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Financial Report
St. Bernard Parish Government
Chalmette, Louisiana
December 31, 1997

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Printed Date DEC 1 6 1998

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December 31, 1997

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the St. Bernard Parish Government, State of Louisiana, as of and for the year ended December 31, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the St. Bernard Parish Government. Our responsibility is to express an opinion on these general purpose financial statement based on our audit. We did not audit the financial statements of the discretely presented component unit, St. Bernard Parish Home Mortgage Authority. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Parish Government as of December 31, 1997, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

1

In accordance with Government Auditing Standards, we have also issued our report dated, June 5, 1998 on our consideration of the St. Bernard Parish Government's internal control over financial reporting and extent of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in Note 10 to the general purpose financial statements, the St. Bernard Parish Government is a defendant in numerous lawsuits seeking damages which cannot be quantified. These lawsuits are in various stages of resolution, and their ultimate outcome cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the general purpose financial statements.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of St. Bernard Parish Government taken as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The accompanying schedule of expenditures of federal awards - primary government is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based upon our audit and the report of other auditors, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

Bouguier Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
June 5, 1998.

GENERAL PURPOSE FINANCIAL STATEMENTS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**

St. Bernard Parish Government

For the year ended December 31, 1997

| | General Fund | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total (Memorandum Only) Primary Government |
|--|-------------------|-----------------------------|--------------------------|------------------------------|--|
| Revenues (Note 1) | | | | | |
| Taxes: | | | | | |
| Ad valorem | \$ 421,024 | \$ 4,166,419 | \$ 816,047 | \$ - | \$ 5,403,490 |
| Sales taxes | 12,246,000 | - | - | - | 12,246,000 |
| Other taxes, penalties, and interest, etc. | 759,960 | 299,211 | - | - | 1,059,171 |
| Licenses and permits | 679,800 | 241,287 | - | - | 1,115,110 |
| Federal grants | 58,306 | 4,830,863 | - | - | 4,889,169 |
| State funds: | | | | | |
| Parish transportation funds | - | 677,264 | - | - | 677,264 |
| State revenue sharing | 24,860 | 274,768 | - | - | 300,628 |
| Other state funds | 777,873 | 1,279,203 | - | 248,800 | 1,899,213 |
| Fees, charges, and commissions for services | 660,880 | 108,400 | - | - | 1,211,280 |
| Fines and forfeitures | - | 388,100 | - | - | 388,100 |
| Use of treasury and property | 127,684 | 90,789 | 121,406 | 26,000 | 365,249 |
| Special assessments | - | - | 34,809 | - | 34,809 |
| Other revenues | 21,088 | 108,155 | - | 30,080 | 260,753 |
| Total revenues | 15,831,651 | 13,152,852 | 734,832 | 284,780 | 29,804,115 |
| Expenditures (Note 1) | | | | | |
| General government: | | | | | |
| Administrative | 261,646 | 38,258 | - | - | 299,904 |
| Police | 210,128 | 848,809 | - | - | 1,058,937 |
| Firemen | 65,164 | - | - | - | 65,164 |
| Finance and administrative | 1,790,300 | 216,008 | 22,612 | - | 2,028,920 |
| Other general government | 468,210 | 1,024,281 | - | - | 1,492,491 |
| Public safety | 1,212,218 | 5,286,541 | - | - | 6,498,759 |
| Public works | - | 4,431,608 | - | 781,234 | 5,213,842 |
| Health and welfare | 104,221 | 1,477,464 | - | - | 1,581,685 |
| Culture and recreation | - | 1,793,402 | - | - | 1,793,402 |
| Economic development | 81,211 | - | - | - | 81,211 |
| Capital outlay | 7,486 | 453,440 | - | 902,560 | 1,433,486 |
| Debt service: | | | | | |
| Principal retirement | 3,886 | - | 241,173 | - | 245,059 |
| Interest and service charges | 3,074 | - | 291,861 | - | 294,935 |
| Total expenditures | 4,804,296 | 20,375,319 | 1,233,145 | 1,683,894 | 26,876,654 |

