# FINANCIAL REPORT

# CONSOLIDATED WATERWORKS

# DISTRICT NO. 1

## PARISH OF JEFFERSON

## STATE OF LOUISIANA

## DECEMBER 31, 1995

# FINANCIAL REPORT

CONSOLIDATED WATERWORKS DISTRICT NO. 1

PARISH OF JEFFERSON

STATE OF LOUISIANA

DECEMBER 31, 1995

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# FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Parish President and
The Honorable Jefferson Parish Council
Jefferson Parish, Louisiana

We have audited the accompanying financial statements of the Consolidated Waterworks District No. 1 (the District), a component unit of the Parish of Jefferson, State of Louisiana, as of and for the years ended December 31, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note A, the financial statements present only the Consolidated Waterworks District No. 1 and are not intended to present fairly the financial position of the Parish of Jefferson, State of Louisiana, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In accordance with **Government Auditing Standards**, we have also issued a report dated April 25, 1996 on our consideration of the District's internal control structure and a report dated April 25, 1996 on its compliance with laws and regulations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Waterworks District No. 1 of the Parish of Jefferson, State of Louisiana, as of December 31, 1995 and 1994 and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits of the financial statements were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information shown on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements of the Consolidated Waterworks District No. 1 of the Parish of Jefferson, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audits 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.

Derbes & Company

April 25, 1996



DERBES & COMPANY CERTIFIED PUBLIC ACCOUNTANTS, L.L.C.
3027 RIDGELAKE DRIVE • POST OFFICE BOX 8176 • METAIRIE, LOUISIANA 70011 • TELEPHONE 504/837-2200

COMPONENT UNIT FINANCIAL STATEMENTS

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**
**Jefferson Parish, Louisiana**
**Balance Sheets**

**December 31, 1995 and 1994**

| ASSETS | 1995 | 1994 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 2,051,092 | $ 1,108,311 |
| Investments | 1,997,165 | 2,842,329 |
| Share of pooled assets | 1,742,000 | - |
| Receivables | | |
| Accounts | 2,825,841 | 3,118,189 |
| Ad valorem taxes | 2,276,829 | 3,313,245 |
| Due from other governments | 3,995 | 10,868 |
| Miscellaneous | 18 | 18 |
| Accrued interest | 49,775 | 11,374 |
| Prepaid expenses | 5,717 | 5,637 |
| Inventory, at average cost | 2,083,142 | 1,845,825 |
| Total current assets | 13,035,574 | 12,255,796 |
| Restricted assets | | |
| Revenue bond sinking fund | 207,989 | 188,581 |
| Revenue bond reserve fund | 935,127 | 935,201 |
| Revenue bond capital additions and contingencies fund | 1,727,108 | 564,421 |
| Customers' meter deposit fund | 3,619,303 | 3,509,046 |
| Construction fund | 21,077,142 | 20,927,712 |
| Total restricted assets | 27,566,669 | 26,124,961 |
| Property, plant, and equipment | | |
| Land | 1,743,464 | 1,743,464 |
| Plant and equipment | 151,746,863 | 142,639,756 |
| | 153,490,327 | 144,383,220 |
| Less accumulated depreciation | (58,059,507) | (54,338,569) |
| | 95,430,820 | 90,044,651 |
| Construction in progress | 4,158,240 | 5,208,711 |
| Total property, plant, and equipment | 99,589,060 | 95,253,362 |
| TOTAL ASSETS | $ 140,191,303 | $ 133,634,119 |

[Continued]

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**
**Jefferson Parish, Louisiana**
**Balance Sheets (Continued)**

**December 31, 1995 and 1994**

| LIABILITIES AND FUND EQUITY | 1995 | 1994 |
|---|---|---|
| Current liabilities | | |
| Due to other governments | $ 425,403 | $ 332,572 |
| Due to primary government | - | 1,087,042 |
| Accounts payable | 339,721 | 258,901 |
| Retainage payable | 37,542 | 87,159 |
| Sales taxes payable | 47,349 | 57,991 |
| Accrued payroll expenses | 1,578,358 | 1,538,956 |
| Accrued claims payable | - | - |
| Deferred revenue | 2,355,677 | 3,376,224 |
| Total current liabilities | 4,784,050 | 6,738,845 |
| Current liabilities payable from restricted assets | | |
| Contracts payable | 374,073 | 702,809 |
| Retainage payable | 518,887 | 250,768 |
| Accrued interest | 11,433 | 18,323 |
| Customers' meter deposits payable | 3,619,303 | 3,509,046 |
| Current portion of revenue bonds | 835,000 | 795,000 |
| Deferred revenue | 3,533,515 | 2,250,816 |
| Total current liabilities payable from restricted assets | 8,892,211 | 7,526,762 |
| Long-term liabilities | | |
| Revenue bonds (net of current portion) | 880,000 | 1,715,000 |
| Total liabilities | 14,556,261 | 15,980,607 |
| Fund equity | | |
| Contributed capital | | |
| Parish | 971,064 | 1,002,460 |
| Subdividers | 3,500,126 | 3,718,599 |
| Citizens | 203,722 | 215,297 |
| Ad valorem tax bonds | 7,241,806 | 7,479,030 |
| Other governments | 2,316,166 | 2,437,053 |
| Federal government | 3,612,785 | 3,823,469 |
| Total contributed capital | 17,845,669 | 18,675,908 |
| Retained earnings | | |
| Reserved for revenue bond retirement | 2,023,791 | 874,880 |
| Reserved for construction | 16,650,667 | 17,723,319 |
| Reserved from former Eastbank District | 50,141,434 | 50,141,434 |
| Reserved from former Westbank District | 18,056,358 | 18,056,358 |
| Unreserved | 20,917,123 | 12,181,613 |
| Total retained earnings | 107,789,373 | 98,977,604 |
| Total fund equity | 125,635,042 | 117,653,512 |
| TOTAL LIABILITIES AND FUND EQUITY | $ 140,191,303 | $ 133,634,119 |

The accompanying notes are an integral part of this statement.

