

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

<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	<u>TOTAL PRINCIPAL</u>	<u>TOTAL INTEREST</u>	<u>TOTAL</u>
\$ 606,000	\$ 234,065	\$ 840,065	\$ 1,231,000	\$ 715,558	\$ 1,946,558
546,000	201,778	747,778	1,216,000	641,640	1,857,640
546,000	169,678	715,678	1,241,000	581,840	1,822,840
401,000	141,300	542,300	1,126,000	523,298	1,649,298
406,000	116,485	522,485	1,166,000	465,995	1,631,995
411,000	90,954	501,954	1,201,000	405,314	1,606,314
425,000	64,410	489,410	1,255,000	341,018	1,596,018
425,000	36,998	461,998	1,300,000	273,163	1,573,163
180,000	17,245	197,245	1,095,000	210,270	1,305,270
170,000	5,653	175,653	1,135,000	151,628	1,286,628
--	--	--	1,010,000	95,430	1,105,430
--	--	--	105,000	41,650	146,650
--	--	--	110,000	34,300	144,300
--	--	--	120,000	26,600	146,600
--	--	--	125,000	18,200	143,200
--	--	--	135,000	9,450	144,450
<u>\$ 4,116,000</u>	<u>\$ 1,078,566</u>	<u>\$ 5,194,566</u>	<u>\$ 13,571,000</u>	<u>\$ 4,535,354</u>	<u>\$ 18,106,354</u>

ST. BERNARD PARISH WATER AND SEWER COMMISSION
 ST. BERNARD PARISH GOVERNMENT
 SCHEDULE OF COMPUTATION OF THE RATIO OF
 NET REVENUES (COMMISSION ONLY - EXCLUDING
 WATER AND SEWER DISTRICTS)
 TO AVERAGE ANNUAL DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 1995

Commission operating revenues	\$6,678,573
Add nonoperating revenues:	
Ad valorem taxes and state revenue sharing transferred from the water and sewer districts of the commission	722,390
Interest earned on other than construction funds	<u>100,519</u>
Total revenues available	<u>7,501,482</u>
Commission operating expenses	6,899,099
Less depreciation and amortization	<u>1,346,443</u>
Total adjusted expenses	<u>5,552,656</u>
Net revenues	<u>\$1,948,826</u>
Average annual debt service requirement	<u>\$1,107,872</u>
Ratio of net revenues to average annual debt service requirement	<u>1.76</u>

ST. BERNARD PARISH WATER AND SEWER COMMISSION
 (INCLUDING SUB-DISTRICTS)
 ST. BERNARD PARISH GOVERNMENT
 SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
FOR THE YEAR ENDED DECEMBER 31, 1995

<u>NAME</u>	<u>NUMBER OF MONTHS SERVED</u>	<u>NUMBER OF MONTHS COMPENSATED</u>	<u>AMOUNT</u>
Wayne Wescott	8	7	\$ 2,000
J. David Broyles	12	12	3,000
Victor A. DeBouchel, Jr.	12	12	3,000
William J. Bachemin	12	12	3,000
John C. Dalier	12	12	3,000
Guy McInnis	12	12	3,000
Frank Oliveri III	3	3	750
Edwin P. Russo	9	8	<u>2,000</u>
Total			<u>\$19,750</u>

ST. BERNARD PARISH WATER AND SEWER COMMISSION
(INCLUDING SUB-DISTRICTS)
ST. BERNARD PARISH GOVERNMENT
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

April 22, 1996

Board of Commissioners
St. Bernard Water and
Sewer Commission
St. Bernard Parish Council
Chalmette, Louisiana 70043

We have audited the component unit financial statements of the St. Bernard Parish Water and Sewer Commission, as of and for the year ended December 31, 1995, and have issued our report thereon dated April 22, 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 component unit financial statements are free of material misstatement.

The management of the Commission 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 component unit 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 component unit financial statements of the St. Bernard Parish Water and Sewer Commission, 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 component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

ST. BERNARD PARISH WATER AND SEWER COMMISSION
(INCLUDING SUB-DISTRICTS)
ST. BERNARD PARISH GOVERNMENT
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

(Continued)

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 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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

We noted other matters involving internal control structure and its operation that we have reported to management of St. Bernard Water and Sewer Commission in a separate letter dated April 22, 1996.

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

Duplantier, Hupmann, Hogan & Mahu

ST. BERNARD PARISH WATER AND SEWER COMMISSION
(INCLUDING SUB-DISTRICTS)
ST. BERNARD PARISH GOVERNMENT
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

April 22, 1996

Board of Commissioners
St. Bernard Water and
Sewer Commission
St. Bernard Parish Council
Chalmette, Louisiana 70043

We have audited the component unit financial statements of the St. Bernard Parish Water and Sewer Commission, as of and for the year ended December 31, 1995, and have issued our report thereon dated April 22, 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 component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the St. Bernard Parish Water and Sewer Commission is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the component unit 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 herein under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of the Commission in a separate letter dated April 22, 1996.

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

Duplantier, Chapman, Hogan & Maher

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ST. BERNARD PARISH WATER AND
SEWER COMMISSION
INCLUDING SUB-DISTRICTS
ST. BERNARD PARISH GOVERNMENT

DECEMBER 31, 1995

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

Release Date 7-31-96

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HOGAN & MAHER, L.L.P.
hm CERTIFIED PUBLIC ACCOUNTANTS

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(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
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April 22, 1996

Board of Commissioners
St. Bernard Parish Water and
Sewer Commission
St. Bernard Parish Council
Chalmette, LA 70043

In planning and performing our audit of the component unit financial statements of the St. Bernard Parish Water and Sewer Commission for the year ended December 31, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure. However, 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 St. Bernard Parish Water and Sewer Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the component unit financial statements.

CASH RECEIPTS

In July of 1995, the Commission's cash transaction posting register used for on-site payment of fees and services broke and the register was replaced with a calculator. Since the register kept a cumulative total of all income received by type, cash was tracked from when it was entered into the register. Under the new system tapes are run at the end of the day on the types of income received and balanced to the cash and checks on hand at the end of the day. Although we feel that there are controls in the new system, we also feel that controls were stronger with the register because the point of control was earlier in the transaction cycle. We also understand that when the new computer system is operational, a machine similar to the register will be used which will again strengthen the controls in this area. We recommend that this machine be made operational as soon as possible.

A material weakness is a reportable 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 or irregularities in amounts that would be material in relation to the component unit 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, none of the reportable conditions described above is believed to be a material weakness.

Other conditions came to our attention during the course of the audit which are not considered to be reportable conditions; however, we felt these conditions should be presented to management.