| | General Fund | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total (Miscellaneous Only) Primary Government |
|---|---------------------|-----------------------------|--------------------------|------------------------------|---|
| Excess (Deficiency) of Revenues Over Expenditures | <u>11,841,461</u> | <u>(8,128,467)</u> | <u>(282,277)</u> | <u>(1,350,872)</u> | <u>3,080,845</u> |
| Other Financing Sources (Uses) | | | | | |
| Premiums of refunding bonds | - | - | 4,315,600 | - | 4,315,600 |
| Payment of refunded bond interest agent | - | - | (4,434,600) | - | (4,434,600) |
| Operating transfers in | 802,891 | 9,648,608 | 304,800 | 2,780,378 | 11,496,177 |
| Operating transfers out | <u>(11,847,144)</u> | <u>(181,157)</u> | <u>-</u> | <u>(258,698)</u> | <u>(12,286,999)</u> |
| Total other financing sources (uses) | <u>(11,044,253)</u> | <u>9,467,451</u> | <u>704,800</u> | <u>2,521,678</u> | <u>941,680</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | <u>797,208</u> | <u>1,099,409</u> | <u>377,077</u> | <u>1,840,838</u> | <u>1,790,873</u> |
| Fund Balances | | | | | |
| Beginning of year | 1,829,618 | 1,399,398 | 1,585,119 | 740,598 | 5,494,483 |
| Residual equity transfer | <u>4,288</u> | <u>(3,209)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| End of year | <u>\$ 1,833,906</u> | <u>\$ 1,396,189</u> | <u>\$ 1,585,119</u> | <u>\$ 740,598</u> | <u>\$ 5,494,483</u> |

See notes to the general purpose financial statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND SPECIAL REVENUE FUNDS**

St. Bernard Parish Government

For the year ended December 31, 1997

| Revenue (Note 2) | General Fund | | | Special Revenue Funds | | |
|---|-------------------|-------------------|--|-----------------------|-------------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| | | | | | | |
| Revenue (Note 2) | | | | | | |
| Taxes: | | | | | | |
| Ad valorem | \$ 407,074 | \$ 407,074 | \$ - | \$ 4,366,641 | \$ 4,366,641 | \$ - |
| Hotel taxes | 12,348,792 | 12,245,047 | (103,745) | - | - | - |
| Other taxes, penalties, and interest, etc. | 759,754 | 759,663 | (91) | 294,282 | 299,711 | 5,429 |
| Licenses and permits | 879,808 | 879,828 | - | 343,207 | 343,207 | - |
| Federal grants | 26,644 | 30,806 | 3,562 | 4,864,131 | 4,950,855 | 86,724 |
| State funds: | | | | | | |
| Public transportation funds | - | - | - | 51,580 | 471,544 | 420,064 |
| State revenue sharing | 54,865 | 54,865 | - | 343,082 | 374,290 | 31,208 |
| Other state funds | 487,200 | 377,073 | (110,127) | 1,478,138 | 1,270,112 | (208,026) |
| Fees, charges, and commissions for services: | | | | | | |
| Fees and royalties | 157,094 | 160,890 | 3,796 | 180,180 | 180,608 | 428 |
| Use of money and property | 74,107 | 117,494 | 43,387 | 291,830 | 322,311 | 31,481 |
| Other revenues | 46,894 | 51,348 | 3,454 | 186,111 | 189,118 | 2,907 |
| Total revenues | 13,445,754 | 13,441,541 | (4,213) | 11,877,073 | 11,811,411 | (66,662) |
| Expenditures (Note 1) | | | | | | |
| General government: | | | | | | |
| Legislative | 261,683 | 261,683 | - | - | 26,228 | (26,228) |
| Judicial | 51,128 | 51,128 | - | 481,493 | 448,079 | (33,414) |
| Electoral | 55,344 | 55,344 | - | - | - | - |
| Finance and administrative | 1,805,075 | 1,795,801 | 9,274 | - | 210,058 | (210,058) |
| Other general government | 448,132 | 444,132 | - | 1,823,797 | 1,811,391 | (12,406) |
| Public safety: | | | | | | |
| Police services | 1,212,238 | 1,212,238 | - | 4,996,716 | 5,306,511 | (314,805) |
| Police reserves | - | - | - | 4,907,083 | 4,883,840 | (23,243) |
| Health and welfare | 114,522 | 114,522 | - | 1,463,993 | 1,471,444 | (7,451) |
| Culture and recreation | - | - | - | 1,944,822 | 1,797,497 | (147,325) |
| Economic development | 104,713 | 112,111 | 7,398 | - | - | - |
| Capital outlay | 400 | 1,400 | 1,000 | 34,500 | 40,444 | (5,944) |
| Debt service: | | | | | | |
| Principal retirement | 1,944 | 1,944 | - | - | - | - |
| Interest and service charges | 3,074 | 3,074 | - | - | - | - |
| Total expenditures | 4,151,111 | 4,154,336 | 3,225 | 21,244,368 | 21,222,238 | (22,130) |