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**
**Jefferson Parish, Louisiana**
**Statements of Revenues, Expenses and Changes in Retained Earnings**

**For the Years Ended December 31, 1995 and 1994**

| | 1995 | 1994 |
|---|---|---|
| Operating revenue | | |
| Water sales | $ 14,718,492 | $ 14,134,086 |
| Service charges | 2,105,687 | 2,101,007 |
| Sprinkler charges | 188,298 | 189,405 |
| Delinquent charges | 460,206 | 411,568 |
| Installation and reconnection fees | 412,428 | 424,691 |
| Other service charges | 153,145 | 144,150 |
| Total operating revenues | 18,038,256 | 17,404,907 |
| Operating expenses | | |
| Personnel | 5,848,550 | 6,148,195 |
| Supplies and office expenses | 382,987 | 333,554 |
| Operating supplies and materials | 2,459,251 | 2,875,849 |
| Buildings | 20,942 | 24,059 |
| Outside services | 1,183,794 | 1,458,686 |
| Transportation | 438,773 | 463,282 |
| General | 3,916,432 | 3,821,686 |
| Depreciation | 3,829,192 | 3,685,183 |
| Total operating expenses | 18,079,921 | 18,810,494 |
| Operating income (loss) | (41,665) | (1,405,587) |
| Nonoperating revenues (expenses) | | |
| Taxes | 5,563,187 | 5,450,195 |
| State revenue sharing | 696,822 | 660,708 |
| Federal grants | 12,821 | 3,888 |
| Interest income | 1,933,229 | 1,324,384 |
| Interest expense | (103,050) | (142,656) |
| Net gain/(loss) on transfer of fixed assets | (1,798) | (55,301) |
| Probable claims | - | 34,410 |
| Nonoperating revenues (expenses) | 8,101,211 | 7,275,628 |
| Income before operating transfers | 8,059,546 | 5,870,041 |
| Operating transfers out | (94,419) | (106,250) |
| Net income | 7,965,127 | 5,763,791 |
| Add depreciation on property, plant, and equipment acquired by capital contributions that reduces contributed capital | 846,642 | 844,381 |
| Increase in retained earnings | 8,811,769 | 6,608,172 |
| Retained earnings, January 1, as restated | 98,977,604 | 92,369,432 |
| Retained earnings, December 31 | $ 107,789,373 | $ 98,977,604 |

The accompanying notes are an integral part of this statement.

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**
**Jefferson Parish, Louisiana**
**Statements of Cash Flows**

**For the Years Ended December 31, 1995 and 1994**

| | 1995 | 1994 |
|---|---|---|
| Cash flows from operating activities | | |
| Operating income (loss) | $ (41,665) | $ (1,405,587) |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 3,829,192 | 3,685,183 |
| Changes in assets and liabilities | | |
| (Increase) decrease in receivables | 292,348 | (62,138) |
| (Increase) decrease in inventory | (237,317) | (56,815) |
| (Increase) decrease in prepaid expenses | (80) | 1,921 |
| Increase (decrease) in payables | 52,775 | 598,410 |
| Increase (decrease) in accrued liabilities | 39,402 | (50,782) |
| Increase (decrease) in due to primary government | - | 1,087,042 |
| Increase (decrease) in customers' meter deposits payable | - 110,257 | 112,724 |
| Total adjustments | 4,086,577 | 5,315,545 |
| Net cash provided by (used for) operating activities | 4,044,912 | 3,909,958 |
| Cash flows from noncapital financing activities | | |
| Taxes | 5,961,176 | 5,451,972 |
| State revenue sharing | 696,822 | 660,708 |
| Federal grants | 12,821 | 3,888 |
| Probable claims | - | (15,590) |
| Operating transfers to other Jefferson Parish funds | (94,419) | (106,250) |
| Net cash provided by (used for) noncapital financing activities | 6,576,400 | 5,994,728 |
| Cash flows from capital and related financing activities | | |
| Acquisition of fixed assets | (1,759,140) | (761,049) |
| Additions to construction in progress | (7,841,062) | (6,452,951) |
| Additions from Lien Ordinance 31 | - | 886 |
| Principal paid on revenue bond maturities | (795,000) | (755,000) |
| Interest paid on revenue bonds | (109,940) | (149,200) |
| Capital contributed by other governments | - | 67,300 |
| Net cash provided by (used for) capital and related financing activities | (10,505,142) | (8,050,014) |

[Continued]

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**
**Jefferson Parish, Louisiana**
**Statements of Cash Flows (Continued)**

**For the Years Ended December 31, 1995 and 1994**

| | 1995 | 1994 |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of investments | $ (24,504,217) | $ (12,604,787) |
| Proceeds from sales and maturities | 24,982,056 | 11,736,208 |
| Interest on investments | 1,892,497 | 1,336,014 |
| Net cash provided by (used for) investing activities | 2,370,336 | 467,435 |
| Net increase (decrease) in cash and cash equivalents | 2,486,506 | 2,322,107 |
| Cash and cash equivalents, January 1 | 20,899,055 | 18,576,948 |
| Cash and cash equivalents, December 31 | $ 23,385,561 | $ 20,899,055 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | |
| Change in estimate of accrued claims payable | $ - | $ (50,000) |
| Effect on net income for change in estimate of accrued claims payable | - | 50,000 |
| | $ - | $ - |
| Cash and cash equivalents at December 31 consists of: | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,051,092 | $ 1,108,311 |
| Share of pooled assets | 1,742,000 | - |
| | 3,793,092 | 1,108,311 |
| Restricted assets: | | |
| Cash | 63,012 | 322,483 |
| Share of pooled assets | 19,529,457 | 19,468,261 |
| | 19,592,469 | 19,790,744 |
| Total | $ 23,385,561 | $ 20,899,055 |

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Waterworks District No. 1 of the Parish of Jefferson (the District) was created effective January 1, 1992, pursuant to Ordinance #18418, adopted by the Jefferson Parish Council on December 4, 1991, and includes all of the territory within former East Jefferson Waterworks District Number One and Consolidated Waterworks District No. 2 of the Parish of Jefferson, Louisiana (which included the former Sub-Waterworks District No. 1 of Consolidated Waterworks District No. 2 of the Parish of Jefferson, Louisiana). The District was established for the purpose of maintaining an adequate supply of water for the residents of the unincorporated areas of Jefferson Parish, Louisiana. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. <u>REPORTING ENTITY</u>
For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 1, the District is a component unit of Jefferson Parish, Louisiana (the Parish), the reporting entity (the Oversight Unit). The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of Jefferson Parish, Louisiana.

2. <u>FUND ACCOUNTING</u>
The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District is presented in the accompanying financial statements as follows:

   a. <u>Proprietary Fund</u>

      (1) <u>The Enterprise Fund</u> is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. <u>BASIS OF ACCOUNTING</u>
The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

4. <u>CASH, INVESTMENTS AND SHARE OF POOLED ASSETS</u>
The "Share of Pooled Assets" of the District are pooled in the appropriate Jefferson Parish consolidated funds and invested directly by the Parish. Interest earned on the pooled investments is allocated to the various funds based on each fund's month-end "Share of Pooled Assets" balance. Pooled assets are carried at cost plus accrued interest.