METER DEPOSIT ACCOUNT

The Commission adopted a policy to fund the meter deposit account at 40% of the total liability. This policy was in effect until May 31, 1995. On May 31, 1995, the Commission voted to amend this policy and fund the account at a minimum of \$50,000. From January 1 to May 31, 1995, the Commission was not in compliance with their board policy. However, since the adoption of the new policy the Commission has been in compliance with their policy. However, we recommend that the Commission fund the meter deposit liability account by an amount equal to the meter deposit liability. This will ensure that the liability is fully funded.

We also noted instances of non compliance to state laws as follows:

BOND INDENTURE REQUIREMENTS

According to the bond indenture the Commission is required to transfer money into the debt service account by the 25th day of each month. Except for July, it was discovered that these transfers were not made timely. However, all required transfers were made for the year. We recommend that the Commission adhere to the guidelines of the bond indenture and transfer the proper amount to the debt service account by the 25th day of the month.

The bond indenture states that the money in the renewal and replacement fund "shall never be used for the making of improvements and extensions to the system or for payment of principal or interest on outstanding bonds if the use of said money will leave in said fund for the making of emergency repairs or replacements less than the sum of one hundred thousand dollars (\$100,000)." At year end, the renewal and replacement cash account has a bank balance of \$23,037 and a book balance of (\$313,023); hence, the Commission is not in compliance with the bond indenture covenant. According to management, the money was used during 1995 to make emergency repairs to the damaged crib and will be replaced when all insurance claims are received. In order to comply with this covenant, the Commission should replenish the cash account to the minimum amount of \$100,000 and monitor the balance to ensure that it remains above the minimum balance required.

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

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

William Stamm

William G. Stamm, CPA
Partner

WGS/ct

ST. BERNARD PARISH WATER & SEWER COMMISSION

8977

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FRANK OLIVERI, III
EDWIN P. RUSSO

June 28, 1996

Mr. Dan Kyle, C.P.A.
Office of Legislative Auditor
1600 Riverside North
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Management Letter Response

Dear Mr. Kyle:

On behalf of the management and members of the St. Bernard Water & Sewer Commission, I offer the following responses to items noted in the management letter dated April 22, 1996. This response is written in reply to conditions cited as presented to management.

1.) Cash Receipts:

In July of 1995 our cash transaction posting register used for onsite payment of fees broke and the register was replaced with an advanced commercial grade calculator. This new system will be temporary due to the fact that we are in the process of purchasing a new cash register system to handle all payment transactions. We anticipate activation of this system soon.

2.) Meter Deposit Account:

The Meter Deposit Account is reconciled on a monthly basis. Accounting records are kept which reflect deposits received and deposits refunded. However, due to cash flow problems this account could not be funded at 100% of the liability.

Mr. Dan Kyle, C.P.A.
Office of Legislative Auditor
June 28, 1996
Page 2

3.) Bond Indenture Requirements:

The Water & Sewer Commission's bond indenture does require transfers to be made to the debt service account and the renewal and replacement account. However, due to cash flow problems some transfers were made after the 25th of each month. However, all required transfers were made for the year and all bond principal and interest payments were timely made. Every attempt will be made to make transfers by the 25th of each month.

If you have any questions please give me a call.

Sincerely,



DAVID "JEFF" McCLAIN
ADMINISTRATIVE ASSISTANT

DJM/pg
Enclosures:

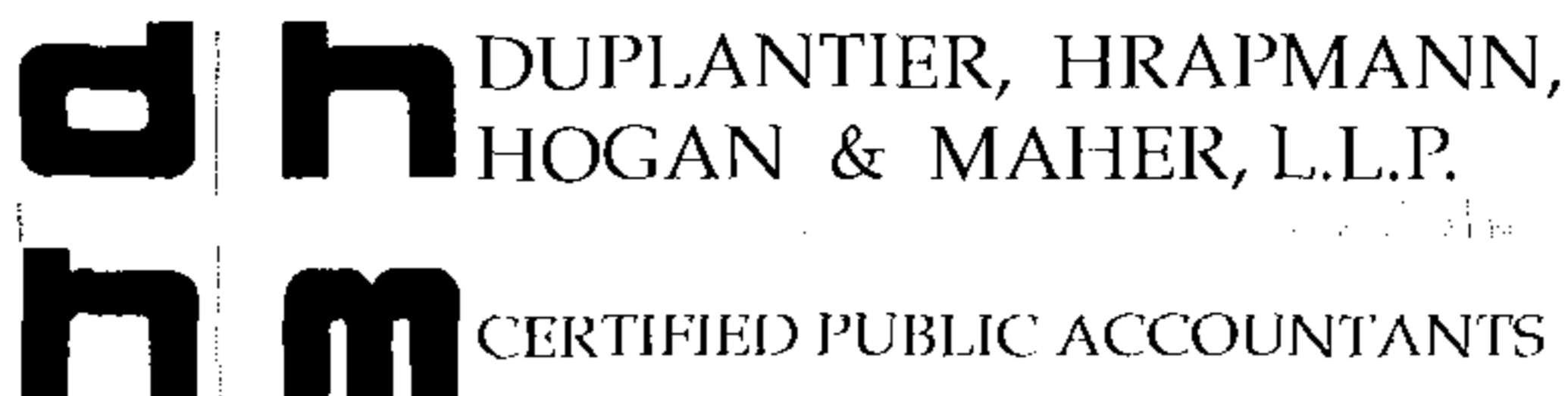
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ST. BERNARD PARISH WATER AND SEWER COMMISSION -
INCLUDING SUB-DISTRICTS
ST. BERNARD PARISH GOVERNMENT

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DECEMBER 31, 1995

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INDEPENDENT AUDITOR'S REPORT

April 22, 1996

Board of Commissioners
St. Bernard Parish Water and
Sewer Commission
St. Bernard Parish Council
Chalmette, Louisiana 70043

We have audited the accompanying component unit financial statements of the St. Bernard Parish Water and Sewer Commission, a component unit of the St. Bernard Parish Government under generally accepted accounting principles, as of and for the year ended December 31, 1995, as listed in the index to the report. These financial statements are the responsibility of management of the St. Bernard Parish Water and Sewer Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Parish Water and Sewer Commission as of December 31, 1995, 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 April 22, 1996 on our consideration of the St. Bernard Parish Water and Sewer Commission's internal control structure and a report dated April 22, 1996 on its compliance with laws and regulations.