| | General Fund | | Variance Favorable (Unfavorable) | Special Revenue Funds | | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|--|-----------------------|---------------------|--|
| | Budget | Actual | | Budget | Actual | |
| Excess (Deficiency) of Revenues Over Expenditures | <u>11,591,411</u> | <u>11,681,481</u> | <u>(90,070)</u> | <u>8,383,690</u> | <u>8,396,870</u> | <u>13,180</u> |
| Other Financing Sources (Used) | | | | | | |
| Operating transfers in | 40,000 | 400,000 | 360,000 | 6,415,311 | 6,444,609 | 29,298 |
| Operating transfers out | <u>(21,796,253)</u> | <u>(21,897,148)</u> | <u>(100,895)</u> | <u>(288,311)</u> | <u>(288,311)</u> | <u>-</u> |
| Total other financing sources (used) | <u>(21,756,253)</u> | <u>(21,497,148)</u> | <u>(259,895)</u> | <u>6,127,000</u> | <u>6,156,298</u> | <u>29,298</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | <u>(10,200,000)</u> | <u>(10,100,000)</u> | <u>100,000</u> | <u>2,256,689</u> | <u>2,240,578</u> | <u>16,111</u> |
| Fund Balances: | | | | | | |
| Beginning of year | 1,000,000 | 1,075,418 | - | 1,798,798 | 1,798,798 | - |
| Residual equity transfer | - | 4,700 | 4,700 | - | 4,700 | (4,700) |
| Total of year | <u>\$ 1,000,000</u> | <u>\$ 1,075,418</u> | <u>\$ 75,418</u> | <u>\$ 2,798,798</u> | <u>\$ 2,808,298</u> | <u>\$ 10,000</u> |

See notes to the general-purpose financial statements.

