

**ST. BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996**

17. PRIME PERIOD ADJUSTMENT (Continued)

The beginning contributed capital balance for the Water and Sewer Division was increased by \$245,000. This adjustment was made to record the donation of a sewer treatment plant received in 1995. This correction does not affect current year revenues, expenses or net loss.

18. CUSTOMER DEPOSITS

The Water and Sewer Division has used funds from Customer Meter Deposit cash account to pay operating expenses and capital improvements. At December 31, 1996 the customer meter cash account had a balance of \$50,480 and the customer meter deposits liability was \$985,025.

19. ADMINISTRATIVE ORDER

During the current year the organization received an administrative order from the United States Environmental Protection Agency (EPA). The order state that the organization has violated its National Pollutant Discharge Permit and the Clean Water Act. The EPA has allowed the organization 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 organization has addressed the deficiencies cited in the order. The organization can be assessed up to \$25,000 per day in penalties for non-compliance to the order. There have been no assessments by the EPA or penalties accrued in these financial statements.

20. JUDGMENT EVENTS

On April 7, 1997, the organization received notification from SPBAC Indemnity Corporation, the insurer of the Water and Sewer Revenue Refunding Bonds, Series 1996, that the organization was in default with respect to several bond covenants contained in the General Bond Resolution adopted on June 28, 1996 including maintaining the facility in good repair, maintaining proper insurance, providing required information on the system in audit reports and various financial covenants. The organization has forty-five days to implement corrective actions to cure the defaults or the insurer may seek court action to direct the organization to raise rates to comply with the violations. The organization is formulating a plan to address all issues.

On April 8, 1997, there was an election to renew the operation and maintenance ad valorem tax of 3.34 mills in Water District Number One and 2.04 mills in Sewerage District Number Two. Both millage renewals were rejected by the qualified voters. The estimated loss in revenue for the organization in 1997 due to the defeat is approximately \$250,000 in Water District Number One and \$450,000 in Sewerage District Number Two.

Subsequent to year end the organization has come under investigation by a federal agency concerning its waste water disposal from its facilities. The investigation is in its initial stage. Presently, it is not possible to determine the effect of this investigation on the financial statements, if any.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

F. LEASES (Continued)

Capital Lease (Continued)

payable in 39 monthly installments of \$260 including interest at 14.802%. The computer system is valued at \$40,371 and is payable in 36 monthly payments of \$1,453 which includes interest at 11.963%. The total due, excluding interest at December 31, 1998 is \$29,344. The amount recorded in the accompanying financial statements under current liability is \$17,565 and the remaining \$11,779 is recorded as a long-term liability.

The following is a summary of future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments, as of December 31, 1998:

Year ending December 31:

1997	\$19,990
1998	17,565
Total minimum lease payments	37,555
Less - amount representing interest	2,800
Present value of net minimum lease payments	34,755
Less - current portion	17,565
Total long-term lease	\$17,190

The total amount of assets recorded as capital leases which are included in fixed assets is \$63,139. The accumulated amortization of \$13,375 is included in accumulated depreciation as is current year amortization expense of \$6,174.

Operating Lease

The Water and Sewer Division receives lease income from a right-of-way agreement. The annual rental income is \$2,500 and is payable for two years beginning September 1, 1995. At the end of the lease period the agreement may be renegotiated at no less than \$2,500 a year.

The organization also receives lease income from two different tower lease agreements. The first lease is \$5,000 per year for a period of five years beginning August 9, 1995. The lease can be renewed for four additional five year periods. The second lease is for \$5,000 per year. The lease commenced June 28, 1996 and is for a period of five years. The agreement can be renewed for four additional five year periods.

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

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 SCHEDULE OF COMPUTATION OF THE RATIO OF
 NET REVENUES (EXCLUDING WATER
 AND SEWER DISTRICTS)
 TO AVERAGE ANNUAL DEBT SERVICE
 FOR THE YEAR ENDED OCTOBER 31, 1998

Division operating revenues	\$6,956,628
Add nonoperating revenues:	
Ad valorem taxes and state revenue sharing transferred from the water and sewer districts of the division	781,810
Interest earned on other than construction funds	73,753
Total revenues available	<u>7,812,191</u>
Division operating expenses	7,414,238
Less depreciation and amortization	1,313,874
Total adjusted expenses	<u>6,100,364</u>
Net revenues	<u>\$1,711,827</u>
Average annual debt service requirement	<u>\$1,189,810</u>
Ratio of net revenues to average annual debt service requirement	<u>1.44</u>

St. Bernard Parish Government
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

10. PROPRIETARY FUNDS (Segment Information)

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

	Water and Sewer Division	Water Districts		Sewer Districts		Total
		No. 1	No. 2	No. 1	No. 2	
Operating revenues	\$ 5,500,000	\$ --	\$ --	\$ --	\$ --	\$ 5,500,000
Operating expenses:						
Depreciation and amortization						
all other	2,211,079	296,021	26,879	220,260	215,189	2,969,328
Tax revenues	6,000,000	--	--	--	--	6,000,000
Net income (loss)	--	118,622	--	207,269	686,202	1,112,113
Property, plant & equipment, additions	929,500	--	--	--	--	929,500
Depleted lines	214,500	--	--	--	--	214,500
Debt payable:						
Payable from operating revenue	6,000,000	--	--	--	--	6,000,000
Payable from other sources	--	100,000	--	500,000	2,000,000	2,100,000
Operating loss	655,579	194,113	26,879	126,261	520,684	1,203,276
Net working capital	1,000,000	861,000	71,400	200,000	200,000	1,352,400
Total assets	20,260,211	12,042,272	840,100	1,460,070	6,000,000	20,562,653
Contributed capital	7,120,000	2,070,000	--	1,200,000	1,500,000	11,990,000
Total fund equity	11,000,000	11,712,272	917,600	2,660,070	2,500,000	18,892,942

11. CONTINGENCIES

The St. Bernard Parish Water and Sewer Division is involved in various claims for alleged negligence. The exposure to the organization is estimated to be approximately \$100,000. The estimated claims liability is computed based on information received from the insurance company. The claims liability of \$107,865 at December 31, 1995 is presented at current value and has not been discounted.

12. SELF INSURANCE

The Water and Sewer Division is self insured for hospitalization claims up to approximately \$25,000 per employee or an aggregate of approximately \$220,000 claims per year. The excess is insured under an insurance policy. The fund is administered by an independent insurance service company.

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:

Claims liability at 12/31/95	\$ 41,634
Less: claims paid during the year	(487,732)
Plus: claims incurred	<u>408,531</u>
Claims liability at 12/31/96	\$ <u>40,433</u>

The claims liability at December 31, 1995 is presented at current value and has not been discounted.

March 12, 1999

We also noted instances of noncompliance to state laws as follows:

PUBLIC BID LAW

DESCRIPTION:

During our testing of the La. Public Bid Law it was noted that repair supplies purchased with a particular vendor exceeded the bid limit (\$10,000) and were not bid. In accordance with the Louisiana Public Bid Law the purchase of repair supplies in excess of \$10,000 must be bid and let to the lowest bidder meeting specs. This includes supplies which collectively exceed the \$10,000 limit.