For purposes of the Statement of Cash Flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Investments are stated at amortized cost, subject to adjustment for market declines judged to be other than temporary. Discounts and premiums on the purchase of investments are amortized over the life of the investment remaining from the date of purchase to the date of maturity.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH, INVESTMENTS AND SHARE OF POOLED ASSETS (Continued)
All of the District's deposits, including cash and certificates of deposit, are carried at cost.

Louisiana statutes permit the District to invest in United States bonds, treasury notes, or certificates or other obligations of the U.S. Government and agencies of the U.S. Government which are federally sponsored, and certificates of deposit of state banks and national banks having their principal office in the state of Louisiana, or in mutual or trust fund institutions which are registered and which have underlying investments limited to securities of the U.S. Government or its agencies.

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS
The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable.

6. INVENTORY
Inventory of materials and supplies in the District is valued at average cost.

7. RESTRICTED ASSETS
Ordinance No. 8482, which authorized the issuance of the revenue bonds for the former Consolidated Waterworks District No. 2, also restricted certain assets of the District for various purposes related to the bond issue.

The Revenue Bond Sinking Fund of the former Consolidated Waterworks District No. 2 was established to pay promptly and fully the principal of and the interest on the revenue bonds. This fund is financed by transferring monthly from the unrestricted assets of the District a sum equal to one-sixth (1/6) of the interest falling due on the next payment date and a sum equal to one-twelfth (1/12) of the principal falling due on the next principal payment date.

The Revenue Bond Reserve Fund of the former Consolidated Waterworks District No. 2 was established to provide solely for the purpose of paying the principal of and interest on bonds payable from the aforesaid Revenue Bond Sinking Fund, should its funds prove to be insufficient. The fund is to be kept at an amount equal to the highest combined principal and interest requirements for any succeeding fiscal year for the revenue bonds issued.

The Capital Additions and Contingencies Fund of the former Consolidated Waterworks District No. 2 was created for the following priorities:

1. For the payment of currently maturing principal of and interest on any of the bonds whenever and to the extent that there is insufficient money in the Revenue Bond Sinking Fund and the Revenue Bond Reserve Fund.

2. For the making of improvements, additions, extensions, replacements or repairs to the system.

3. For the creation of a special fund or reserve for any one or more of the foregoing purposes.

This fund is financed by transferring annually an amount equal to five percent (5%) of the revenues from operations after those revenues have satisfied the requirements of the Revenue Bond Sinking Fund and the Revenue Bond Reserve Fund.

Also included in restricted assets are: 1) The "Customers' Meter Deposit" account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers discontinue service, and 2) The "Construction Fund" account, which is used to segregate those resources accumulated by transfers from the operating fund to be used for capital improvements and renovations.

8. PROPERTY, PLANT, AND EQUIPMENT
Property, plant, and equipment associated with the activity of the District are recorded as assets of that fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Also, assets are capitalized for those acquired through capital contributions.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. PROPERTY, PLANT, AND EQUIPMENT (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of these assets is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives may be found in Note E. Depreciation expense applicable to those fixed assets acquired through capital contributions is closed out to the related contributed capital accounts rather than retained earnings. It is considered preferable under the matching concept, as receipts of these fixed assets have been recorded as additions to contributed capital.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

9. COMPENSATED ABSENCES
Vacation (annual leave) and sick pay (sick leave) are accrued when incurred in the District.

10. FUND EQUITY
Contributed capital is recorded for assets acquired by contributions from developers, customers or other funds.

A portion of total retained earnings of the District is reserved to indicate that a part of fund equity is legally restricted for a specific future use. Reserves for revenue bond retirement, construction and from former Eastbank and Westbank Districts are provided for in the financial statements.

11. COMPARATIVE DATA
Certain items in the District's financial statements have been reclassified from amounts previously reported for comparison purposes.

12. NEW ACCOUNTING STANDARD
For the year ended December 31, 1995, the District has implemented GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." The new standard requires a liability for claims be reported if information prior to issuance of the financial statements indicted that it is probable that a liability has been incurred at the date of the financial statements. The required disclosure can be found in Note O.

NOTE B - DEPOSITS AND INVESTMENTS

At December 31, 1995, the carrying amount of the District's deposits was $2,114,104 and the bank balance was $1,605,792. Some of the District's bank deposits are held at the same financial institutions as other funds of Jefferson Parish, thus sharing the maximum amount of federal depository insurance of that institution. No amounts were uninsured or uncollateralized at year end.

The District's investments at December 31, 1995 are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name.

| | CATEGORY | | | CARRYING | MARKET |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | AMOUNT | VALUE |
| U. S. Government Securities | $3,274,700 | - | - | $3,274,700 | $3,289,256 |
| U. S. Instrumentality securities (FNMA, FHLB, etc.) | 3,198,810 | | | 3,198,810 | 3,200,725 |
| | $6,473,510 | - | - | $6,473,510 | $6,489,981 |

CONSOLIDATED WATERWORKS DISTRICT NO. 1
Jefferson Parish, Louisiana
Notes to Financial Statements (Continued)
December 31, 1995

NOTE C - RECEIVABLES

Receivables consist of the following at December 31:

| | 1995 | 1994 |
|---|---|---|
| Accounts | $2,825,841 | $3,118,189 |
| Ad Valorem Taxes | 2,276,829 | 3,313,245 |
| Due from Other Governments | 3,995 | 10,868 |
| Miscellaneous | 18 | 18 |
| Accrued Interest | 49,775 | 11,374 |
| | $5,156,458 | $6,442,320 |

The District considers unbilled receivables at year-end to be those amounts for water and services received by customers in the current year, but not actually billed by the District until the following year. This receivable amounts to $1,022,134 for 1995 as compared to $1,122,071 for 1994.