**CONTINUED STATEMENT OF REVENUES AND EXPENSES
ALL GOVERNMENT FUND TYPES**

St. Bernard Parish Government

For the year ended December 31, 1997

| | Category Fund | Internal Service Fund | Total (Dissemination Only) Primary Government | Component Unit | Total (Dissemination Only) Reporting Entity |
|--|---------------|-----------------------|---|----------------|---|
| Operating Revenues (Note 1) | | | | | |
| User fees | \$ 8,326,001 | \$ - | \$ 8,326,001 | \$ - | \$ 8,326,001 |
| Other operating income | 308,823 | 1,851,719 | 2,170,772 | - | 2,170,772 |
| Interest earned on mortgage loans | - | - | - | 308,303 | 308,313 |
| Interest earned on investments | - | 191,208 | 191,208 | 86,178 | 281,387 |
| Total operating revenues | 8,634,824 | 2,042,927 | 10,690,852 | 400,481 | 11,090,333 |
| Operating Expenses (Note 2) | | | | | |
| Salaries and related benefits | 2,706,188 | 306,800 | 3,014,498 | - | 3,014,498 |
| Utilities | 1,084,648 | - | 1,084,648 | - | 1,084,648 |
| Contractual services, supplies and materials | 1,268,323 | - | 1,268,323 | - | 1,268,323 |
| Outside services | 196,548 | 47,230 | 199,778 | - | 199,778 |
| Insurance premiums | 82,149 | 379,467 | 461,616 | - | 461,616 |
| Claims expense | - | 756,631 | 756,631 | - | 756,631 |
| Interest | - | - | - | 294,303 | 294,313 |
| Operating expenses | - | - | - | 23,889 | 23,899 |
| Other | 33,189 | 10,895 | 106,144 | - | 106,144 |
| Depreciation and amortization | 2,444,176 | - | 2,444,176 | - | 2,444,176 |
| Amortization of deferred financing costs | - | - | - | 44,023 | 44,023 |
| Servicing fee | - | - | - | 11,125 | 11,125 |
| Capital outlay | - | - | - | - | - |
| Mortgage loan insurance costs | - | - | - | 3,348 | 3,348 |
| Total operating expenses | 7,693,193 | 1,219,645 | 9,614,513 | 378,147 | 9,941,985 |
| Operating Income | 941,631 | 823,282 | 1,077,294 | 27,344 | 1,079,728 |
| Nonoperating Revenues (Expenses) | | | | | |
| All revenues (loss) for repayment of bonds | 383,197 | - | 383,197 | - | 383,197 |
| Interest income | 134,873 | - | 134,873 | - | 134,873 |
| Interest expense and bank fees | (608,744) | - | (608,744) | - | (608,744) |
| Deductions from ad valorem taxes for debt retirement | (11,478) | - | (11,478) | - | (11,478) |
| Total nonoperating revenues | 108,848 | - | 108,848 | - | 108,848 |
| Income before operating transfers | 1,050,479 | 823,282 | 1,233,842 | 27,344 | 1,290,388 |
| Operating transfers to other funds (Note 2) | - | (1,833,893) | (1,833,893) | - | (1,833,893) |
| Net Income (Loss) | \$ 1,050,479 | \$ (1,010,611) | \$ 400,849 | \$ 27,344 | \$ 428,288 |

See notes to the general purpose financial statements.

**COMBINED STATEMENT OF CHANGES IN RETAINED EARNINGS AND CONTRIBUTED CAPITAL -
ALL PROPRIETARY FUND TYPES**

St. Bernard Parish Government

For the year ended December 31, 1997

| | Enterprise Fund | | Total | Internal Service Fund | Total (Micro-enterprises Only) | | Component Unit | Total (Micro-enterprises Only) |
|--|------------------------|----------------------|----------------------|--------------------------|--------------------------------------|-------------------|----------------------|--------------------------------------|
| | Contributed Capital | Retained Earnings | | | Primary Government | Component Unit | | |
| Beginning Balance | \$ 18,234,216 | \$ 15,639,350 | \$ 33,873,566 | \$ 3,827,399 | \$ 15,693,858 | \$ 195,176 | \$ 36,574,235 | |
| Net income (loss) | - | 1,095,509 | 1,095,509 | (324,717) | 730,840 | 21,746 | 742,866 | |
| Other - donated items | 477,804 | - | 477,804 | - | 477,804 | - | 477,804 | |
| Depreciation on contributed capital | (934,022) | (934,322) | (1,868,344) | - | - | - | (1,868,344) | |
| Ending Balance | \$ 18,778,002 | \$ 17,610,537 | \$ 36,388,539 | \$ 3,502,682 | \$ 16,891,702 | \$ 969,922 | \$ 37,774,812 | |

See notes to the general purpose financial statement.