La. Public Bid Law also states that typical recurring repairs which include supplies and cumulatively are greater than \$20,000 should be bid and let to the lowest bidder meeting specs. However, if the recurring repairs are substantially labor oriented then the repairs do not fall within the guidelines of the Public Bid Law. During our testing of compliance to the La. Public Bid Law on repair items, we did not locate any one check for repairs which was greater than the bid limit of \$10,000; thus, we randomly chose repair and replacement checks which were payments for repair items. Of the six additional checks selected four were labor oriented, one was for supplies and one included labor and supplies.

RECOMMENDATION:

We recommend that the organization carefully review all types of supplies being purchased to determine if supplies are being purchased that exceed the \$10,000 limit. In addition, we recommend that the organization carefully review items being repaired to determine if the repair is an ongoing routine type of repair. If the repair is ongoing, routine by nature and is substantially supplies, then the public bid law requirements should be observed.

This report is intended solely for the information and use of St. Bernard Parish Government, its management and the Legislative Auditor.

Sincerely,

DEPLANTIER, BRANNON, HOGAN & MOORE, LLP


WILLIAM C. MOORE, CPA
Partner

WATER DISTRICTS NOS. 1 AND 2 AND
SEWER DISTRICTS NOS. 1 AND 2
PUBLIC IMPROVEMENT BONDS

PUBLIC IMPROVEMENT BONDS			TOTAL	TOTAL	TOTAL
PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
\$ 646,000	\$ 200,378	\$ 846,378	\$ 1,216,000	\$ 641,640	\$ 1,857,640
646,000	168,678	814,678	1,241,000	580,640	1,821,640
601,000	141,308	742,308	1,186,000	523,288	1,709,288
606,000	216,488	822,488	1,166,000	469,995	1,635,995
411,000	90,954	501,954	1,501,000	408,314	1,909,314
425,000	84,418	509,418	1,253,000	341,938	1,594,938
425,000	36,908	461,908	1,308,000	273,168	1,581,168
188,000	17,246	205,246	1,098,000	210,870	1,308,870
178,000	5,663	183,663	1,159,000	181,808	1,340,808
---	---	---	1,810,000	86,430	1,896,430
---	---	---	995,000	41,650	1,036,650
---	---	---	110,000	24,280	134,280
---	---	---	180,000	28,680	208,680
---	---	---	125,000	18,260	143,260
---	---	---	175,000	8,468	183,468
<u>\$ 3,500,000</u>	<u>\$ 644,901</u>	<u>\$ 4,144,901</u>	<u>\$ 12,348,000</u>	<u>\$ 2,810,796</u>	<u>\$ 15,158,796</u>

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
 FOR THE YEAR ENDED DECEMBER 31, 1990

NAME	NUMBER OF MONTHS SERVED	NUMBER OF MONTHS COMPENSATED	AMOUNT
J. David Broyles	10	10	\$ 2,500
Victor A. Delouchet, Jr.	10	10	2,500
William A. Bachemie, Jr.	10	10	2,500
John C. Gallier	10	10	2,500
Ray McInnis	10	10	2,500
Frank Oliveri III	10	10	2,500
Edwin P. Reiss	10	10	2,500
Total			<u>\$12,500</u>

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
 FOR THE YEAR ENDED DECEMBER 31, 1995

March 12, 1997

St. Bernard Parish Council
 St. Bernard Parish Government
 Department of Public Works
 Water and Sewer Division
 Chalmette, Louisiana 70040

We have audited the financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the districts, as of and for the year ended December 31, 1995, and have issued our report thereon dated March 12, 1997 except for Note 20 as to which the date is April 16, 1997.

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

The management of the Water and Sewer Division is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the districts, for the year ended December 31, 1995, we considered its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
 FOR THE YEAR ENDED DECEMBER 31, 1986

(Continued)

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

It was discovered that the Water and Sewer Division processed and held checks for a significant period of time. These transactions were shown as outstanding checks per the bank reconciliations. This procedure resulted in understating cash and accounts payable. In addition, it resulted in a lack of physical control over the checks, and a lack of control over which vendor is being paid. In addition, the organization cannot produce accurate information to properly manage cash flows and determine which vendor to pay. The organization should process invoices for payment when the funds are available.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable condition described above is a material weakness. This condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of the Water and Sewer Division for the year ended December 31, 1986.

This report is intended for the information of the St. Bernard Parish Council, management, and the Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Raylanne M. Hermann, Hugo A. Prober, LLP

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 BASED ON AN ASPECT OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
 FOR THE YEAR ENDED DECEMBER 31, 1997

March 12, 1997

St. Bernard Parish Council
 St. Bernard Parish Government
 Department of Public Works
 Water and Sewer Division
 Chalmette, Louisiana 70043

We have audited the financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the districts, as of and for the year ended December 31, 1996, and have issued our report thereon dated March 12, 1997 except for Note 28 as to which the date is April 18, 1997.

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

Compliance with laws, regulations, contracts, and grants applicable to the St. Bernard Parish Government Department of Public Works Water and Sewer Division is the responsibility of the organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the organization's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have been corrected in St. Bernard Parish Government Department of Public Works Water and Sewer Division's 1996 financial statements.

As a result of our audit it was discovered that the St. Bernard Parish Government Department of Public Works Water and Sewer Division did not meet specific requirements of their bond covenants as follows:

1. Monthly deposits are to be made by the 25th of the month into the debt service sinking fund cash account. Of the twelve required deposits four were not made and of the eight deposits made six were not made within the required time.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1996

9. RESERVED RETAINED EARNINGS (Continued)

B. Reserve for construction - established in accordance with bond requirements and the Water and Sewer Division's resolution. The reserved funds pay for construction projects required by the United States Environmental Protection Agency. The organization also irrevocably pledges money held in this reserve to the bond holders as additional security for the bonds. Upon completion of the projects, any remaining funds will be reserved for debt service to satisfy any deficiency in funds needed to pay principal and interest on the \$1,358,000 bond issue dated December 1, 1991 and principal and interest on the \$7,990,800 bond issue dated April 1, 1994. In addition, the construction projects are capitalized when completed and included in the reserve and the long-term portion of the 1991 and 1994 revenue bonds payable to reduce the reserve. The reserved retained earnings are \$1,487,892 at December 31, 1996.

C. Reserve for debt service - this reserve consists of two accounts. 1) The debt service account accumulates money from the net utility revenues for the payment of interest and principal on the 1991 and 1994 revenue bonds. 2) The debt service reserve account accumulates interest on the \$1,111,165 of bond proceeds set aside for the benefit of bond holders. In addition, the related 1991 and 1994 bond principal and interest reduces the reserve. As of December 31, 1996, the reserved fund balance is \$458,983.