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

Duplante, Chapman, Hogan & Mader

LIABILITIES AND FUND EQUITY

LIABILITIES:

Current liabilities (payable from current assets):

Accounts payable	\$ 171,246
Uninsured claims payable (Note 11)	164,305
Deductions payable from ad valorem taxes - operating and maintenance	20,189
Lease payable - current portion (Note 7)	19,147
Salaries payable	77,781
Hospitalization claims payable	41,634
Cash overdraft	530,107
Total liabilities payable from current assets	<u>1,024,409</u>

Current liabilities (payable from restricted assets):

Deductions payable from ad valorem taxes - debt service	28,678
Bonds payable (Note 8)	1,231,000
Accrued interest payable	298,141
Customer deposits	957,570
Inspection deposit	32,700
Cash overdraft	313,023
Deferred credit (Note 14)	5,085
Total liabilities payable from restricted assets	<u>2,866,197</u>

Long-term liabilities:

Leases payable (Note 7)	29,038
Bonds payable (Note 8)	12,340,000
Due to customer meter deposit account (Note 15)	904,553
Total long-term liabilities	<u>13,273,591</u>

Total liabilities	<u>17,164,197</u>
-------------------	-------------------

FUND EQUITY:

Contributed capital	<u>16,762,580</u>
Retained earnings:	
Reserved: (Note 9)	
Capital renewal and replacement	5,362,016
Construction	1,038,764
Debt service	(449,678)
Unreserved	9,920,452
Total retained earnings	<u>15,871,554</u>
Total fund equity	<u>32,634,134</u>

TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 49,798,331</u>
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ST. BERNARD PARISH WATER AND SEWER COMMISSION
 (INCLUDING SUB-DISTRICTS)
 ST. BERNARD PARISH GOVERNMENT
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 COMBINED STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1995

OPERATING REVENUES: (Note 1)	
User fees	\$ 6,314,697
Other operating income	363,876
Total operating revenues	<u>6,678,573</u>
OPERATING EXPENSES: (Note 1)	
Personnel services and related benefits	2,748,297
Utilities	969,654
Contractual services, supplies, and materials	1,205,408
Professional services	38,402
Insurance	318,611
Depreciation and amortization (Note 4)	2,746,413
Other	272,590
Total operating expenses	<u>8,299,375</u>
OPERATING LOSS	<u>(1,620,802)</u>
NONOPERATING REVENUES (EXPENSES):	
Ad valorem tax for:	
Operation and maintenance	639,344
Debt retirement	878,178
State revenue sharing	103,235
Interest earnings:	
Construction	1,060
Other	121,534
Interest and bank fees	(777,380)
Deductions from ad valorem taxes for:	
Operation and maintenance	(20,189)
Debt retirement	(28,678)
Total nonoperating revenues	<u>917,104</u>
NET LOSS	<u>\$ (703,698)</u>

See accompanying notes.

ST. BERNARD PARISH WATER & SEWER COMMISSION
 (INCLUDING SUB-DISTRICTS)
 ST. BERNARD PARISH GOVERNMENT
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 COMBINED STATEMENT OF CHANGES IN RETAINED EARNINGS AND CONTRIBUTED CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 1995

	<u>RETAINED EARNINGS</u>	<u>CONTRIBUTED CAPITAL</u>	<u>TOTAL</u>
BEGINNING BALANCE	\$ 15,484,839	\$ 17,588,593	\$ 33,073,432
Net loss	(703,698)		(703,698)
Other - donated lines		264,400	264,400
Depreciation of assets purchased with contributed capital	<u>1,090,413</u>	<u>(1,090,413)</u>	<u>--</u>
ENDING BALANCE	<u>\$ 15,871,554</u>	<u>\$ 16,762,580</u>	<u>\$ 32,634,134</u>

See accompanying notes.

ST. BERNARD PARISH WATER AND SEWER COMMISSION
 (INCLUDING SUB-DISTRICTS)
 ST. BERNARD PARISH GOVERNMENT
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	\$ (1,620,802)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	2,746,413
Provision for uncollectible accounts	4,578
Change in assets and liabilities:	
Increase in accounts receivable	(14,881)
Decrease in inventory	15,467
Decrease in prepaid expenses	12,940
Increase in unbilled charges	(85,289)
Decrease in accounts receivable - other	111,053
Increase in accounts payable and accruals	70,972
Interest paid to finance insurance	(8,280)
Total adjustments	<u>2,852,973</u>
Net cash provided by operating activities	<u>1,232,171</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Ad valorem taxes - operations and maintenance	577,690
State revenue sharing	101,490
Net cash provided by noncapital financing activities	<u>679,180</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Ad valorem taxes - debt retirement	982,862
Payment on capital lease	(9,007)
Interest paid on capital lease	(3,676)
Purchase of capital assets	(898,941)
Principal paid on bonds	(1,323,000)
Interest paid on bonds	(789,973)
Net cash used in capital financing activities	<u>(2,041,735)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on cash management accounts	115,838
Net cash provided by investing activities	<u>115,838</u>
Net decrease in cash and cash equivalents	(14,546)
Cash and cash equivalents at beginning of year (Note 2)	<u>2,057,702</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 2)	<u>\$ 2,043,156</u>

See accompanying notes.

ST. BERNARD PARISH WATER AND SEWER COMMISSION
(INCLUDING SUB-DISTRICTS)
ST. BERNARD PARISH GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying financial statements include the St. Bernard Parish Water and Sewer Commission, a principal component of the St. Bernard Parish Government in accordance with Government Auditing Standards Board Statement No. 14. (See page 8 - Reporting Entity). The Commission is responsible for water and sewerage operations of the parish and the sub-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 Water and Sewer Commission to operate the systems. Through the intergovernmental agreement dated November 13, 1985, the districts have transferred the operation and maintenance of the systems to the St. Bernard Parish Water and Sewer Commission; however, the districts still retain title to fixed assets purchased prior to 1986.

The Commission has two water plants that are capable of pumping and treating on the average 12,000,000 to 13,000,000 gallons of water per day. The maximum capacity is 20,000,000 gallons of water per day. In addition, the Commission monitors and maintains 110 sewer lift stations. At December 31, 1995, the Commission has in excess of 23,000 metered customers in St. Bernard Parish. In addition, the Commission operates four sewerage treatment plants, two sewerage oxidation ponds and one sewerage treatment package plant. The Commission has 108 employees at December 31, 1995.

BASIS OF PRESENTATION

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 commission'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:

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

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.

Unamortized debt expense of the Commission is comprised of costs associated with the 1986, 1991 and 1994 Revenue Bond Issues. The remaining cost of issuance on the 1986 Revenue Bond Issue of \$75,859 is amortized on a straight-line basis over the remaining 3 year life of the bonds due to the defeasance of the 1986 Revenue Bond Issue during 1994. The cost of issuance on the 1991 Revenue Bond Issue of \$58,707 is amortized, using the straight-line method over the 19-year life of the bond. The cost of issuance on the 1994 Revenue Bond Issue of \$266,655 is amortized using the straight-line method over the 18-year life of the bond. The remaining unamortized debt expense at December 31, 1995 is \$293,645.