The District had the following receivables due from other governments as of December 31, 1995:

| | |
|---|---|
| Due from Jefferson Parish Sheriff's Department | $5,827 |

NOTE D - RESTRICTED ASSETS

Restricted assets are comprised of the following for the year ended December 31, 1995:

| | REVENUE BOND DEBT SERVICE FUNDS | CUSTOMER'S DEPOSIT FUNDS | CONSTRUCTION FUNDS | TOTAL |
|---|---|---|---|---|
| Cash | $ - | $ 63,012 | $ - | $ 63,012 |
| Investments | 920,054 | 3,556,291 | - | 4,476,345 |
| Share of pooled assets | 1,935,097 | - | 17,594,360 | 19,529,457 |
| Accrued interest receivable | 15,073 | - | - | 15,073 |
| Ad valorem taxes receivable | - | - | 3,480,950 | 3,480,950 |
| Due from other governments | - | - | 1,832 | 1,832 |
| | $2,870,224 | $ 3,619,303 | $21,077,142 | $27,566,669 |

NOTE E - PROPERTY, PLANT, EQUIPMENT, DEPRECIATION AND CONSTRUCTION IN PROGRESS

A summary of changes in property, plant, equipment, depreciation and construction in progress for the year ended December 31, 1995 follows:

| | BALANCE DECEMBER 31, 1994 | ADDITIONS | COMPLETED CONSTRUCTION IN PROGRESS | NET TRANSFERS (TO) FROM OTHER FUNDS | BALANCE DECEMBER 31, 1995 |
|---|---|---|---|---|---|
| Buildings | $ 5,083,150 | $ - | $ - | $ - | $ 5,083,150 |
| Distribution system | 101,590,736 | 238,521 | 4,616,059 | - | 106,445,316 |
| Plants | 29,500,168 | 27,441 | 4,239,805 | - | 33,767,414 |
| Improvements | 370,064 | 3,244 | | - | 373,308 |
| Furniture & fixtures | 1,072,696 | 735 | - | - | 1,073,431 |
| Equipment | 3,360,635 | 54,618 | - | (63,777) | 3,351,476 |
| Vehicles | 1,662,307 | 33,721 | - | (43,260) | 1,652,768 |
| | 142,639,756 | 358,280 | 8,855,864 | (107,037) | 151,746,863 |
| Land | 1,743,464 | - | - | - | 1,743,464 |
| | 144,383,220 | 358,280 | 8,855,864 | (107,037) | 153,490,327 |
| Construction in progress | 5,208,711 | 7,805,393 | (8,855,864) | - | 4,158,240 |
| | $ 149,591,931 | $ 8,163,673 | $ - | $ (107,037) | $ 157,648,567 |

| | LIFE | ACCUMULATED DEPRECIATION DECEMBER 31, 1994 | 1995 DEPRECIATION | NET TRANSFERS (TO) FROM OTHER FUNDS | ACCUMULATED DEPRECIATION DECEMBER 31, 1995 |
|---|---|---|---|---|---|
| Buildings | 50 | $ 3,694,239 | $ 86,752 | $ - | $ 3,780,991 |
| Distribution system | 25 | 36,192,375 | 2,379,816 | - | 38,572,191 |
| Plants | 25 | 9,687,972 | 999,645 | - | 10,687,617 |
| Improvements | 25 | 41,866 | 16,148 | - | 58,014 |
| Furniture & fixtures | 10 | 998,148 | 35,441 | - | 1,033,589 |
| Equipment | 10 | 2,428,192 | 171,866 | (56,770) | 2,543,288 |
| Vehicles | 5 | 1,295,777 | 139,524 | (51,484) | 1,383,817 |
| | | $ 54,338,569 | $ 3,829,192 | $ (108,254) | $ 58,059,507 |

NOTE E - PROPERTY, PLANT, EQUIPMENT, DEPRECIATION AND CONSTRUCTION IN PROGRESS (Continued)

Construction in progress is comprised of the following at December 31, 1995:

| | PROJECT AUTHORIZATION | EXPENDED TO DECEMBER 31, 1995 | COMMITTED | REQUIRED FUTURE FINANCING |
|---|---|---|---|---|
| Plant improvements | $ 16,464,565 | $ 8,039,227 | $ 8,425,338 | NONE |

NOTE F - COMPENSATED ABSENCES

All full-time classified employees of the Parish hired prior to April 26, 1986, are permitted to accumulate and carry forward from one calendar year to the next a maximum of 90 days of accrued vacation (annual leave) and an unlimited number of days of accrued sick leave. Upon termination of employment, an employee is paid for his accumulated annual leave and, after 10 years of employment, has the option of receiving retirement credits (if eligible) or cash payment for one-half of his accumulated sick leave. Any employee who has a current balance of 90 or more days of annual leave may be reimbursed for any number up to, but not in excess of, 30 days. For budgetary purposes, requests for reimbursement must be submitted to the Finance Department in writing not later than October 1 of the year preceding the year in which reimbursement is to be made. At December 31, 1995 the amount of accrued annual and sick leave, and salary-related costs was $1,477,968 as compared to $1,429,408 at December 31, 1994.

Full-time classified employees hired after April 26, 1986, are permitted to carry forward no more than 20 days of accrued vacation (annual leave) and an unlimited number of days of accrued sick leave. Upon termination of employment an employee is paid for his accumulated annual leave and after 10 years of employment (vested) is paid up to 40 days of accrued sick leave.

Salary related costs (i.e., Medicare, Social Security, etc.) have been accrued as of December 31, 1995 in accordance with GASB Statement #16 for those employees hired after April 1, 1986. Restatement of prior periods was not considered necessary because the amounts were immaterial.

NOTE G - DUE TO OTHER GOVERNMENTS

The District had the following payables to other municipalities and governmental agencies for collections of RUDE and sewer and garbage service charges on their behalf:

| | 1995 | 1994 |
|---|---|---|
| Jefferson Parish Sheriff | $ 626 | $ 751 |
| City of Harahan | 44,856 | 24,391 |
| City of Kenner | 379,921 | 307,430 |
| | $ 425,403 | $ 332,572 |

NOTE H - LONG-TERM DEBT AND BOND COVERAGE

LONG-TERM DEBT

Revenue bonds of the former Consolidated Waterworks District No. 2 outstanding at December 31, 1995 are comprised of the following issue:

| | |
|---|---|
| $14,000,000 - Water Revenue bonds dated November 1, 1967 due in annual installments of $835,000 to $880,000 through November 1, 1997 at 4.00 % | $1,715,000 |

NOTE H - LONG-TERM DEBT AND BOND COVERAGE (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 1995, including interest payments of $103,800 are as follows:

| DECEMBER 31, | YEAR ENDING |
|---|---|
| 1996 | $ 903,600 |
| 1997 | 915,200 |
| | $ 1,818,800 |

Certain assets and retained earnings are shown as restricted and reserved for the purpose of servicing these bonds. The amount available as of December 31, 1995 is $2,870,224.