The components of the reserve accounts are as follows:

	Capital Reserve and Balances	Reserve for Construction	Reserve for Debt Service
ASSETS			
Cash and cash equivalents	\$ (304,225)	\$ --	\$1,265,544
Accounts receivable	--	346,500	--
Property, plant and equipment and bond issuance cost - net	6,163,932	17,485,940	--
Total assets	<u>5,859,707</u>	<u>17,832,440</u>	<u>1,265,544</u>
LIABILITIES			
Current portion of bonds payable	--	--	625,000
Accrued interest payable	--	--	228,472
Other liabilities	64,017	138,373	--
Lease payable	29,144	--	--
Long-term 1993 and 1994 revenue bonds payable	--	7,048,835	1,111,165
Total liabilities	<u>93,161</u>	<u>7,187,168</u>	<u>1,964,637</u>
Contributed capital	--	5,125,842	--
RESERVED RETAINED EARNINGS	\$ 5,729,546	\$ 1,487,892	\$ 458,983

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

8. LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

The following is a summary of the bonds payable transactions for the year ended December 31, 1998:

	Water District		Sewer District		Total
	District	No. 1	No. 1	No. 2	
Outstanding at December 31, 1997	\$8,495,000	\$495,000	\$555,000	\$3,098,000	\$13,643,000
Additions					
Reductions	<u>(165,000)</u>	<u>(155,000)</u>	<u>(50,000)</u>	<u>(190,000)</u>	<u>(560,000)</u>
Outstanding at December 31, 1998	<u>\$8,330,000</u>	<u>\$340,000</u>	<u>\$505,000</u>	<u>\$2,908,000</u>	<u>\$12,183,000</u>

The annual requirements to amortize all bonds outstanding at December 31, 1998, including interest are as follows:

Fiscal Year	Principal	Interest	Total
1997	\$ 1,216,000	\$ 641,640	\$ 1,857,640
1998	1,241,000	581,840	1,822,840
1999	1,126,000	523,280	1,649,280
2000	1,196,000	485,895	1,681,895
2001	1,331,000	465,315	1,796,315
2002 - 2004	<u>3,280,000</u>	<u>1,281,280</u>	<u>4,561,280</u>
2014	<u>\$12,340,000</u>	<u>\$3,832,230</u>	<u>\$16,172,230</u>

9. RESERVE RETAINED EARNINGS

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

- A. Reserve for capital renewal and replacement - 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 to the debt service and debt service reserve accounts. (Minimum deposits are made monthly to the reserve account from revenues in an amount equal to five percent of the prior month's operating expenses.) In addition, net assets accounted with the Water and Sewer Division's funds are included in the reserve per board resolution. The reserved retained earnings are \$5,734,546 at December 31, 1998.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1995

8. LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

Taxes received by the organization 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 deposits 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, 1995, is 1.19 to 1. The ratio is less than the minimum requirements of the bond indenture. The bond agreement requires the Water and Sewer Division to establish and maintain the following accounts:

1. 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.
2. A debt service reserve account with the sum equal to the maximum annual debt service on the bonds.
3. A renewal and replacement account with monthly deposits of five percent 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 Water and Sewer Division has established and maintained these accounts, and at December 31, 1995, the cash and cash equivalent balances in the debt service account, the debt service reserve account, and the renewal and replacement account are \$164,433, \$1,115,040, and \$3154,826, respectively. The account balance in the debt service reserve account exceeds the minimum requirements of the bond indenture. The account balances in the debt service account and the renewal and replacement account are less than the minimum requirements of the bond indenture.

**ST. BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996**

19. OPINIONS OF CERTIFIED

An operating transfer of \$653,984 was made between the Water and Sewer Division and Water District No. 1, Water District No. 2, Sewer District No. 1 and Sewer District No. 2. The transfer was made for the organization's portion of ad valorem taxes and state revenue sharing.

19. DAMAGE - RIVER INTAKE STRUCTURE

The St. Bernard Water and Sewer Division suffered substantial damage to its Mississippi River water intake crib, tender and pipe from batter to crib in two separate low boat accidents during 1994. The net book value of the structure at the time of the accident including portions not damaged was \$739,336. Through December 31, 1996 the Water and Sewer Division has incurred \$679,262 in costs to repair the damaged structure. To date the Division has recovered \$389,336 in insurance proceeds from the first accident. On March 8, 1997 a judgment in the second accident was rendered resulting in a \$389,336 settlement payable to the Division. This amount was recorded as a receivable and offset expenditures incurred to date. As of December 31, 1996 insurance and judgment proceeds exceeded the expenditures incurred to date and a deferred credit of \$389,336 has been recorded in the financial statements. These monies will be used in the future to repair the damaged structure. The estimated additional cost to repair the damaged structure is \$489,000. Any additional amounts received will be recorded in the year it can be reasonably estimated. The gains or loss on the accidents will be recorded in the year all amounts are known.

19. COMPENSABLE ABSENCE

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, 1996, the accrued vacation was \$247,630.

19. CHANGE IN ACCOUNTING ESTIMATE

During the current year, the Water and Sewer Division changed its policy on certain expenditures from deferring and amortizing the amounts to recording them as an expense when incurred. As a result, certain capital expenditures in the amount of \$180,404 were recorded as expenses in the current year. The new method is adopted in recognition of the change in estimated future benefits of the expenditure. The new policy is treated as a change in accounting estimate and affects the current period only.

19. PRIOR PERIOD ADJUSTMENT

The beginning unreserved retained earnings balance for the Water and Sewer Division was decreased by \$264,767. This adjustment was made to correct prior years' errors in recording accrued vacation. This correction does not affect current year revenues, expenses or net loss.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

8. LONG-TERM LIABILITIES (Continued)

Public Improvement and General Obligation Bonds (Continued)

The bonds were issued to construct improvements and extensions to the water-works and sewerage systems. Public improvement bonds are comprised of the following individual issues:

1. \$2,900,000 Public Improvement Bonds of the Water District No. 1 issue of September 1, 1973, due in annual installments of \$155,000 bearing an interest rate of 5.75 percent through March 1, 1998. Amount outstanding - \$310,000.
2. \$675,000 General Obligation Refunding Bonds of the Sewer District No. 1 issue of September 1, 1990, due in annual installments of \$10,000 to \$90,000 bearing interest rates of 5.2% to 6.5% through March 1, 2000. Amount outstanding - \$505,000.
3. \$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 8.00 percent through February 1, 2000. Amount outstanding - \$5,000.
4. \$3,285,000 General Obligation Refunding Bonds of the Sewer District No. 2 issue of September 1, 1991, due in annual installments of \$170,000 to \$380,000 bearing interest rates of 5.2% to 6.60% through March 1, 2005. Amount outstanding - \$2,698,000.