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES**

St. Bernard Parish Government

For the year ended December 31, 1997

| | Enterprise Fund | Internal Service Fund | Total (Monominority Only) Primary Government | Component Unit | Total (Monominority Only) Supporting Agency |
|---|--------------------|-----------------------------|--|-------------------|---|
| Cash Flows From Operating Activities | | | | | |
| Operating income | \$ 884,711 | \$ 793,280 | \$ 1,677,994 | \$ - | \$ 1,677,994 |
| Net income | - | - | - | 31,744 | 31,744 |
| Sub-total | 884,711 | 793,280 | 1,677,994 | 31,744 | 1,679,738 |
| Adjustments to reconcile operating income / net income to net cash provided by operating activities: | | | | | |
| Amortization of deferred financing cost | - | - | - | 44,607 | 44,607 |
| Amortization of investment discount | - | - | - | (60,876) | (60,876) |
| Amortization of bond discount | - | - | - | 81,138 | 81,138 |
| Depreciation and amortization (financial) discounts in assets | 2,144,775 | - | 2,144,776 | - | 2,144,776 |
| Accounts receivable | (21,222) | 4,827 | (16,395) | - | (16,395) |
| Unbilled charges | (179,829) | - | (179,829) | - | (179,829) |
| Inventory | (44,548) | - | (44,548) | - | (44,548) |
| Prepaid expenses | 36,587 | - | 36,587 | - | 36,587 |
| Accounts receivable - other | 344,588 | - | 344,588 | 881 | 345,469 |
| Accrued interest receivable | - | - | - | 12,731 | 12,731 |
| Due from other funds | - | 558,478 | 558,478 | - | 558,478 |
| Increase (decrease) in liabilities: | | | | | |
| Accounts payable and accrued interest payable | (183,677) | (5,783) | (189,460) | - | (189,460) |
| Due to other funds | - | 28,330 | 28,330 | (4,728) | 23,602 |
| Estimated claims and judgments | - | (13,793) | (13,793) | - | (13,793) |
| Interest paid on bonds payable | - | - | - | 208,917 | 208,917 |
| Interest received on investments | - | - | - | (24,165) | (24,165) |
| Total adjustments | 2,114,676 | 711,829 | 2,786,505 | 280,907 | 2,867,412 |
| Net cash provided by operating activities | 2,149,387 | 1,715,143 | 4,444,539 | 280,907 | 4,780,696 |
| Cash Flows From Noncapital Financing Activities | | | | | |
| All other non-tax - operations and maintenance | 679,146 | - | 679,146 | - | 679,146 |
| State revenue sharing | 37,848 | - | 37,848 | - | 37,848 |
| Decrease in negative cash balances liquidity financed | (1,233,680) | - | (1,233,680) | - | (1,233,680) |
| Loan from St. Bernard Parish Self Insurance Fund | 752,220 | - | 752,220 | - | 752,220 |
| Operating transfers to other funds | - | (1,008,000) | (1,008,000) | - | (1,008,000) |
| Bond redemptions | - | - | - | (588,765) | (588,765) |
| Interest paid on bonds payable | - | - | - | (208,917) | (208,917) |
| Net cash provided by (used in) noncapital financing activities | 245,334 | (2,818,152) | (152,472) | (728,688) | (1,481,133) |