BOND COVERAGE

The Revenue Bond Debt Service Coverage for the year ended December 31, 1995 was 13.10 before depreciation and bond interest payments. This means that the net income available for debt service was approximately 1310% of the highest combined bond principal and interest payments due in any succeeding year. This is calculated as follows:

| | |
|---|---|
| Net income (loss) before operating transfers | $ 8,059,546 |
| Add: Depreciation | 3,829,192 |
| Bond interest expense | 103,050 |
| Net income before depreciation and debt service | $11,991,788 |
| Highest combined principal and interest in any succeeding year | $ 915,200 |
| Revenue Bond Debt Service Coverage | 13.10 |

The Water Revenue Bond Indentures require that net income before depreciation and bond interest payments equal at least 130% of the highest combined bond principal and interest in any succeeding year.

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**
**JEFFERSON PARISH, LOUISIANA**
**NOTES TO FINANCIAL STATEMENTS (Continued)**
**DECEMBER 31, 1995**

NOTE I - CHANGES IN CONTRIBUTED CAPITAL

A summary of changes in the District's contributed capital accounts for the year ended December 31, 1995 follows:

| | PARISH | SUBDIVIDERS | CITIZENS | AD VALOREM TAX BONDS | OTHER GOVERNMENTS | FEDERAL GOVERNMENT | TOTAL |
|---|---|---|---|---|---|---|---|
| Balances at 12/31/94 | $ 1,002,460 | $ 3,718,599 | $ 215,297 | $ 7,479,030 | $ 2,437,053 | $ 3,823,469 | $ 18,675,908 |
| Assets acquired through capital contributions during the year ended 12/31/95 | 16,403 | - | - | - | | - | 16,403 |
| Depreciation expense for the year ended 12/31/95 on fixed assets acquired through capital contributions | (47,799) | (218,473) | (11,575) | (237,224) | (120,887) | (210,684) | (846,642) |
| Balances at 12/31/95 | $ 971,064 | $ 3,500,126 | $ 203,722 | $ 7,241,806 | $ 2,316,166 | $ 3,612,785 | $ 17,845,669 |

CONSOLIDATED WATERWORKS DISTRICT NO. 1
Jefferson Parish, Louisiana
Notes to Financial Statements (Continued)
December 31, 1995

NOTE J - RETAINED EARNINGS RESERVES

Retained earnings reserved for revenue bond retirement represents the amount of retained earnings restricted for payment of principal and interest of the former Consolidated Waterworks District No. 2 revenue bonds.

Retained earnings reserved for construction that were remaining at December 31, 1991 for the former East Jefferson Waterworks District Number One and Consolidated Waterworks District No. 2 have been segregated for capital projects according to their former designations as follows:

| | (CURRENT) CONSOLIDATED WATERWORKS DISTRICT NO. 1 | (FORMER) EAST JEFFERSON WATERWORKS DISTRICT NUMBER ONE | (FORMER) CONSOLIDATED WATERWORKS DISTRICT NO. 2 | TOTAL |
|---|---|---|---|---|
| Balance, 12/31/94 | $ 6,284,526 | $ 7,499,782 | $ 3,939,011 | $ 17,723,319 |
| Interest earned | 596,715 | 342,815 | 266,894 | 1,206,424 |
| Contributed capital received | - | - | - | - |
| Construction costs incurred | (4,430,876) | (2,109,866) | (1,259,709) | (7,800,451) |
| Ad Valorem Taxes received | 2,203,518 | - | - | 2,203,518 |
| State Revenue Sharing received | 278,729 | - | - | 278,729 |
| General expense incurred | (10,872) | - | - | (10,872) |
| Transfers In (Out) | 3,614,000 | (1,300,000) | 736,000 | 3,050,000 |
| Balance, 12/31/95 | $ 8,535,740 | $ 4,432,731 | $ 3,682,196 | $ 16,650,667 |

Unreserved retained earnings that were remaining at December 31, 1991 for the former East Jefferson Waterworks District Number One and Consolidated Waterworks District No. 2 have been segregated for future use according to their former designations as follows:

| | (FORMER) EAST JEFFERSON WATERWORKS DISTRICT NUMBER ONE | (FORMER) CONSOLIDATED WATERWORKS DISTRICT NO. 2 | TOTAL |
|---|---|---|---|
| Balance, 12/31/94 | $ 50,141,434 | $ 18,056,358 | $ 68,197,792 |
| Transfers Out | ( - ) | ( - ) | ( - ) |
| Balances, 12/31/95 | $ 50,141,434 | $ 18,056,358 | $ 68,197,792 |

NOTE K - WATER RATES

Pursuant to Ordinance #18456, adopted by the Jefferson Parish Council on February 5, 1992, amending water quantity rates charged for the use of water, the following rates were applied to billings for all users of the System effective January 15, 1992:

| | MONTHLY BILLING (PER THOUSAND GALLONS) |
|---|---|
| First 0-3,000 gallons, minimum | $ 2.00 |
| Next 12,000 gallons | .92 |
| Next 235,000 gallons | .76 |
| Over 250,000 gallons | .63 |

NOTE K - WATER RATES (Continued)

| | BI-MONTHLY BILLING (PER THOUSAND GALLONS) |
|---|---|
| First 0-6,000 gallons, minimum | $ 4.00 |
| Next 24,000 gallons | .92 |
| Next 470,000 gallons | .76 |
| Over 500,000 gallons | .63 |

All other charges, including those for service charges, water meter installations, deposits on newly established accounts and fire service, sprinkler systems or internal fire protection system charges, remain the same as previously charged.

NOTE L - AD VALOREM TAX

The Parish levies an ad valorem tax on property as of November 15 of each year to finance the budget for the following year. The tax is due and becomes an enforceable lien on the property on the first day of the month following the filing of the tax rolls by the assessor with the Louisiana Tax Commission (usually December 1). The tax is delinquent 30 days after its due date. Taxes are levied based on property values determined by the Jefferson Parish Assessor's office. All land and residential improvements are assessed at 10 percent of fair market value, and other property at 15 percent of fair market value. Taxes are billed and collected by the Jefferson Parish Sheriff's Department which receives a certain millage for its services. The taxes remitted by the Sheriff's Department to the Parish are net of assessor's commission and pension fund contribution. Ad valorem taxes are recorded as revenue of the period for which levied, thus the 1994 property tax which was levied to finance the budget for 1995 was recorded as revenue for the year 1995. The 1995 property tax which was levied to finance the budget for 1996 is recorded as deferred revenue at December 31, 1995.