Revenue Bonds

On April 1, 1994, \$7,185,000 of the 1988 Revenue Bond was defeased. The bonds had interest rates ranging from 7.50% to 8% and debt service payments from \$408,000 to \$998,000. As a result of the defeasance \$7,500,000 Series 1994 Revenue Refunding Bonds were issued. The interest rate on the new bonds ranges from 3% to 5.2% and the bonds mature on August 1, 2008 with debt service payments due in annual principal installments ranging from \$115,000 to \$948,000. The balance outstanding at December 31, 1998 is \$7,685,000. The 1991 Revenue Bonds are due in annual principal installments of \$40,000 to \$135,000, bearing interest rates of 8.00 to 7.10 percent through August 1, 2001. The balance outstanding at December 31, 1998 is \$1,165,000.

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 organization 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 1990 and 1994 revenue bond resolutions. Such revenues include, but are not limited to, proceeds of any ad valorem

ST. LOUIS MOBILE GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

7. LEASES (Continued)

Operating Lease (Continued)

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

1997	\$13,500
1998	13,500
1999	13,500
2000	6,500
2001	2,500
Thereafter	1,500
Total	<u>\$59,500</u>

Rental income for the year was \$13,500.

8. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities and the current portion due at December 31, 1998:

	Water and Sewer Districts	Water District No. 1	Sewer District No. 1	Sewer District No. 2	Total
Public Improvement, general obligation and revenue bonds payable	\$8,830,000	\$10,000	\$80,000	\$1,360,000	\$10,280,000
Capital lease payable	25,144	---	---	---	25,144
Total	<u>\$8,855,144</u>	<u>\$10,000</u>	<u>\$80,000</u>	<u>\$1,360,000</u>	<u>\$10,305,144</u>
Less - current portions:					
Public Improvement and revenue bonds payable	\$70,000	\$10,000	\$0,000	\$0,000	\$110,000
Capital lease payable	<u>11,160</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>11,160</u>
Long-term liability payable at December 31, 1998 (Out of current portion)	<u>\$8,774,084</u>	<u>\$10,000</u>	<u>\$80,000</u>	<u>\$1,360,000</u>	<u>\$10,224,084</u>

Public improvement bonds, general obligation, and water revenue bonds are comprised of the following individual issues:

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 statutory debt limitation for each district follows:

	Limitation	Outstanding Debt
Water Districts:		
No. 1	\$22,300,000	\$ 510,000
Sewer Districts:		
No. 1	3,600,000	500,000
No. 2	<u>22,000,000</u>	<u>0,000,000</u>
Total	<u>\$47,900,000</u>	<u>\$ 1,010,000</u>

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1995

5. PENSION PLAN (Continued)

The pension benefits obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERD and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at December 31, 1995, determined through an actuarial valuation performed as of that date, was unavailable for Plan A. The net assets available for benefits on that date were also unavailable for Plan A. However, at December 31, 1995 the pension benefit obligation for Plan A was \$752,080,530 and the System's net assets available for benefits on that date were \$647,865,108 leaving an unfunded pension benefit obligation of \$105,298,422.

A ten year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1995, comprehensive annual financial report.

6. POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to the pension benefits described in Note 5, the St. Bernard Parish Water and Sewer Division provides post-retirement health care benefits, in accordance with the organization's personnel policy, to all employees who retire within: 1) on or after attaining age 60 with at least 18 years of service, or 2) on or after attaining age 66 with at least 35 years of service, or 3) on or after attaining age with at least 30 years of service. As of the year end, 85 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 Water and Sewer Division. Retirees and active employees, however, are responsible for dependent coverage costs. The Water and Sewer Division reimburses the first \$20,000 of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees and their dependents. Expenditures for post-retirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the Water and Sewer Division. During the year, expenditures of approximately \$40,540 were recognized for post-retirement health care.

7. LEASES

Capital Leases

The Water and Sewer Division records items under capital leases as assets and obligations in the accompanying financial statements. The organization has capital leases for a Konica copier, a Xerox copier and the computer billing system. The Xerox copier cost \$6,370 and is payable in 60 monthly installments of \$249 including interest at 25.613%. The Konica copier cost \$7,908 and is

Our audit was made for the purpose of forming an opinion on the financial statements. The accompanying supplemental information schedules are presented for the purpose of additional analysis and are not a required part of the financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and districts. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Donaldson, Hopwood, Hayes & Baker, C.P.A.

ST. BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

4. FIXED ASSETS

The following is a summary of the changes of the enterprise funds fixed assets at December 31, 1996.

	Balance December 31, 1995	Total Period Additions	Disposals	Deletions	Balance December 31, 1996
Land	\$ 141,000	\$ --	\$ --	\$ --	\$ 141,000
Pipeline system	99,781,438	--	104,000	--	99,677,438
Plant, machinery, and equipment	31,488,110	230,000	170,000	--	31,548,110
Total property, plant, and equipment	131,410,548	230,000	274,000	--	131,366,548
Less - accumulated depreciation	11,713,481	--	(2,462,707)	--	13,176,188
Net property, plant, and equipment	119,697,067	230,000	271,237	0	119,655,830

The composition of property, plant and equipment at December 31, 1996 by entity, is as follows:

Division	\$38,347,325
Water Districts	
No. 1	28,774,020
No. 2	2,128,277
Sewer District	
No. 1	8,778,387
No. 2	17,268,328
Total property, plant, and equipment	82,524,137
Less - accumulated depreciation	(62,868,307)
Net property, plant, and equipment	19,655,830

Depreciation expense totaled \$2,462,707 for the year ended December 31, 1996.

5. PENSION PLAN

Employees of the Water and Sewer Divisions are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost-sharing), public-employee retirement system (PERS). The System is a statewide public retirement system for the benefit of State employees, which is administered and controlled by a separate board of trustees. Contributions of participating agencies are pooled within the System to fund accrued benefits with contribution rates approved by the Louisiana Legislature. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Water and Sewer Divisions are members of Plan A. For the year ended December 31, 1996, the total payroll for employees covered by the System under Plan A was \$2,132,843.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Water and Sewer 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, 1995 is \$44,044.

2. CASH

Cash and Cash Equivalents

Deposits of the Water and Sewer Division and its districts in the amount of \$1,980,657 (bank balances) are held by several financial institutions. The balances are fully insured and collateralized as of December 31, 1995.

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

	End of Year	Beginning of Year
Unrestricted cash	\$ 150,760	\$ 117,419
Restricted cash & cash equivalents	1,755,960	1,865,230
Total cash and cash equivalents	<u>\$1,906,720</u>	<u>\$1,982,649</u>

The Water and Sewer Division paid interest during the year of \$720,659.

For purposes of the statement of cash flows cash overdrafts are considered a noncapital financing inflow.