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 \$34,700 is amortized using straight-line method over the 11 1/2 year life of the bond. The remaining unamortized debt expense at December 31, 1995 is \$22,871.

Unamortized debt expense of Sewer District No. 2 is comprised of costs associated with the 1991 General Obligation Refunding Bond Issue. The cost of issuance on the 1991 General Obligation Bond Issue of \$147,300 is amortized using straight-line method over the 13 1/2 year life of the bond. The remaining unamortized debt expense at December 31, 1995 is \$100,018.

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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING (Continued)

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 deposits. Under state law, the Commission 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 Commission 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.

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 Commission 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:

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)FIXED ASSETS AND LONG-TERM LIABILITIES (Continued)

	<u>Commission</u>	<u>Water District No. 1</u>	<u>Water District No. 2</u>	<u>Sewer Districts</u>
Pipeline system Plant, machinery, and equipment:	100	100	50	20
Buildings and improvements	50	50	33	25
Machinery and equipment	10	5-10	4-10	5-10
Water tanks	50	33	50	
Meter boxes	33	33	33	

Long-term liabilities are recognized within the enterprise funds.

COMPENSATED ABSENCES

Employees earn two to five weeks of paid vacation each year, which does not vest but accumulates up to 90 days. In addition, employees earn 12 days of sick leave each year, which may accumulate to an unlimited number of days and does not vest. At December 31, 1995, there are no leave benefits that require disclosure or accrual in accordance with Generally Accepted Accounting Principles.

FUND EQUITYContributed 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.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The St. Bernard Parish Water and Sewer Commission has established an allowance for doubtful accounts for write-off of delinquent accounts. The Commission's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at December 31, 1995 is \$30,954.

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2. CASH AND INVESTMENTS

Cash and Cash Equivalents

Deposits of the Water and Sewer Commission and its sub-districts in the amount of \$1,253,666 (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:

	<u>End of Year</u>	<u>Beginning of Year</u>
Nonrestricted cash	\$ 117,919	\$ 7,284
Restricted cash & cash equivalents	<u>1,925,237</u>	<u>2,050,418</u>
Total cash and cash equivalents	<u>\$2,043,156</u>	<u>\$2,057,702</u>

The Water and Sewer Commission paid interest during the year of \$801,927.

Noncash Capital Financing Activities

Donated lines	\$ 264,400
Capital lease - computer equipment	<u>45,371</u>
Total noncash capital financing activities	<u>\$ 309,771</u>

Noncash Noncapital Financing Activities

Due to customer meter deposit account	<u>\$ 904,553</u>
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Investments

The Commission made investments in certificates of deposit during 1995. The investments are recorded at cost. The following certificates of deposit were outstanding at December 31, 1995. The cost and market value are shown below:

	<u>COST</u>	<u>MARKET</u>
Debt Service Reserve Certificate of Deposit 5.258% due 12/19/96	\$1,111,165	\$1,111,165

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

	<u>CARRYING VALUE</u>	<u>MARKET VALUE</u>	<u>CATEGORY</u>
Certificate of Deposit	\$1,111,165	\$1,111,165	1

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3. LEVIED TAXES

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

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Water District No. 1:		
Maintenance	3.40	3.36
Bond and interest	Variable	1.69
Sewer District No. 1:		
Maintenance	3.59	3.61
Bond and interest	Variable	6.08
Sewer District No. 2:		
Maintenance	2.09	2.06
Bond and interest	Variable	6.21

The following is a summary of enterprise fund fixed assets at December 31, 1995.

Land	\$ 141,569
Pipeline system	49,791,428
Plant, machinery, and equipment	<u>31,486,110</u>
Total property, plant, and equipment	\$81,419,107
Less - accumulated depreciation	<u>37,515,431</u>
Net property, plant, and equipment	<u>\$43,903,676</u>

4. FIXED ASSETS

The composition of property, plant and equipment at December 31, 1995 by entity, is as follows:

Commission	\$31,172,721
Water District:	
No. 1	20,774,020
No. 2	2,128,277
Sewer District	
No. 1	9,775,707
No. 2	<u>17,568,382</u>
Total property, plant, and equipment	81,419,107
Less - accumulated depreciation	<u>37,515,431</u>
Net property, plant, and equipment	<u>\$43,903,676</u>

Depreciation expense totaled \$2,689,115 for the year ended December 31, 1995.

5. PENSION PLAN

Employees of the Commission 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

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5. PENSION PLAN (Continued)

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 commission are members of Plan A. For the year ended December 31, 1995, the total payroll for employees of the Commission covered by the System under Plan A was \$2,015,154.

As of December 31, 1995, 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, 1994, there were 20,967 members covered under Plan A of the system on a statewide basis, of which 3,772 are retired beneficiaries, 4,684 are terminated and due a benefit or refund, 12,455 are active employees and 56 are DROP participants.

All full-time employees of the Commission 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 10 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 statutes. 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 statutes, 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. State statute requires employees covered by Plan A to contribute 9.50 percent of their salary to the System. The Commission is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The required contributions for the Commission for the year ended December 31, 1994 was 8.25% of the salary of each covered employee.

The actuarially determined contribution requirements for the year ended December 31, 1995 could not be determined. Actual contributions made by the Commission for the year ended December 31, 1995 were \$349,836, which was comprised of \$161,212 or 8.00% of covered payroll in Commission contributions and \$188,624 or 9.5% of covered payroll in employee contributions. The percentage of Commission 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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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 PERS 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, 1994 the pension benefit obligation for Plan A was \$691,858,596 and the System's net assets available for benefits on that date were \$597,625,304 leaving an unfunded pension benefit obligation of \$94,233,292.

A nine 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, 1994, comprehensive annual financial report.

6. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The St. Bernard Parish Water and Sewer Commission provides certain continuing health care insurance benefits for its retired employees. Substantially all of the Commission's employees become eligible for these benefits if they reach normal retirement age while working for the Commission. As of year end, fourteen retirees were eligible to receive benefits and were doing so. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the Commission. Retirees and active employees, however, are responsible for dependent coverage costs. The Commission's costs of providing retiree health care insurance benefits are recognized as expenses when the monthly premiums are paid. For four months the retiree's monthly premiums were \$98 and for eight months \$72. Also expenditures are recognized as retiree's claims are paid. For the year ended December 31, 1995, the total cost of retiree's premiums was \$15,322.