| | Enterprise Fund | Interest Service Fund | Total (Monocash Only) Primary Government | Component Unit | Total (Monocash Only) Reporting Entity |
|---|--------------------|-----------------------------|--|-------------------|--|
| Cash Flows From Capital Financing Activities | | | | | |
| Ad valorem taxes - debt retirement | \$36,618 | - | \$36,618 | - | \$36,618 |
| Payment on capital lease | (17,592) | - | (17,592) | - | (17,592) |
| Interest paid on capital lease | (2,071) | - | (2,071) | - | (2,071) |
| Purchase of capital assets | (661,894) | - | (661,894) | - | (661,894) |
| Principal paid on bond | (2,246,080) | - | (2,246,080) | - | (2,246,080) |
| Interest paid on bonds | (244,000) | - | (244,000) | - | (244,000) |
| Net cash used by capital financing activities | (3,641,599) | - | (3,641,599) | - | (3,641,599) |
| Cash Flows From Investing Activities | | | | | |
| Interest on cash management account | (34,673) | - | (34,673) | - | (34,673) |
| Interest earned on investments | - | - | - | 28,264 | 28,264 |
| Decrease in mortgage loans receivable | - | - | - | 315,881 | 315,881 |
| Net cash provided by investing activities | (34,673) | - | (34,673) | 344,145 | 309,472 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,943,947 | 307,140 | 2,251,129 | 482,000 | 2,099,300 |
| Cash and Cash Equivalents | | | | | |
| Beginning of year | 1,897,158 | 1,673,911 | 3,571,069 | 448,579 | 3,989,672 |
| End of year | \$ 3,841,105 | \$ 2,011,051 | \$ 5,852,159 | \$ 930,579 | \$ 6,079,329 |
| Supplemental Cash Flow Information: | | | | | |
| Interest Paid For The Year Ended December 31, 1997: | | | | | |
| Enterprise Fund - St. Bernard Parish Government Department of Public Works Water and Sewer Division | | | | | |
| | \$ 652,110 | | | | |
| Component Unit - St. Bernard Parish Home Mortgage Authority | | | | | |
| | \$ 21,817 | | | | |
| Noncash Capital Financing Activity - Enterprise Fund - St. Bernard Parish Government Department of Public Works Water and Sewer Division | | | | | |
| Debt Issued | \$ 422,804 | | | | |

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENT**St. Bernard Parish Government**

December 31, 1997

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Parish of St. Bernard is a local governmental subdivision which operates under a home rule charter, under the authority of the Louisiana Revised Statutes 33:1395 through 33:1395.6. The Home Rule Charter provides for a "president-council" form of government which consists of an elected council representing the legislative branch of the government and an elected president heading the executive branch.

a) Reporting Entity and Individual Component Unit Disclosure

The St. Bernard Parish Council is the governing authority for St. Bernard Parish. As the governing authority of the parish, for reporting purposes, the St. Bernard Parish Government is the financial reporting entity for St. Bernard Parish. The financial reporting entity consists of the primary government (parish government), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's general purpose financial statement to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the governmental reporting entity and which component units should be considered part of the St. Bernard Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining the financial accountability. These criteria include:

- (1) Appointing a voting majority of an organization's governing body, and
- (2) The ability of the parish government to impose its will on that organization and/or

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity and Individual Component Unit Disclosure (Continued)

- i) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish government.
- 2) Organizations for which the parish government does not appoint a voting majority but which are fiscally dependent on the parish government.
- 3) Organizations for which the reporting entity's general purpose financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the above criteria, the parish government had determined that the following component units are part of the reporting entity:

| | <u>Criteria Used</u> |
|--|----------------------|
| St. Bernard Parish Library | 1 |
| St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts | 1 |
| St. Bernard Parish Home Mortgage Authority | 1 |
| St. Bernard Parish Commerce Commission | 2 |

These primary government (parish government) general purpose financial statements include all funds, account groups and organizations for which the parish government maintains the accounting records. The organizations for which the parish government maintains the accounting records are considered part of the primary government (parish government) and include the Thirty-Fourth Judicial District Criminal Court Fund.

The following component units, although legally separate entities, are, in substance, part of the parish government's operations and accordingly, data from these units are combined with data of the primary government and are reported as blended component units:

- St. Bernard Parish Library
- St. Bernard Parish Government Department
of Public Works Water and Sewer Division and the Districts
- St. Bernard Parish Home Mortgage Authority
- St. Bernard Parish Commerce Commission

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity and Individual Component Unit Disclosure (Continued)

The component unit columns in the combined general purpose financial statements include the financial data of the St. Bernard Parish Home Mortgage Authority. It is reported in a separate column as a discrete component unit to emphasize that it is legally separate from the parish government.