Noncash Capital Financing Activities

Donated lines	<u>\$ 228,650</u>
---------------	-------------------

3. LEVIED TAXES

The following is a summary of authorized and levied ad valorem taxes for the year:

	Authorized Millage	Levied Millage
Water District No. 1:		
Maintenance	3.40	3.34
Bond and interest	Variable	1.40
Sewer District No. 1:		
Maintenance	3.90	--
Bond and interest	Variable	6.08
Sewer District No. 2:		
Maintenance	2.89	2.64
Bond and interest	Variable	4.75

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RESTRICTED ASSETS

Certain proceeds of the enterprise funds revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

FIXED ASSETS AND LONG-TERM LIABILITIES

Fixed assets of the Water and Sewer Division are included on the 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:

	Water and Sewer Division	Water District No. 1	Water District No. 2	Sewer Districts
Pipeline system	100	100	50	25
Fleet, machinery, and equipment:				
Buildings and improvements	50	50	25	25
Machinery and equipment	10	5-10	4-10	5-10
Meter banks	50	25	50	
Meter boxes	25	25	25	

Long-term liabilities are recognized within the enterprise funds.

FUND EQUITY

Contributed Capital

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.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 [EXCLUDING DISTRICTS]
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

Expenses (Continued)

Amortized 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 1/2 year life of the bond. The remaining unamortized debt expense at December 31, 2008 is \$89,100.

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.

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

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.

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 Water and Sewer 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.

INVENTORY

The Water and Sewer 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.

PREPAID ITEMS

Insurance costs are recognized as expenses over the period covered by the insurance policy.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND ACCOUNTING (Continued)

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.

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 balance sheet. The organization'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 Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues

Customers are billed monthly and the accompanying 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 are recorded in the year the taxes are due and payable. 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 and January and February of the following year.

Substantially all other revenues are recorded when earned.

Expenses

Salaries are paid bi-weekly and are accrued at year end.

Amortized debt expense of the Water and Sewer Division is comprised of costs associated with the 1991 and 1994 Revenue Bond Issues. The cost of issuance on the 1991 Revenue Bond Issue of \$28,707 is amortized using the straight-line method over the 18-year life of the bond. The cost of issuance on the 1994 Revenue Bond Issue of \$365,855 is amortized using the straight-line method over the 18-year life of the bond. The remaining unamortized debt expense at December 31, 1998 is \$365,285.

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 \$38,380 is amortized using the straight-line method over the 11 1/2 year life of the bond. The remaining unamortized debt expense at December 31, 1998 is \$18,680.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1996

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Parish. In addition, it operates four sewerage treatment plants, one sewerage oxidation pond and two sewerage treatment package plants. The Water and Sewer Division has 296 employees at December 31, 1996, of which 186 (63%) are covered by a collective bargaining agreement which expires in the year 2000.

BASIS OF PRESENTATION

The accompanying financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

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.

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 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.

FUND ACCOUNTING

The St. Bernard Parish Government Department of Public Works Water and Sewer 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

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

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 33:7002 which became effective July 2, 1988. 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, 1988. 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, 1988, 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.

The accompanying financial statements include the operations of the Water and Sewer Commission from January 1, 1988 through October 31, 1998. On November 1, 1998 the St. Bernard Parish Water and Sewer Commission was consolidated and merged into the St. Bernard Parish Government and is now known as the St. Bernard Parish Government Department of Public Works Water and Sewer Division (organization). 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, 1988, including the authority to continue to levy ad valorem taxes.

The accompanying 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 financial statements also include the districts which are separate component units of the parish government. The organization 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). Ad valorem taxes are levied by the individual districts for either water or sewerage operations and for the retirement of outstanding bonds. Taxes received by the individual districts for operation and maintenance of water and sewerage systems of the parish are transferred to the St. Bernard Parish Government Department of Public Works Water and Sewer Division to operate the system.

The Water and Sewer 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 28,000,000 gallons of water per day. In addition, it monitors and maintains 110 sewer lift stations. At December 31, 1998, the water and sewer Division has in excess of 23,000 metered customers in St. Bernard

ST. BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
PROPRIETARY FUNDS - ENTERPRISE FUNDS
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income (loss)	\$ (2,010,275)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation and amortization	2,491,231
Change in assets and liabilities:	
Decrease in accounts receivable	37,579
Decrease in inventory	20,366
Decrease in prepaid expenses	18,589
Decrease in unbilled charges	66,962
Increase in accounts receivable - other	(346,500)
Increase in accounts payable and accruals	414,648
Total adjustments	2,782,965
Net cash provided by operating activities	<u>669,990</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Ad valorem taxes - operations and maintenance	556,414
State revenue sharing	97,570
Increase in negative cash balances implicitly financed	300,550
Net cash provided by noncapital financing activities	<u>954,534</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Ad valorem taxes - debt retirement	674,997
Payment on capital lease	(19,041)
Interest paid on capital lease	(8,181)
Purchase of capital assets	(719,099)
Principal paid on bonds	(1,231,000)
Interest paid on bonds	(718,586)
Net cash used by capital financing activities	<u>(1,801,730)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on cash management accounts	60,106
Net cash provided by investing activities	<u>60,106</u>
Net decrease in cash and cash equivalents	(66,180)
Cash and cash equivalents at beginning of year (Note 2)	<u>2,843,166</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 2)	\$ <u>1,982,166</u>

See accompanying notes.

ST. BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
PROPRIETARY FUNDS - ENTERPRISE FUNDS
COMBINED STATEMENT OF CHANGES IN RETAINED EARNINGS AND CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1996

	RETAINED EARNINGS	CONTRIBUTED CAPITAL	TOTAL
BEGINNING BALANCE	\$ 15,871,558	\$ 16,762,579	\$ 32,634,138
Prior period adjustment (Note 17)	<u>(255,757)</u>	<u>245,690</u>	<u>(10,067)</u>
Adjusted beginning balance	15,615,801	17,008,269	32,624,070
Net income (loss)	(924,871)	--	(924,871)
Other - donated lines	--	214,550	214,550
Depreciation of assets purchased with contributed capital	<u>988,310</u>	<u>(988,310)</u>	<u>--</u>
ENDING BALANCE	<u>\$ 15,689,230</u>	<u>\$ 16,234,509</u>	<u>\$ 31,923,739</u>

See accompanying notes.

ST. BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
PROFESSORY FUNDS - ENTERPRISE FUNDS
COMBINED STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 1998

OPERATING REVENUES: (Note 1)	
User fees	\$ 6,364,807
Other operating income	199,278
Total operating revenues	<u>6,564,085</u>
OPERATING EXPENSES: (Note 1)	
Personnel services and related benefits	3,803,523
Utilities	802,333
Contractual services, supplies, and materials	1,518,068
Professional services	64,348
Insurance	387,410
Depreciation and amortization (Note 4)	2,481,331
Other	222,804
Total operating expenses	<u>6,341,896</u>
OPERATING INCOME (LOSS)	<u>(2,014,271)</u>
NONOPERATING REVENUES (EXPENSES):	
Ad valorem tax form:	
Operation and maintenance	714,894
Debt retirement	586,814
State revenue sharing	88,730
Interest earnings:	
Construction	743
Other	87,807
Interest and bank fees	(689,818)
Deductions from ad valorem taxes form:	
Operation and maintenance	(27,814)
Debt retirement	(27,280)
Total nonoperating revenues (expenses)	<u>1,058,384</u>
NET INCOME (LOSS)	<u>\$ (204,871)</u>

See accompanying notes.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
 BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
 FOR THE YEAR ENDED DECEMBER 31, 1995

(Continued)

2. A balance of \$300,000 must be maintained in the renewal and replacement cash account. This balance was not maintained throughout the year.
3. Monthly deposits of 5% of prior month's operating expenditures must be deposited into the renewal and replacement cash account for repairs and maintenance cost. These deposits must be made by the 25th day of the month. For four months tested two of the deposits were not made on a timely basis.
4. A ratio of net revenues to average annual debt service of not less than 1.25 to 1 must be met for each bond year. The bond debt ratio for the year ended December 31, 1995 is 1.29 to 1.