7. LEASES

Capital Lease

The Commission records items under capital leases as assets and obligations in the accompanying financial statements. The Commission has capital leases for a Konica copier, a Xerox copier and the computer billing system. The Xerox copier cost \$8,370 and is payable in 60 monthly installments of \$249 including interest at 25.613%. The Konica copier cost \$7,998 and is payable in 39 monthly installments of \$260 including interest at 14.892%. The computer system is valued at \$45,371 and is payable in 36 monthly payments of \$1,493 which includes interest at 11.361%. The total due, excluding interest at December 31, 1995 is \$48,185. The amount recorded in the accompanying financial statements under current liabilities is \$19,147 and the remaining \$29,038 is recorded as a long-term liability.

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7. LEASES (Continued)Capital Lease (Continued)

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, 1995:

Year ending December 31:

1996	\$24,128
1997	19,990
1998	<u>11,945</u>
Total minimum lease payments	56,063
Less - amount representing interest	<u>(7,878)</u>
Present value of net minimum lease payments	48,185
Less - current portion	<u>(19,147)</u>
Total long-term lease	<u>\$29,038</u>

Operating Lease

The Commission receives lease income from a right-of-way agreement. The annual rental income is \$2,500 and is payable for ten 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 future minimum rentals for the next five years and in the aggregate are:

1996	\$ 2,500
1997	2,500
1998	2,500
1999	2,500
2000	2,500
Thereafter	<u>9,167</u>
Total	<u>\$21,667</u>

Rental income for the year was \$2,500.

8. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities and the current portion due at December 31, 1995:

	<u>Commission</u>	<u>Water District No. 1</u>	<u>Sewer District No. 1</u>	<u>District No. 2</u>	<u>Total</u>
Public improvement, general obligation and revenue bonds payable	\$ 9,455,000	\$ 465,000	\$ 555,000	\$3,096,000	\$13,571,000
Capital lease payable	48,185	--	--	--	48,185
Due to customer meter deposit account	<u>904,553</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>904,553</u>
Total	<u>10,407,738</u>	<u>465,000</u>	<u>555,000</u>	<u>3,096,000</u>	<u>14,523,738</u>

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8. LONG-TERM LIABILITIES (Continued)

Less - current portion:					
Public improvement and revenue bonds payable	625,000	155,000	50,000	401,000	1,231,000
Capital lease payable	<u>19,147</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>19,147</u>
Long-term liability payable at December 31, 1995 (net of current portion)	<u>\$ 9,763,591</u>	<u>\$ 310,000</u>	<u>\$ 505,000</u>	<u>\$ 2,695,000</u>	<u>\$ 13,273,591</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:

	<u>Limitation</u>	<u>Outstanding Debt</u>
Water District:		
No. 1	\$ 20,372,278	\$ 465,000
Sewer District:		
No. 1	3,606,631	555,000
No. 2	<u>17,731,364</u>	<u>3,096,000</u>
Total	<u>\$ 41,710,273</u>	<u>\$ 4,116,000</u>

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

1. \$2,500,000 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 5.70 percent through March 1, 1998. Amount outstanding - \$465,000.
2. \$675,000 General Obligation Refunding Bonds of the Sewer District No. 1 issue of September 1, 1991, due in annual installments of \$10,000 to \$90,000 bearing interest rates of 5.2% to 6.5% through March 1, 2003. Amount outstanding - \$555,000.
3. \$1,675,000 Public Improvement Bonds of the Sewer District No. 2 issue of August 1, 1966, due in annual installments of \$150,000, bearing an interest rate of 4.25 percent through February 1, 1996. Amount outstanding - \$150,000.
4. \$240,000 Public Improvement Bonds of the Sewer District No. 2 issue of June 1, 1971, due in annual installments of \$1,000, bearing an interest rate of 6.00 percent through February 1, 2001. Amount outstanding - \$6,000.

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8. LONG-TERM LIABILITIES (Continued)

5. \$3,295,000 General Obligation Refunding Bonds of the Sewer District No. 2 issue of September 1, 1991, due in annual installments of \$170,000 to \$340,000 bearing interest rates of 5.2% to 6.650% through March 1, 2005. Amount outstanding - \$2,940,000.

Revenue Bonds

On April 1, 1994 the Commission defeased a portion of the 1986 Revenue Bond in the amount of \$7,195,000 with an interest rate ranging from 7.50% to 8% and debt service payments from \$400,000 to \$990,000 by issuing \$7,950,000 Series 1994 Revenue Refunding Bonds. The interest rate on the new bonds ranges from 3% to 5.2% and the bonds mature on August 1, 2006 with debt service payments due in annual principal installments ranging from \$115,000 to \$940,000. The balance outstanding at December 31, 1995 is \$7,785,000. One principal installment remains on the 1986 Revenue Bonds resulting in a balance at December 31, 1995 of \$465,000. The 1991 Revenue Bonds are due in annual principal installments of \$40,000 to \$135,000, bearing interest rates of 6.00 to 7.10 percent through August 1, 2011. The balance outstanding at December 31, 1995 is \$1,205,000.

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 Commission include all fees, rents, charges, and other income derived, or to be derived by or for the account of the Commission 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 1986, 1991 and 1994 revenue bond resolutions. Such revenues include, but are not limited to, proceeds of any ad valorem taxes received by the Commission 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 Commission has agreed in each bond year to fix, establish, and collect such rates and collect such fees, rentals, or other charges for all services, after making due allowance for delinquencies in collection and after providing for the payment of the reasonable and necessary expenses of operating and maintaining the system, to produce net revenues (1) that are sufficient to pay debt service on all outstanding bonds and to maintain the funds and accounts established in the resolution and (2) that result in each fiscal year in the greater of (a) the sum of debt service payable on the bonds in the ensuing fiscal year plus any required deposit to the Debt Service Reserve Fund or (b) a ratio of net revenues to average annual debt service of not less than 1.25 to 1. The ratio of net revenues to average annual debt service for the year ended December 31, 1995, is 1.76 to 1. The bond agreement requires the Commission 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.

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8. LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

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 Commission 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 \$372,387, \$1,112,981, and \$(313,023), respectively. The account balances in the debt service account and the debt service reserve account exceed minimum requirements of the bond indenture.