Considered in the determination of component units of the reporting entity were the Parish School Board, the Parish Assessor's Office, the Parish Clerk of Court, the Indigent Delinquent Board, the Parish Sheriff's Office, and the Council on Aging. It was determined that these governmental entities are not component units of the parish government reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the parish government.

b) Basis of Presentation - Fund Accounting

The accounts of the parish government are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures or expense, as appropriate. Parish government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund categories, fund types and account groups presented in the general purpose financial statements are described as follows:

1) Governmental Funds

General Fund

The general fund is the principal fund of the parish government and is used to account for all activities of the parish government except those required to be accounted for in other funds.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Presentation (Continued)

1) Governmental Funds (Continued)

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources which by law are designated to finance particular functions or activities of the parish government.

Debt Service Funds

Debt service funds are established to meet requirements of bond ordinances and to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Capital Project Funds

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those projects financed by the proprietary fund). In addition, the funds are used to account for major street repairs and the acquisition of movable fixed assets.

2) Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for operations (a) 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 are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Presentation (Continued)

2) Proprietary Funds (Continued)

Internal Service Fund

The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies within the same government or to other governments or not-for-profit associations on a cost reimbursement basis.

3) Account Groups

General Fixed Assets Account Group

This account group is established to account for the fixed assets of the parish government and its component units, except those accounted for in the Proprietary Funds.

Public domain or infrastructures are not capitalized. No depreciation has been provided on the General Fixed Assets Account Group. All fixed assets are valued at historical cost where available. Historical cost was not available for a minor amount of fixed assets than estimated historical cost was used.

General Long-Term Debt Account Group

This account group is established to account for all long-term obligations of the parish government, except those accounted for in the Proprietary Funds.

c) Governmental Funds

1) Basis of Accounting

The accounting and financial reporting treatment applied to a fund are determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

1) Basis of Accounting (Continued)

focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The governmental funds reported in the general purpose financial statements utilize the following practices in recording revenues and expenditures:

i) Revenues

Revenues are recognized when they become measurable and available.

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

Federal and state aid and grants are recorded when the entity is entitled to the funds.

Interest income on investments is accrued through the end of the year.

Sales and use tax revenues are recognized by the parish government on the accrual basis.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Governmental Funds (Continued)

1) Basis of Accounting (Continued)

i) Revenues (Continued)

Substantially all other revenues are recorded when received.

ii) Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is not recognized until due.

iii) Accounts Receivable

The St. Bernard Parish Government uses the direct write-off method to write off the majority of general uncollectible accounts receivable. This method approximates methods in accordance with generally accepted accounting principles.

The majority of the parish government's receivables consist of sales tax of \$2,059,170, ad valorem taxes of \$4,771,299, other state funds of \$281,333, federal grants of \$538,938, road royalty of \$182,488 and water and sewer customer receivables of \$328,827.

iv) Other Financing Sources (Uses)

Transfers between funds which are not to be repaid are accounted for as other financing sources (uses).

Proceeds of long-term debt including bonds and notes are reflected as other financing sources in the operating statement of the recipient fund and are included in the general long-term account group.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

3) Fund Descriptions - Special Revenue Funds

- Public Works Fund

The Public Works Fund is used to account for the operations and maintenance of all parish infrastructure (roads, bridges, right of ways, neutral grounds, including ditches and drainage, and operation of the mosquito control program.) Revenues of this fund are substantially derived from the parish transportation fund, parish road royalty fund and a parish ad valorem tax.

- Garbage District No. 1 Fund

The Garbage District No. 1 Fund is used to account for the parish's garbage collection and disposal system. These services are presently being contracted out to a private firm. Revenues are derived from ad valorem taxes, state revenue sharing, and a 1/2% dedicated sales tax for garbage collection.

- Consolidated Fire Protection District No. 1-3 Fund

The Consolidated Fire Protection District No. 1-3 Fund is used to account for the maintenance and operations of the fire protection facilities. Revenues are derived from ad valorem taxes, state revenue sharing and 2% of the State of Louisiana distribution of fire insurance premium taxes.