We considered the above instances of noncompliance in forming our opinion on whether the 1995 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated March 12, 1997, except for Note 20 as to which the date is April 26, 1997, on those financial statements.

We noted other instances of noncompliance that we have reported to the management of St. Bernard Parish Government, Department of Public Works Water and Sewer Division in a separate letter dated March 22, 1997.

This report is intended for the information of the St. Bernard Parish Council, management, and the Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Debra L. Chapman, CPA & Partner LLP

15. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 (A) Fund Types and Account Groups
 COMBINED BALANCE SHEET, DECEMBER 31, 1996

ASSETS

ASSETS:

Current assets:

Cash and cash equivalents	\$ 187,798
Receivables:	
Customer billing, net of allowance for doubtful accounts of \$44,846 (Note 1)	308,500
Ad valorem taxes	680,350
State revenue sharing	98,394
Unbilled charges	442,482
Inventory (Note 1)	98,319
Prepaid expenses	50,089
Total current assets	<u>1,826,187</u>

Restricted assets:

Cash and cash equivalents:	
Customer meter deposits (Note 10)	47,908
Customer meter deposits refund	2,404
Revenue bond debt service reserve	1,179,848
Revenue bond debt service account	150,800
Other debt service account	443,850
Receivables:	
Claims receivable - river intake structure (Note 14)	348,530
Ad valorem taxes	808,323
Total restricted assets	<u>2,832,189</u>

Property, plant, and equipment (net of accumulated depreciation) (Note 4)	47,825,981
Unamortized debt expense (Note 1)	<u>373,981</u>

TOTAL ASSETS

\$ 47,267,787

See accompanying notes.

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 1998

3. PENSION PLAN (Continued)

As of December 31, 1998, the number of members covered under Plan A of the System on a statewide basis and its makeup could not be determined due to the unavailability of the System's comprehensive annual financial statements. However, as of December 31, 1998, there were 31,334 members covered under Plan A of the system on a statewide basis, of which 3,860 are retired beneficiaries, 5,956 are terminated and due a benefit or refund, 12,327 are active employees and 91 are DROP participants.

All full-time employees of the Water and Sewer Division are required to participate in the System. Under Plan A, any member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, or 30 years of creditable service and is at least age 60. Benefit rates are one percent of final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) plus \$2.00 per month for each year of service credited prior to January 1, 1980, and three percent of final average compensation for each year of service after January 1, 1980. The benefits may not exceed the greater of 100% of an employee's final salary (last 12 months) or the final average compensation. A member is eligible to retire and receive disability benefits if he has at least 5 years of creditable service, is not eligible for normal retirement and suffers disability which has been certified by the State Medical Disability Board. The rate is 3 percent of the member's final compensation multiplied by his years of creditable service under certain conditions outlined in the statute. Upon the death of a member with 5 or more years of creditable service, the Plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statute, the benefits range from 30 to 60 percent of the member's final compensation. Benefits are established by state statute.

Contributions to the System include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan for the previous fiscal year. State statute requires employees covered by Plan A to contribute 9.50 percent of their salary to the System. The Water and Sewer Division is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The required contributions for the Water and Sewer Division for the year ended December 31, 1998 was 8.00% of the salary of each covered employee.

The actuarially determined contribution requirements for the year ended December 31, 1998 could not be determined. Actual contributions made by the Water and Sewer Division for the year ended December 31, 1998 were \$254,585, which was comprised of \$204,068 or 8.00% of covered payroll in employer contributions and \$220,445 or 8.5% of covered payroll in employee contributions. The percentage of Water and Sewer Division contributions to the System's contributions could not be calculated due to the unavailability of the System's comprehensive annual financial report.



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MEMBERSHIP

INDEPENDENT AUDITOR'S REPORT

March 12, 1997
except for Note 20 as to
which the date is April 16, 1997

St. Bernard Parish Council
St. Bernard Parish Government
Department of Public Works
Water and Sewer Division
Chalmette, Louisiana 70043

We have audited the accompanying financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the districts, component units of the St. Bernard Parish Government under generally accepted accounting principles, as of and for the year ended December 31, 1996, as listed in the index to the report. These financial statements are the responsibility of management of the St. Bernard Parish Government Department of Public Works Water and Sewer Division. 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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 districts as of December 31, 1996, and the results of 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 a report dated March 12, 1997 on our consideration of the St. Bernard Parish Government Department of Public Works Water and Sewer Division's internal control structure and a report dated March 12, 1997 on its compliance with laws and regulations.

ST. BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
INCLUDING DISTRICTS

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DECEMBER 31, 1998

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REPORT

ST. BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
INCLUDING DISTRICTS

DECEMBER 31, 1966

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: APR 15 1967

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PROPRIETARY FUNDS - ENTERPRISE FUNDS

WATER AND SEWER DIVISION FUND

The Division Fund accounts for the operations and capital improvements of the water and sewerage systems of the parish, along with the debt service relating to the \$1,350,000 and \$7,650,000 revenue bond issues dated December 1, 1991 and April 1, 1994.

WATER AND SEWER DISTRICT FUNDS

The individual water and sewer district funds account for the ad valorem taxes and state revenue sharing monies received for the maintenance, operations, and debt service of the respective districts. The portion of monies relating to maintenance and operations are transferred to the Division Fund, which pays the operating expenses of the individual districts. Each individual water and sewer district accounts for long-term debt relating to its respective district.