The following is a summary of the bonds payable transactions for the year ended December 31, 1995:

	<u>Commission</u>	<u>Water District</u>		<u>Sewer District</u>		<u>Total</u>
		<u>No. 1</u>	<u>No. 1</u>	<u>No. 2</u>		
Outstanding at December 31, 1994	\$10,040,000	\$730,000	\$647,000	\$3,477,000	\$14,894,000	
Additions	--	--	--	--	--	
Reductions	<u>585,000</u>	<u>265,000</u>	<u>92,000</u>	<u>381,000</u>	<u>1,323,000</u>	
Outstanding at December 31, 1995	<u>\$ 9,455,000</u>	<u>\$465,000</u>	<u>\$555,000</u>	<u>\$3,096,000</u>	<u>\$13,571,000</u>	

The annual requirements to amortize all bonds outstanding at December 31, 1995, including interest are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996	\$ 1,231,000	\$ 715,558	\$ 1,946,558
1997	1,216,000	641,640	1,857,640
1998	1,241,000	581,840	1,822,840
1999	1,126,000	523,298	1,649,298
2000	1,166,000	465,995	1,631,995
2001 - 2011	<u>7,591,000</u>	<u>1,607,023</u>	<u>9,198,023</u>
TOTAL	<u>\$13,571,000</u>	<u>\$ 4,535,354</u>	<u>\$18,106,354</u>

9. RESERVED RETAINED EARNINGS

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

ST. BERNARD PARISH WATER AND SEWER COMMISSION
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 ST. BERNARD PARISH GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS
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9. RESERVED RETAINED EARNINGS (Continued)

- 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 in the debt service and debt service reserve accounts. (Minimum deposits are made monthly to the reserve account from revenues in an amount equal to five percent of the prior month's operating expenses.) In addition, net assets acquired with Commission funds are included in the reserve per board resolution. The reserved retained earnings are \$5,362,016 at December 31, 1995.
- B. Reserve for construction - established in accordance with bond requirements and Commission resolution. The reserved funds pay for construction projects required by the United States Environmental Protection Agency. The Commission 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 \$10,650,000 bond issue dated August 1, 1986, principal and interest on the \$1,350,000 bond issue dated December 1, 1991 and principal and interest on the \$7,950,000 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 1986, 1991 and 1994 revenue bonds payable to reduce the reserve. The reserved retained earnings are \$1,038,764 at December 31, 1995.
- C. Reserve for debt service - this reserve consists of two accounts. 1) The debt service account accumulates money from the net utilities revenues for the payment of interest and principal on the 1986, 1991 and 1994 revenue bond. 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 1986, 1991 and 1994 bond principal and interest reduces the reserve. As of December 31, 1995, the reserved fund balance is \$(449,678).

The components of the reserve accounts are as follows:

	<u>Capital Renewal and Replacement</u>	<u>Reserve for Construction</u>	<u>Reserve for Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ (313,023)	\$ --	\$1,485,368
Property, plant and equipment and bond issuance cost - net	<u>5,779,445</u>	<u>17,978,594</u>	<u>--</u>
Total assets	<u>5,466,422</u>	<u>17,978,594</u>	<u>1,485,368</u>

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9. RESERVED RETAINED EARNINGS (Continued)LIABILITIES

Current portion of bonds payable	--	--	625,000
Accrued interest payable	--	--	198,881
Other liabilities	56,221	5,085	--
Lease payable	48,185	--	--
Long-term 1986, 1991 and 1994 revenue bonds payable	--	<u>7,718,835</u>	<u>1,111,165</u>
Total liabilities	<u>104,406</u>	<u>7,723,920</u>	<u>1,935,046</u>
Contributed capital	--	<u>9,215,910</u>	--
RESERVED RETAINED EARNINGS	<u>\$ 5,362,016</u>	<u>\$ 1,038,764</u>	<u>\$ (449,678)</u>

10. PROPRIETARY FUNDS (Segment Information)

Segment information for the Commission's enterprise funds is as follows:

	Commission	Water District		Sewer District		Total
		No. 1	No. 2	No. 1	No. 2	
Operating revenues	\$ 6,678,573	\$ --	\$ --	\$ --	\$ --	\$ 6,678,573
Operating expenses:						
Depreciation and amortization	1,346,443	297,446	38,577	403,267	660,680	2,746,413
All other	5,552,656	--	--	--	306	5,552,962
Tax revenues	--	615,991	--	167,894	836,872	1,620,757
Net income (loss)	40,786	(127,147)	(19,650)	(340,926)	(256,761)	(703,698)
Property, plant & equipment additions	1,200,014	--	57,333	--	--	1,257,347
Donated lines	264,400	--	--	--	--	264,400
Bonds payable:						
Payable from operating revenue	9,455,000	--	--	--	--	9,455,000
Payable from other sources	--	465,000	--	555,000	3,096,000	4,116,000
Other long term obligations:						
Due to customer deposit account	904,553	--	--	--	--	904,553
Operating loss	220,526	297,446	38,577	403,267	660,986	1,620,802
Net working capital	129,106	381,043	17,494	60,303	208,434	796,380
Total assets	27,352,292	12,231,699	878,124	3,828,693	5,507,523	49,798,331
Contributed capital	9,215,910	3,979,479	--	1,656,315	1,910,876	16,762,580
Total fund equity	14,434,729	11,740,013	895,618	3,257,499	2,306,275	32,634,134

11. CONTINGENCIES

The St. Bernard Parish Water and Sewer Commission is involved in various claims for alleged negligence. The range of exposure is from \$164,305 to \$221,805. The estimated claims liability is computed based on information received from the insurance company. The claims liability of \$164,305 at December 31, 1995 is presented at current value and has not been discounted.

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12. SELF INSURANCE

The Commission is self insured for hospitalization claims up to approximately \$20,000 per employee or an aggregate of approximately \$288,790 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 12/31/94	\$ 40,846
Less: claims paid during the year	233,394
Plus: claims incurred	<u>234,182</u>
Claims liability at 12/31/95	<u>\$ 41,634</u>

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

13. OPERATING TRANSFERS

An operating transfer of \$679,180 was made between the Commission and Water District No. 1, Water District No. 2, Sewer District No. 1 and Sewer District No. 2. The transfer was made for the Commission's portion of ad valorem taxes and state revenue sharing.

14. DAMAGE - RIVER INTAKE STRUCTURE

The Commission suffered substantial damage to its Mississippi River water intake crib, fender and pipe from bature to crib in two separate tow boat accidents during 1994. The net book value of the structure at the time of the accident including portions not damaged is \$730,050. To date a portion of the assets has been recovered by insurance in the amount of \$364,135. As of December 31, 1995 insurance proceeds received exceeded the expenditures incurred; thus, a deferred credit of \$5,085 is recorded in the financial statements at year end. These monies will be used in the future to repair the damaged structure. The estimated cost to repair the damaged structure is \$785,000. The Commission plans to recoup any loss from the accident from the negligent party. Through April 22, 1996 the Commission has incurred \$411,874 in cost to repair the damaged structure.

