The spreadsheet application that is currently being used does not provide detailed information related to the assets.
 - The calculated depreciation on certain assets is computed incorrectly.
 - The depreciation on contributed capital and donated lines are not being recorded.

We recommend that the Parish purchase a fixed asset computer program to track the assets. The Parish should also take a physical inventory count of movable items.

Accounts Payable

- 2) The accounts payable balance and certain expense items are not properly accounted for due to the following:
 - There was an inconsistency of coding fixed asset acquisitions to repairs and maintenance, professional services, and capital outlay.
 - There was no retainage payable accrued at year-end.
 - Invoices should be posted as of the date of service or date of receipt of product, not the internal approval date.

We recommend that the Parish establish a system to consistently record expenses.