ST BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 COMBINED BALANCE SHEET
 DECEMBER 31, 1998

ASSETS	WATER AND SEWER		WATER DISTRICT		SEWERAGE DISTRICT		TOTAL
	DECEMBER	31, 1998	31, 1998	31, 1998	31, 1998	31, 1998	
Current assets:							
Cash and cash equivalents	\$	18,700	\$	--	\$	--	\$0,000
Receivables							
Customer billing, net of allowance		200,000		--		--	200,000
For doubtful accounts of \$40,000		--		40,000		--	40,000
All other items		--		30,000		--	30,000
State income sharing		--		--		10,000	10,000
Unbilled charges		400,000		--		--	400,000
Inventory		50,000		--		--	50,000
Prepaid expenses		50,000		--		--	50,000
Total current assets		<u>1,000,000</u>		<u>170,000</u>		<u>100,000</u>	<u>1,270,000</u>
Restricted assets:							
Cash and cash equivalents							
Customer water deposits		45,000		--		--	45,000
Customer water deposits related		1,000		--		--	1,000
Revenue bond debt service reserve		1,110,000		--		--	1,110,000
Revenue bond debt service account		300,000		--		--	300,000
Water main service account		--		100,000		100,000	100,000
Miscellaneous							
Water intakes		300,000		--		--	300,000
All other items		--		100,000		100,000	100,000
Total restricted assets		<u>1,855,000</u>		<u>200,000</u>		<u>200,000</u>	<u>2,055,000</u>
Property, plant, and equipment (net of accumulated depreciation)		25,000,000		10,000,000		5,000,000	40,000,000
Deferred bond issue expense		200,000		--		100,000	300,000

WATER AND SEWER

1 25,000,000 2 10,000,000 3 5,000,000 4 100,000 5 100,000 6 200,000

LIABILITIES AND STOCKHOLDERS' EQUITY	2018		2017		2016
	2018	2017	2017	2016	
CURRENT LIABILITIES:					
Current liabilities payable from current assets:					
Accounts payable	\$ 424,807	\$ --	\$ --	\$ --	\$ 424,807
Unearned claims payable	207,805	--	--	--	207,805
Liabilities payable from all sources:					
Leases - operating and maintenance	--	14,100	--	2,400	20,500
Leases payable - current portion	27,500	--	--	--	27,500
Salaries payable	85,140	--	--	--	85,140
Reclassification claims payable	40,507	--	--	--	40,507
Cost contracts	194,400	--	--	--	194,400
Due to Other (2017) No. 1	17,400	--	17,400	--	--
Cost contracts - current and replacement	204,000	--	--	--	204,000
Total liabilities payable from current assets	3,403,651	34,100	170,800	--	3,608,551
Current liabilities payable from restricted assets:					
Liabilities payable from all sources:					
Costs - 2017 services	--	4,100	--	4,100	4,100
Bonds payable	600,000	100,000	--	60,000	1,000,000
Accrued interest payable	100,000	1,000	--	10,000	100,000
Contract deposits	600,000	--	--	--	600,000
Contract deposits	60,000	--	--	--	60,000
Referred credit-line totals	100,000	--	--	--	100,000
Total liabilities payable from restricted assets	3,663,651	105,100	--	74,100	4,000,000
Long-term liabilities:					
Accrued contract lease	207,805	--	--	--	207,805
Leases payable	14,100	--	--	--	14,100
Bonds payable	3,000,000	100,000	--	60,000	3,000,000
Total long-term liabilities	3,221,905	100,000	--	60,000	3,200,000
Total liabilities	6,625,556	234,100	170,800	300,000	6,808,551
STOCKHOLDERS' EQUITY:					
Contributed capital	3,000,000	3,000,000	--	3,000,000	3,000,000
Retained earnings:					
Reserves:					
Capital reserve and replacement	3,000,000	--	--	--	3,000,000
Contract reserve	1,400,000	--	--	--	1,400,000
Other (2017)	100,000	--	--	--	100,000
Unreserved	2,000,000	3,000,000	80,800	3,000,000	2,000,000
Total retained earnings	4,000,000	3,000,000	80,800	3,000,000	4,000,000
Total stock equity	7,000,000	6,000,000	80,800	6,000,000	7,000,000
Total liabilities and stock equity	\$ 13,625,556	\$ 12,234,100	\$ 251,600	\$ 900,000	\$ 13,808,551

ST BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
PROPRIETARY FUNDS - ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1996

	WATER REVENUE		SEWER REVENUE		TOTAL	
	NO. 1	NO. 2	NO. 1	NO. 2	NO. 1	NO. 2
OPERATIONS REVENUES						
Water fees	\$ 4,000,000	\$ --	\$ --	\$ --	\$ --	\$ 4,000,000
Water operating income	180,500	--	--	--	--	180,500
Total operating revenues	4,180,500	--	--	--	--	4,180,500
OPERATING EXPENSES						
Personnel services and related benefits	2,000,000	--	--	--	--	2,000,000
Utilities	900,000	--	--	--	--	900,000
Contractual services, supplies, and materials	1,000,000	--	--	--	--	1,000,000
Professional services	80,000	--	--	--	--	80,000
Insurance	200,000	--	--	--	--	200,000
Materials and equipment	1,000,000	100,000	100,000	100,000	100,000	1,200,000
Other	300,000	--	--	--	--	300,000
Total operating expenses	5,280,000	100,000	100,000	100,000	100,000	5,380,000
OPERATING LOSS	(1,099,500)	(100,000)	(100,000)	(100,000)	(100,000)	(1,299,500)
NONOPERATING REVENUES (EXPENSES)						
Oil volume discount	--	400,000	--	1,000	100,000	100,000
Operation and maintenance cost recovery	--	100,000	--	80,000	100,000	100,000
State revenue sharing (interest earnings)	--	50,000	--	100	50,000	50,000
Construction	100	--	--	--	--	100
Other	10,000	1,000	100	5,000	10,000	10,000
Interest and bank fees	(400,000)	(10,000)	--	(10,000)	(10,000)	(410,000)
Subsidies from all other state funds	--	--	--	--	--	--
Operation and maintenance cost recovery	--	(10,000)	--	--	(10,000)	(10,000)
Debt retirement	--	(10,000)	--	(10,000)	(10,000)	(10,000)
Total nonoperating revenues (expenses)	(289,900)	380,000	100	15,000	380,000	380,000
NET LOSS BEFORE OPERATING TAXATION	(1,389,400)	280,000	(100,000)	(100,000)	380,000	(1,109,400)
OPERATING TAXATION IN (OUT)	380,000	(100,000)	100,000	(100,000)	(100,000)	--
NET INCOME (LOSS)	\$ (1,009,400)	\$ 180,000	\$ (100,000)	\$ (100,000)	\$ 280,000	\$ (1,109,400)

ST BERNARD PARISH GOVERNMENT
DEPARTMENT OF PUBLIC WORKS
WATER AND SEWER DIVISION
(INCLUDING DISTRICTS)
PROPRIETARY FUNDS - ENTERPRISE FUNDS