15. CUSTOMER DEPOSITS

The Commission has used funds from the Customer Meter Deposit Fund to pay operating expenses and capital improvements. At December 31, 1995 the amount of monies owed by the Commission amounted to \$904,553 which consists of \$421,586 due from capital funds and \$482,967 due from operation and maintenance funds.

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles require the disclosure of fair value of financial instruments for which it is considered practicable to estimate fair value. Because no readily available market exists for a portion of the Commission's financial instruments, fair value for these instruments is based on judgments regarding current economic conditions, interest rate risk characteristics, loss experience and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the calculated fair value estimates cannot always be substantiated by comparison to independent markets and, in many cases may not be realized in a current sale of the instruments. Changes in assumptions could significantly affect the estimates.

The following assumptions were made by the St. Bernard Parish Water and Sewer Commission on estimating the fair value of its financial instruments at December 31, 1995:

- a) Cash and cash equivalents - For these short-term instruments, the carrying amount is a reasonable estimate of fair value.
- b) Bonds payable - Fair value is estimated using rates for currently issued bonds and is based on the discounted value of contractual cash flows.

The estimated fair values of financial assets and financial liabilities of the Commission at December 31, 1995 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 2,043,156	\$ 2,043,156
Financial liabilities:		
Bonds payable	13,571,000	14,141,929

PROPRIETARY FUNDS - ENTERPRISE FUNDS

COMMISSION FUND

The Commission 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 \$10,650,000, \$1,350,000 and \$7,950,000 revenue bond issues dated August 1, 1986, 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 Commission 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.

LIABILITIES AND FUND EQUITY	COMMISSION	WATER DISTRICT		SEWERAGE DISTRICT		TOTAL
		NO. 1	NO. 2	NO. 1	NO. 2	
LIABILITIES:						
Current liabilities (payable from current assets):						
Accounts payable	\$ 171,246	\$ --	\$ --	\$ --	\$ --	\$ 171,246
Uninsured claims payable	164,305	--	--	--	--	164,305
Deductions payable from ad valorem taxes - operating and maintenance	--	11,878	--	1,766	6,545	20,189
Lease payable - current portion	19,147	--	--	--	--	19,147
Salaries payable	77,781	--	--	--	--	77,781
Hospitalization claims payable	41,634	--	--	--	--	41,634
Cash overdraft	530,107	--	--	--	--	530,107
Due to/from	17,494	--	(17,494)	--	--	--
Total liabilities payable from current assets	<u>1,021,714</u>	<u>11,878</u>	<u>(17,494)</u>	<u>1,766</u>	<u>6,545</u>	<u>1,024,409</u>
Current liabilities (payable from restricted assets):						
Deductions payable from ad valorem taxes - debt service	--	5,973	--	2,975	19,730	28,678
Bonds payable	625,000	155,000	--	50,000	401,000	1,231,000
Accrued interest payable	198,880	8,835	--	11,453	78,973	298,141
Customer deposits	957,570	--	--	--	--	957,570
Inspection deposit	32,700	--	--	--	--	32,700
Cash overdraft	313,023	--	--	--	--	313,023
Deferred credit	5,085	--	--	--	--	5,085
Total liabilities payable from restricted assets	<u>2,132,258</u>	<u>169,808</u>	<u>--</u>	<u>64,428</u>	<u>499,703</u>	<u>2,866,197</u>
Long-term liabilities:						
Leases payable	29,038	--	--	--	--	29,038
Bonds payable	8,830,000	310,000	--	505,000	2,695,000	12,340,000
Due to customer meter deposit account	904,553	--	--	--	--	904,553
Total long-term liabilities	<u>9,763,591</u>	<u>310,000</u>	<u>--</u>	<u>505,000</u>	<u>2,695,000</u>	<u>13,273,591</u>
Total liabilities	<u>12,917,563</u>	<u>491,686</u>	<u>(17,494)</u>	<u>571,194</u>	<u>3,201,248</u>	<u>17,164,197</u>
FUND EQUITY:						
Contributed capital	9,215,910	3,979,479	--	1,656,315	1,910,876	16,762,580
Retained earnings:						
Reserved:						
Capital renewal and replacement	5,362,016	--	--	--	--	5,362,016
Construction	1,038,764	--	--	--	--	1,038,764
Debt service	(449,678)	--	--	--	--	(449,678)
Unreserved	(732,283)	7,760,534	895,618	1,601,184	395,399	9,920,452
Total retained earnings	<u>5,218,819</u>	<u>7,760,534</u>	<u>895,618</u>	<u>1,601,184</u>	<u>395,399</u>	<u>15,871,554</u>
Total fund equity	<u>14,434,729</u>	<u>11,740,013</u>	<u>895,618</u>	<u>3,257,499</u>	<u>2,306,275</u>	<u>32,634,134</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>27,352,292</u>	\$ <u>12,231,699</u>	\$ <u>878,124</u>	\$ <u>3,828,693</u>	\$ <u>5,507,523</u>	\$ <u>49,798,331</u>

ST BERNARD PARISH WATER AND SEWER COMMISSION
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ST. BERNARD PARISH GOVERNMENT
PROPRIETARY FUNDS - ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1995