For the year ended December 31, ad valorem taxes were levied on behalf of the District as follows:

| PURPOSE | MILLAGE | |
|---|---|---|
| | 1995 | 1994 |
| Maintenance and Operations: Consolidated Waterworks District No. 1 | 2.00 | 3.00 |
| Capital Improvements: Consolidated Waterworks District No. 1 | 3.00 | 2.00 |

NOTE M - INTEREST COST

No interest cost was capitalized during the years ended December 31, 1995 and 1994. Interest expense incurred in the District during 1995 was $103,050 as compared to $142,656 for 1994.

NOTE N - OPERATING TRANSFERS

The District had the following operating transfers as of December 31, 1995:

| FUND TRANSFERRED TO OR FROM | OPERATING TRANSFERS IN | OPERATING TRANSFERS OUT |
|---|---|---|
| Multi-Purpose Cadastre Capital Project | $ - | $ 94,419 |

NOTE O - RISK MANAGEMENT

GENERAL LIABILITY

The Parish is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risks of loss, the Parish has established a General Liability Fund (an internal service fund). Under this program, the General Liability Fund provides coverage for up to a maximum of $500,000 for each worker's compensation claim, $500,000 for each general liability claim, and $500,000 for each automobile claim. The Parish also purchases commercial insurance for claims in excess of coverage provided by the fund.

The District makes payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" are reported as quasi-external transactions. The District's premiums were $1,360,366 and $1,118,045 for 1995 and 1994, respectively.

At December 31, 1995, the total outstanding claims liability of the General Liability Fund was $19,865,973, which includes an estimated liability for incurred but not reported claims of $5,962,524. The estimated claim liability is determined by the third-party administrator based on historical information and anticipated payments. These liabilities are based on the requirements of GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Claims liability is not available by individual fund.

HEALTH INSURANCE

The Parish provides health and accident insurance to its employees exclusively through health-maintenance organizations (HMO's) and point of service organizations (POS). Under these types of programs, the District pays initial premiums based on the level of the employee's participation and has no further liabilities on any claims.

The total amount of contributions by the District for health insurance was $338,351 and $395,356 for 1995 and 1994, respectively.

UNEMPLOYMENT COMPENSATION

The Parish is self-insured for unemployment claims filed with the state. To account for and finance these claims, the Parish has established a Self-Insurance Fund (an internal service fund) whereby each fund contributes .45 percent of its annual payroll into the fund. In 1995, the contribution was temporarily suspended until such time as additional funding is needed to cover outstanding claims. The interfund "premiums" are reported as quasi-external transactions. The District contributions were $ -0- and $20,567 for 1995 and 1994, respectively.

NOTE P - COMMITMENTS AND CONTINGENCIES

LITIGATION

The District is a defendant in a number of claims and lawsuits resulting principally from personal injury, property damage, and construction claims. The Parish Attorney and the outside administrator of the Parish's Risk Management Fund have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the District and to arrive at an estimate, if any, of the amount or range of potential loss to the District. As a result of such review, the various claims and lawsuits have been categorized into "probable", "reasonably possible", and "remote" contingencies, as defined in National Council on Governmental Accounting Statement No. 4 for claims and judgments. Loss contingencies estimated at $ -0- categorized as "probable" have been accrued as other liabilities of the District at December 31, 1995. The District's "reasonably possible" loss contingencies at December 31, 1995, for which an amount of liability can be estimated, approximates $500,000.

NOTE Q - PENSION PLANS

The District's employees participate in the retirement systems described below. Total pension expense recorded by the District for contributions to the retirement systems for the year ended December 31, 1995 was $399,284 as compared to $437,453 for December 31, 1994.

Actuarial data and other information of the two plans, as it relates to the District, is unattainable for the separate component units of the Parish.

PLAN MEMBERSHIP

Substantially all of the Parish's full-time employees are participants in The Employees' Retirement System of Jefferson Parish (the Parish Plan), a single-employer defined benefit pension plan, and the Parochial Employees' Retirement System of Louisiana (the State Plan), a cost-sharing multiple-employer defined benefit plan.

The Parish Plan covers employees who were hired prior to December 15, 1979. As of that date, the Parish Plan was merged with the State Plan and members of the Parish Plan also became members of the State Plan. Employees hired subsequent to the merger of the two systems may participate only in the State Plan.

PLAN DESCRIPTIONS

The Employees' Retirement System of Jefferson Parish (The Parish Plan)

Employees who were hired prior to December 15, 1979 participate in both the Parish and State Plans. Benefits for these employees are provided principally by the State Plan. The benefits provided by the Parish are limited to amounts resulting from differences between benefits provided by the two systems. Under the Parish Plan, employees with 10 years of service may retire at age 60, employees with 25 years of service may retire at age 55, and employees with 30 years of service may retire regardless of age. Employees who are members of the Parish Plan only receive benefits equal to 1 percent of the highest three-year average annual compensation plus 2 percent of the first $1,200 of average compensation for each year of service. The benefits for employees who are members of the Parish Plan only, with less than 20 years of service, are reduced by 3 percent per year for each year they receive benefits below the age of 62. Employees who are members of both the Parish and State Plans receive benefits equal to 3 percent of the highest three-year average annual compensation for each year of service reduced by any amounts paid by the State Plan. The total combined payments of both systems may not exceed 100 percent of the member's final average compensation. Retirement benefits are payable monthly for the life of the retiree, and upon the retiree's death, under certain conditions, are payable to the retiree's surviving spouse and minor children.

Parochial Employees' Retirement System of Louisiana (The State Plan)

Under the State Plan, a member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, or 25 years of creditable service and is at least 55 years old, or 10 years of creditable service and is at least 60 years old. The monthly retirement benefit is equal to 3 percent of the member's average monthly compensation for any 36 months of consecutive service in which compensation was highest, multiplied by years of creditable service, not to exceed 100 percent of member's final compensation. Retirement benefits are payable monthly for the life of the retiree, and upon the retiree's death, under certain conditions, are payable to the retiree's surviving spouse and minor children.

COVERED PAYROLL

The total payroll, as well as the covered payroll, for each of the plans for the year ended December 31, 1995 were as follows:

| | TOTAL | COVERED |
|---|---|---|
| Parish Plan | $82,148,218 | $22,317,135 |
| State Plan | $82,148,218 | $66,005,796 |

NOTE Q - PENSION PLANS (Continued)

CURRENT MEMBERSHIP

Current membership in the single-employer plan is comprised of the following as of December 31, 1995:

| | PARISH PLAN |
|---|---|
| Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them | 845 |
| Active plan participants: | |
| Vested | 575 |
| Total | 1,420 |

Membership data for the State Plan, a cost-sharing multiple-employer plan, is not available by individual employer.