COMBINING STATEMENT OF CHANGES IN RETAINED EARNINGS AND CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1998

	WATER AND SEWER DIVISION		WATER DISTRICT		SEWER DISTRICT		TOTAL
	88.1	88.2	88.1	88.2	88.1	88.2	
RETAINED EARNINGS - BEGINNING BALANCE	\$ 1,258,885	\$ 2,748,181	\$ 898,838	\$ 1,401,188	\$ 288,400	\$	\$ 6,395,502
Year period adjustment	(294,282)	---	---	---	---	---	(294,282)
Adjusted retained earnings - beginning balance	964,603	2,748,181	898,838	1,401,188	288,400	\$	6,101,220
Net income (loss)	809,850	(28,792)	25,498	(244,445)	(21,240)	\$	589,851
Depreciation of assets purchased with contributed capital	185,238	101,488	---	109,281	184,284	\$	480,311
Retained earnings - ending balance	\$ 1,959,691	\$ 2,820,877	\$ 924,336	\$ 1,485,924	\$ 451,444	\$	\$ 6,692,272
CONTRIBUTED CAPITAL - BEGINNING BALANCE	\$ 111,444	\$ 478,476	\$	\$ 1,098,325	\$ 1,038,875	\$	\$ 3,727,120
Year period adjustment	(81,400)	---	---	---	---	---	(81,400)
Adjusted contributed capital - beginning balance	30,044	478,476	---	1,098,325	1,038,875	\$	\$ 3,645,720
Net - donated items	114,000	---	---	---	---	\$	114,000
Depreciation of assets purchased with contributed capital	(289,282)	(241,888)	---	(145,178)	(239,232)	\$	(915,580)
Contributed capital - ending balance	\$ 1,124,762	\$ 2,236,588	\$	\$ 953,147	\$ 799,643	\$	\$ 4,713,140
TOTAL NET EQUITY	\$ 3,084,453	\$ 5,057,465	\$ 924,336	\$ 2,439,071	\$ 1,251,087	\$	\$ 11,405,412

ST. BERNARD PARISH WATER AND SEWER COMMISSION
(INCLUDING DISTRICTS)
ST. BERNARD PARISH GOVERNMENT
PROPRIETARY FUNDS - INTERFUND FUNDS
COMBINING STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 1998

	1998-1999	1997-1998		1996-1997		1995
		ML-1	ML-2	ML-1	ML-2	
CASH FLOW FROM OPERATING ACTIVITIES:						
Operating loss	\$ (202,488)	\$ (294,021)	\$ (28,828)	\$ (205,915)	\$ (241,888)	\$ (2,891,176)
Adjustments to reconcile the net operating loss to net cash provided for operating activities:						
Depreciation and amortization	1,282,879	294,121	26,879	285,963	251,888	2,481,121
Change in assets and liabilities:						
Increase in accounts receivable	21,276	--	--	--	--	21,276
Increase in inventory	22,288	--	--	--	--	22,288
Increase in prepaid expenses	15,480	--	--	--	--	15,480
Increase in prepaid supplies and materials	424,240	--	--	--	--	424,240
Increase in deferred charges	80,282	--	--	--	--	80,282
Increase in accounts payable - other	(288,000)	--	--	--	--	(288,000)
Total adjustments	1,737,865	294,121	26,879	285,963	251,888	2,135,866
Net cash provided by operating activities	535,377	--	--	--	--	544,690
CASH FLOW FROM NONOPERATING FINANCING ACTIVITIES:						
All other loans - operations and maintenance	--	261,488	124,871	21,000	288,888	105,214
State revenue sharing	--	86,128	--	1,424	26,488	21,276
Negative cash balances liability financed transfer (out) from other funds	(24,584)	--	--	--	--	(24,584)
Net cash provided by nonoperating financing activities	54,914	347,616	124,871	22,424	315,376	101,906
CASH FLOW FROM CAPITAL FINANCING ACTIVITIES:						
All other loans - debt retirement	--	(111,791)	--	(87,790)	(88,887)	(77,887)
Payment on capital loans	(12,882)	--	--	--	--	(12,882)
Interest paid on capital loans	(21,282)	--	--	--	--	(21,282)
Purchase of capital assets	(212,884)	--	--	--	--	(112,884)
Principal paid on bonds	(287,000)	(212,884)	--	(28,888)	(281,888)	(2,121,888)
Interest paid on bonds	(288,884)	(221,884)	--	(221,888)	(221,888)	(2,121,888)
Net cash provided (used) by capital financing activities	(1,100,832)	(434,669)	--	(338,668)	(512,668)	(3,110,196)
CASH FLOW FROM INVESTING ACTIVITIES:						
Interest on cash management account	16,282	1,424	98	3,424	12,728	91,128
Net cash provided by investing activities	16,282	1,424	98	3,424	12,728	91,128
Net increase (decrease) in cash and cash equivalents	(549,273)	12,341	98	14,116	16,128	(181,888)
Cash and cash equivalents at beginning of year	1,028,788	221,887	26,880	21,888	222,128	2,241,128
Cash and cash equivalents at end of year	\$ 479,515	\$ 234,228	\$ 26,978	\$ 36,004	\$ 238,256	\$ 2,059,240

ST. BERNARD PARISH GOVERNMENT
 DEPARTMENT OF PUBLIC WORKS
 WATER AND SEWER DIVISION
 (INCLUDING DISTRICTS)
 SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS
 YEARS 2007 - 2011

YEAR	WATER AND SEWER DIVISION 1991 AND 1994 REVENUE BONDS		
	PRINCIPAL	INTEREST	TOTAL
2007	\$ 578,000	\$ 439,862	\$ 1,017,862
2008	669,000	412,182	1,081,182
2009	729,000	381,998	1,110,998
2010	768,000	349,518	1,117,518
2011	798,000	314,968	1,112,968
2007	838,000	276,608	1,114,608
2008	875,000	236,165	1,111,165
2009	919,000	193,025	1,112,025
2010	966,000	148,975	1,114,975
2011	1,018,000	98,438	1,116,438
2007	105,000	41,000	146,000
2008	118,000	34,300	152,300
2009	129,000	28,600	157,600
2010	129,000	18,300	147,300
2011	135,000	9,400	144,400
TOTAL DEBT SERVICE REQUIREMENTS	\$ 8,838,000	\$ 2,375,395	\$ 11,213,395

LIABILITIES AND FUND EQUITY

LIABILITIES:

Current liabilities (payable from current assets):

Accounts payable	\$ 404,287
Uninsured claims payable (Note 11)	107,885
Deductions payable from ad valorem taxes - operating and maintenance	22,014
Lease payable - current portion (Note 7)	13,588
Salaries payable	88,548
Hospitalization claims payable	48,867
Cash overdraft	798,458
Cash overdraft - renewal and replacement	354,273
Total liabilities payable from current assets	<u>1,841,855</u>

Current liabilities (payable from restricted assets):

Deductions payable from ad valorem taxes - debt service	23,791
Bonds payable (Note 8)	1,218,000
Accrued interest payable	270,058
Customer deposits (Note 18)	895,273
Inspection deposit	38,000
Deferred credit - river intake (Note 14)	138,373
Total liabilities payable from restricted assets	<u>2,872,495</u>

Long-term liabilities:

Accrued vacation leave (Note 25)	247,618
Leases payable (Note 7)	11,558
Bonds payable (Note 8)	11,524,000
Total long-term liabilities	<u>11,783,186</u>

Total liabilities

15,802,337

FUND EQUITY:

Contributed capital	16,236,219
Retained earnings:	
Reserves: (Note 9)	
Capital renewal and replacement	5,724,548
Construction	1,487,800
Debt service	(898,993)
Unreserved	9,115,808
Total retained earnings	<u>15,829,163</u>
Total fund equity	<u>31,865,382</u>

TOTAL LIABILITIES AND FUND EQUITY

\$ 47,762,719