	COMMISSION	WATER DISTRICT		SEWERAGE DISTRICT		TOTAL
		NO. 1	NO. 2	NO. 1	NO. 2	
OPERATING REVENUES						
User fees	\$ 6,314,697	\$ --	\$ --	\$ --	\$ --	\$ 6,314,697
Other operating income	363,876	--	--	--	--	363,876
Total operating revenues	<u>6,678,573</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,678,573</u>
OPERATING EXPENSES						
Personnel services and related benefits	2,748,297	--	--	--	--	2,748,297
Utilities	969,654	--	--	--	--	969,654
Contractual services, supplies, and materials	1,205,408	--	--	--	--	1,205,408
Professional services	38,402	--	--	--	--	38,402
Insurance	318,611	--	--	--	--	318,611
Depreciation and amortization	1,346,443	297,446	38,577	403,267	660,680	2,746,413
Other	272,284	--	--	--	306	272,590
Total operating expenses	<u>6,899,099</u>	<u>297,446</u>	<u>38,577</u>	<u>403,267</u>	<u>660,986</u>	<u>8,299,375</u>
OPERATING LOSS	<u>(220,526)</u>	<u>(297,446)</u>	<u>(38,577)</u>	<u>(403,267)</u>	<u>(660,986)</u>	<u>(1,620,802)</u>
NONOPERATING REVENUES (EXPENSES)						
Ad valorem tax for:						
Operation and maintenance	--	375,389	--	57,571	206,384	639,344
Debt retirement	--	184,008	--	92,651	601,519	878,178
State revenue sharing	--	56,594	--	17,672	28,969	103,235
Interest earnings:						
Construction	1,060	--	--	--	--	1,060
Other	100,519	7,056	1,433	2,917	9,609	121,534
Interest and bank fees	(519,447)	(28,542)	--	(35,258)	(194,133)	(777,380)
Deductions from ad valorem taxes for:						
Operation and maintenance	--	(11,878)	--	(1,766)	(6,545)	(20,189)
Debt retirement	--	(5,973)	--	(2,975)	(19,730)	(28,678)
Total nonoperating revenues (expenses)	<u>(417,868)</u>	<u>576,654</u>	<u>1,433</u>	<u>130,812</u>	<u>626,073</u>	<u>917,104</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(638,394)</u>	<u>279,208</u>	<u>(37,144)</u>	<u>(272,455)</u>	<u>(34,913)</u>	<u>(703,698)</u>
OPERATING TRANSFERS IN (OUT)	<u>679,180</u>	<u>(406,355)</u>	<u>17,494</u>	<u>(68,471)</u>	<u>(221,848)</u>	<u>--</u>
NET INCOME (LOSS)	<u>\$ 40,786</u>	<u>\$ (127,147)</u>	<u>\$ (19,650)</u>	<u>\$ (340,926)</u>	<u>\$ (256,761)</u>	<u>\$ (703,698)</u>

ST BERNARD PARISH WATER AND SEWER COMMISSION
 (INCLUDING SUB-DISTRICTS)
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 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 COMBINING STATEMENT OF CHANGES IN RETAINED EARNINGS AND CONTRIBUTED CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 1995

	COMMISSION	WATER DISTRICT		SEWERAGE DISTRICT		TOTAL
		NO. 1	NO. 2	NO. 1	NO. 2	
RETAINED EARNINGS - BEGINNING BALANCE	\$ 4,613,778	\$ 7,785,210	\$ 915,268	\$ 1,758,187	\$ 412,396	\$ 15,484,839
Net income (loss)	40,786	(127,147)	(19,650)	(340,926)	(256,761)	(703,698)
Depreciation of assets purchased with contributed capital	564,255	102,471	--	183,923	239,764	1,090,413
Retained earnings - ending balance	5,218,819	7,760,534	895,618	1,601,184	395,399	15,871,554
CONTRIBUTED CAPITAL - BEGINNING BALANCE	9,515,765	4,081,950	--	1,840,238	2,150,640	17,588,593
Other - donated lines	264,400	--	--	--	--	264,400
Depreciation of assets purchased with contributed capital	(564,255)	(102,471)	--	(183,923)	(239,764)	(1,090,413)
Contributed capital - ending balance	9,215,910	3,979,479	--	1,656,315	1,910,876	16,762,580
TOTAL FUND EQUITY	\$ 14,434,729	\$ 11,740,013	\$ 895,618	\$ 3,257,499	\$ 2,306,275	\$ 32,634,134

ST BERNARD PARISH WATER AND SEWER COMMISSION
 (INCLUDING SUB-DISTRICTS)
 ST. BERNARD PARISH GOVERNMENT
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1995

	COMMISSION	WATER DISTRICT		SEWERAGE DISTRICT		TOTAL
		NO. 1	NO. 2	NO. 1	NO. 2	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating loss	\$ (220,526)	\$ (297,446)	\$ (38,577)	\$ (403,267)	\$ (660,986)	\$ (1,620,802)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:						
Depreciation and amortization	1,346,443	297,446	38,577	403,267	660,680	2,746,413
Provision for uncollectible accounts	4,578	--	--	--	--	4,578
Change in assets and liabilities:						
Increase in accounts receivable	(14,881)	--	--	--	--	(14,881)
Decrease in inventory	15,467	--	--	--	--	15,467
Decrease in prepaid expenses	12,940	--	--	--	--	12,940
Increase in accounts payable and accruals	70,972	--	--	--	--	70,972
Increase in unbilled charges	(85,289)	--	--	--	--	(85,289)
Decrease in accounts receivable - other	111,053	--	--	--	--	111,053
Interest paid to finance insurance	(8,280)	--	--	--	--	(8,280)
Total adjustments	1,453,003	297,446	38,577	403,267	660,680	2,852,973
Net cash provided by (used in) operating activities	1,232,477	--	--	--	(306)	1,232,171
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Ad valorem taxes - operations and maintenance	--	348,505	(17,494)	54,408	192,271	577,690
State revenue sharing	--	57,850	--	14,063	29,577	101,490
Transfer (to) from other funds	679,180	(406,355)	17,494	(68,471)	(221,848)	--
Net cash provided by noncapital financing activities	679,180	--	--	--	--	679,180
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Ad valorem taxes - debt retirement	--	292,076	--	107,967	582,819	982,862
Payment on capital lease	(9,007)	--	--	--	--	(9,007)
Interest paid on capital lease	(3,676)	--	--	--	--	(3,676)
Purchase of capital assets	(841,609)	--	(57,332)	--	--	(898,941)
Principal paid on bonds	(585,000)	(265,000)	--	(92,000)	(381,000)	(1,323,000)
Interest paid on bonds	(519,460)	(31,473)	--	(36,678)	(202,362)	(789,973)
Net cash used in capital financing activities	(1,958,752)	(4,397)	(57,332)	(20,711)	(543)	(2,041,735)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest on cash management accounts	97,866	6,585	1,433	2,854	7,100	115,838
Net cash provided by investing activities	97,866	6,585	1,433	2,854	7,100	115,838

ST BERNARD PARISH WATER AND SEWER COMMISSION
 (INCLUDING SUB-DISTRICTS)
 ST. BERNARD PARISH GOVERNMENT
 PROPRIETARY FUNDS - ENTERPRISE FUNDS
 COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1995

	COMMISSION	WATER DISTRICT		SEWERAGE DISTRICT		TOTAL
		NO. 1	NO. 2	NO. 1	NO. 2	
(Continued)						
Net increase (decrease) in cash and cash equivalents	50,771	2,188	(55,899)	(17,857)	6,251	(14,546)
Cash and cash equivalents at beginning of year	<u>1,606,028</u>	<u>111,394</u>	<u>74,753</u>	<u>79,537</u>	<u>185,990</u>	<u>2,057,702</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>1,656,799</u>	\$ <u>113,582</u>	\$ <u>18,854</u>	\$ <u>61,680</u>	\$ <u>192,241</u>	\$ <u>2,043,156</u>