FUNDING STATUS AND PROGRESS

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (I) help users assess the Parish Plan's funding status on a going-concern basis, (II) assess progress made in accumulating sufficient assets to pay benefits when due and (III) allow for comparisons among public employee retirement plans.

Because the standardized measurement is used only for disclosure purposes, the measurement is independent of the methods used to determine contributions to the Plans. The pension benefit obligation for the Parish Plan was determined as part of an actuarial valuation made as of December 31, 1995. Significant actuarial assumptions used to determine the standardized measure of the pension benefit obligations are summarized as follows:

| | PARISH PLAN |
|---|---|
| Rate of return on the investment of present and future assets | 8.00% |
| Projected salary increases due to: | |
| Inflation | 3.25% |
| Merit or seniority | 2.75% |
| Post-retirement benefit increases | Not funded |

NOTE Q - PENSION PLANS (Continued)

FUNDING STATUS AND PROGRESS (Continued)

The standardized measure of the pension benefit obligation for the Parish Plan is comprised of the following as of December 31, 1995.

| | PARISH PLAN |
|---|---|
| Pension benefit obligation: | |
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | $22,535,097 |
| Current employees: | |
| Accumulated employee contributions | 2,518,085 |
| Employer-financed vested | 2,513,641 |
| Employer-financed nonvested | 3,475,417 |
| Total pension benefit obligation | 31,042,240 |
| Net assets available for benefits, at cost or amortized cost (market value - $17,856,944) | 17,153,418 |
| Unfunded (assets in excess of) pension benefit obligation | $13,888,822 |

The State Plan, a cost-sharing multiple-employer plan, does not conduct separate measurements of assets and pension benefit obligations for individual employers. The benefit obligation at December 31, 1994 (the latest date for which such information was available at the date of this report) for the State Plan as a whole, determined through an actuarial valuation performed as of that date, was $724,620,337. The State Plan's net assets available for benefits on that date were $643,739,367 resulting in an unfunded pension benefit obligation of $80,880,970.

No changes in actuarial assumptions or benefit provisions that would significantly affect the valuation of the pension benefit obligations occurred during 1995.

CONTRIBUTIONS REQUIRED AND MADE

The funding policies of the Parish Plan provide for contributions at actuarially determined rates that are sufficient to pay benefits when due. The contribution rates of the Parish Plan are determined using the entry age normal cost method, with the unfunded actuarial accrued liabilities being funded over a 40 year period. The Parish Council authorizes the contribution rates each year. Significant actuarial assumptions used to compute pension contribution requirements are the same as those used to determine the standardized measure of the pension benefit obligation.

NOTE Q - PENSION PLANS (Continued)

CONTRIBUTIONS REQUIRED AND MADE (Continued)

Contributions required and made for the Parish Plan is comprised of the following as of December 31, 1995:

| | PARISH PLAN |
|---|---|
| Contribution required: | |
| Normal cost | $ 277,796 |
| Amortization of unfunded actuarial accrued liability | 569,580 |
| | $ 847,376 |
| Contributions made: | |
| Employer | $ 870,706 |
| Employee | 161,927 |
| | $ 1,032,633 |
| Contributions made as a percentage of covered payroll: | |
| Employer | 3.90% |
| Employee | .73% |

The State Plan's contributions are established by State statute. For 1995, employees were required to contribute 9.50 percent of their salary and the Parish to contribute 8.25 percent of their salary. Contributions required and made for the State Plan, a cost-sharing multiple-employer plan, for the year ended December 31, 1995 were $11,551,003, which consisted of $6,270,544 (9.50 percent of covered payroll) from the Parish and $5,280,459 (8.00 percent of covered payroll) from employees. The Parish's contribution represented 25 percent of the total contributions required of all participating employees.

TREND INFORMATION

Historical trend information for the single-employer plan is as follows:

| | PARISH PLAN (DECEMBER 31) |
|---|---|
| Net assets available for benefits as a percentage of the pension benefit obligation: | |
| 1995 | 55.3% |
| 1994 | 55.8% |
| 1993 | 58.6% |
| Unfunded (assets in excess of) pension benefit obligation as a percentage of covered payroll: | |
| 1995 | 62.2% |
| 1994 | 59.2% |
| 1993 | 50.3% |
| Employer contributions to the pension plan as a percentage of covered payroll: | |
| 1995 | 3.9% |
| 1994 | 3.6% |
| 1993 | 3.4% |

NOTE Q - PENSION PLANS (Continued)

TREND INFORMATION (Continued)

Showing the unfunded (assets in excess of) pension benefit obligation as a percentage of covered payroll approximately adjusts for the effects of inflation for analytical purposes.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become due. Ten year historical trend information presenting the Parish and State Plans' progress in accumulating sufficient assets to pay benefits when due is presented in the Employees' Retirement System of Jefferson Parish, Louisiana December 31, 1995 component unit financial report and the Parochial Employees' Retirement System's December 31, 1994 Comprehensive Annual Financial Report, respectively.

NOTE R - DEFERRED COMPENSATION PLAN

The Parish offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan, which is accounted for as an Agency Fund in the Parish's Comprehensive Annual Financial Report, is available to all Parish employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Parish (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Parish's general creditors. Participants' rights under the plan are equal to those of general creditors of the Parish in an amount equal to the fair market value of the deferred account for each participant.

The Parish's legal counsel believes that the Parish has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The Parish believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Investments are managed by PEBSCO. The choice of the investment option(s) is made by the participant.

NOTE S - POST-RETIREMENT HEALTH CARE

Health Care and Life Insurance

In addition to providing pension benefits, the Parish provides certain health care and life insurance benefits for retired employees as authorized by Resolution No. 74791. Substantially all employees who reach normal retirement age while working for the Parish are eligible. The cost of these benefits are recorded as expenditures when the premiums are paid. The health care and life insurance premiums for retired employees of the district amounted to $172,596 and $173,834 for 1995 and 1994, respectively.

Cost of Living Plan

In addition to the health care and life insurance benefits noted above, the Parish also provides a supplement to retirees' pensions as authorized by Ordinance No. 18176. This benefit is available to retirees participating in either the Employees' Retirement System of Jefferson Parish or the Parochial Employees' Retirement System of Louisiana who have been retired for at least one year. This additional benefit is paid once a year and is calculated as 2% of the monthly benefit times the number of months the person has been retired including partial years. The minimum additional payment is $350 and the maximum payment is $1,200. Any additional payment due to the retiree per these calculations are further reduced by any cost of living adjustment benefits paid by the Parochial Employees' Retirement System of Louisiana (not available to all plan participants).

NOTE T - BOARD COMPENSATION

The District has no board compensation, as its governing authority is the Jefferson Parish Council whose compensation is disclosed in the Parish's Comprehensive Annual Financial Report.

SUPPLEMENTARY INFORMATION

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**
**Jefferson Parish, Louisiana**
**Schedule of Changes in Assets**
**Restricted for Revenue Bond Debt Service**

**For the Year Ended December 31, 1995**

| | Revenue Bond Sinking Fund | Revenue Bond Reserve Fund | Capital Additions and Contingencies Fund | Total |
|---|---|---|---|---|
| Restricted assets, January 1 | $ 188,581 | $ 935,201 | $ 564,421 | $ 1,688,203 |
| Revenues: | | | | |
| Transfers from operating and construction funds | 904,716 | - | 1,571,543 | 2,476,259 |
| Interest earned on investments | 21,087 | 60,403 | 91,144 | 172,634 |
| Total restricted assets available | 1,114,384 | 995,604 | 2,227,108 | 4,337,096 |
| Expenditures: | | | | |
| Transfers | - | 60,477 | 500,000 | 560,477 |
| Principal payments | 795,000 | - | - | 795,000 |
| Interest payments | 109,940 | - | - | 109,940 |
| Bank charges | 1,455 | - | - | 1,455 |
| Total expenditures | 906,395 | 60,477 | 500,000 | 1,466,872 |
| TOTAL ASSETS RESTRICTED FOR REVENUE BOND DEBT SERVICE | $ 207,989 | $ 935,127 | $ 1,727,108 | $ 2,870,224 |

SPECIAL REPORTS OF CERTIFIED
PUBLIC ACCOUNTANTS

# DERBES & COMPANY

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* A PROFESSIONAL ACCOUNTING CORPORATION


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

The Honorable Parish President and
The Honorable Jefferson Parish Council
Jefferson Parish, Louisiana

We have audited the financial statements of the Consolidated Waterworks District No. 1 (the District), a component unit of the Parish of Jefferson, State of Louisiana, for the year ended December 31, 1995 and have issued our report thereon dated April 25, 1996.

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

The management of the District 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 District for the year ended December 31, 1995, we obtained an understanding of the 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the District in a separate letter dated April 25, 1996.

This report is intended for the use of management, the Jefferson Parish Council, and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Derbes & Company

April 25, 1996

# DERBES & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Parish President and
The Honorable Jefferson Parish Council
Jefferson Parish, Louisiana

We have audited the financial statements of the Consolidated Waterworks District No. 1 (the District), a component unit of the Parish of Jefferson, State of Louisiana, for the year ended December 31, 1995, and have issued our report thereon dated April 25, 1996.

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

Compliance with laws, regulations, contracts and grants applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District'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.

The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

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

Derbes & Company

April 25, 1996



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April 25, 1996

The Honorable Parish President and
The Honorable Jefferson Parish Council
Jefferson Parish, Louisiana

In planning and performing our audit of the component unit financial statements of the Consolidated Waterworks District No. 1 of the Parish of Jefferson, State of Louisiana (the District), for the year ended December 31, 1995, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. Additionally, we performed tests of the District's compliance with certain provisions of laws, regulations and contracts.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls, compliance with laws, regulations, contracts and grants, and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the District's internal control structure and compliance with laws, regulations and contracts in our report dated April 25, 1996. This letter does not affect our report dated April 25, 1996, on the financial statements of the Consolidated Waterworks District No. 1 of the Parish of Jefferson, State of Louisiana.

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

Very truly yours,

Derbes & Company

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Recommendation

We recommend that abnormal reading reports be analyzed for all billings prior to general ledger posting of the billing and release of the bills to customers. We also recommend prompt follow-up on outstanding service requests and that accounts under outstanding work orders should be analyzed in depth before generating billings to those accounts.

Management Response

We will discuss this with the Director of the Water Department and stress the importance of timely corrections.

3. Comment

As noted in prior years, miscellaneous receivable billings for damages, overtime, and other miscellaneous charges are generated from computerized work orders which are later manually billed. Frequently, these billings are for various other Jefferson Parish departments and there is no system for monitoring collections and/or write-offs on a regular basis.

Recommendation

We recommend that these billings be computerized through the Utility Billing system in a manner comparable to regular water bills using information generated from work orders. Regular follow-up of outstanding balances should be implemented, including the issuance of second and final notices, charging delinquency amounts and applying these billings to known related water service accounts. In the prior year, management's response to this comment was that the Parish was advertising for a new financial system which might address this problem. A new financial system was not implemented during the year ended December 31, 1995, and we continue to recommend that miscellaneous billings be computerized in some form.

Management Response

The new financial management system will accomplish this task.

4. Comment

As in prior years, inventory reports were generated late during the audit due to shortage of personnel and a backlog of uncompleted tasks at year-end.

Recommendation

We recommend that tasks related to inventory reporting be completed on a timely basis during the year under adequate supervision. In the prior year, management's response to this comment was that the anticipated change to the "Mainsaver" inventory program in July, 1995 would result in more timely and accurate inventory recordkeeping. This change was not implemented during 1995, and we continue to recommend that inventory reporting be completed on a timely basis.

Management Response

The new inventory system was not completely operational until year-end 1995. We anticipate fewer problems in the future.

5. Comment

Despite the fact that certain year-end computer reports, including Accounts Receivable and Meter Deposits Outstanding Detail Reports and January and February, 1996 Billing Registers sorted by cycle, were requested prior to year-end, the computer back-up tapes were not retained, and the requested reports could not be generated. Additional audit procedures were necessary in order to calculate unbilled receivables and verify accounts receivable and meter deposits outstanding balances at year-end.

Recommendation

Although we understand that this situation was the result, in part, of the termination of the EDP employee responsible for generating these reports in January, 1996, it is imperative that controls be put in place to monitor the progress of completion of assigned tasks of responsible personnel.

CONSOLIDATED WATERWORKS DISTRICT NO. 1
DECEMBER 31, 1995

Management Response

We concur and will relay information to Data Processing as soon as it is requested by the auditor.