- Recreation Department Fund

The Recreation Department Fund is used to account for the maintenance and operations of the recreation facilities within the parish. Revenues are derived from ad valorem taxes and state revenue sharing.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• Health Fund

The Health Fund is used to account for the activities which contribute to the health monitoring services provided by the state health unit within the parish. The State bills the parish health department for the building operating and maintenance expenses related to the facility. Revenues are derived from ad valorem taxes and state revenue sharing.

• Urban Mass Transportation Administration Fund

The Urban Mass Transportation Administration Fund is used to account for the operations of the public transit system. The system is partly financed by an operating grant received from the Federal Transit Authority. The deficit fund equity of \$123,873 will be absorbed through future years.

• Job Training Partnership Act Fund

The Job Training Partnership Act Fund is used to account for the collection and payment of job training partnership act funds on behalf of other agencies, governing bodies and/or other funds.

• Housing Rent Subsidy Fund

The Housing Rent Subsidy Fund is used to account for the administration of a housing assistance program. Financing is provided by the Department of Housing and Urban Development.

• Housing Voucher Program Fund

The Housing Voucher Program Fund is used to account for the administration of the Housing Voucher Program. Financing is provided by the Department of Housing and Urban Development. The deficit fund equity of \$8,316 will be absorbed as part of the 1998 budget.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• **Judicial Court Reporter Fund**

The Judicial Court Reporter Fund is used to account for the salaries of the Thirty-Fourth Judicial District Court reporters. This fund is financed from the judicial fees collected by the clerk of court and remitted to the parish government. The deficit fund equity of \$312 will be absorbed as part of the 1998 budget.

• **Criminal Court Fund**

The Criminal Court Fund of the Thirty-Fourth Judicial District was established under Section 571.11 of Title 13 of the Louisiana Revised Statutes of 1950. Fines and forfeitures imposed by the district court and district attorney's conviction fees in criminal cases are transferred to the parish treasury and deposited into a special "Criminal Court Fund" account. These funds are used for expenses of the criminal court of the parish government. Expenditures are made from this fund on motion of the district attorney and approval by the district judges.

The statutes also require that one-half of the surplus in the fund at December 31, of each year be transferred to the parish General Fund. For the year ended December 31, 1997, \$4,200 was transferred to the General Fund.

• **Contingency Criminal Court "A" Fund**

The Contingency Criminal Court "A" Fund is used to account for the administration of the Indigent Defenders Board. Revenues are derived from reimbursements from the Indigent Defenders Board and from transfers from the Criminal Court Fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• **District Attorney General Fund**

The District Attorney General Fund is used to account for the salaries and expenses of the District Attorney of the Thirty-Fourth Judicial District. This fund is financed by a transfer of sales tax from the General Fund, which is budgeted annually by the parish government at the same time it prepares its annual budget. The deficit fund equity of \$36,688 will be absorbed as a part of the 1998 budget.

The parish government is mandated to pay the expenses of the District Attorney's office as provided by Louisiana Revised Statutes 16:6 and 16:839.4.

• **Environmental Mitigation Fund**

The Environmental Mitigation Fund is used to account for operation, maintenance and costs for the Parish Wetlands Management Program. Financing is provided by mitigation payments and voluntary donations.

• **Deputy Witness Fee Fund**

The Deputy Witness Fee Fund is used to account for the fees paid to deputies for court appearances. The fund is financed from court costs collected by the clerk of court and remitted to the parish government.

• **Library Fund**

The Library Fund is used to account for the operations and maintenance of the parish library. Revenues are derived from ad valorem tax, state revenue sharing, other state grants and interest.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• **Head Lighting District No. 1 Fund**

The Head Lighting District No. 1 Fund is used to account for the maintenance of the lighting facilities of the roads, alleys and public places within the parish. Revenues are derived from ad valorem taxes and state revenue sharing.

• **Group Home Fund**

The Group Home Fund is used to account for the activity of the Boys and Girls Group Home. The Group Homes are for juvenile delinquents and emotionally disadvantaged children. The revenues are derived from federal and state grants. Effective December 31, 1996 the Boys and Girls Group Home discontinued operations. For the year ended December 31, 1997 \$33,162 of expenditures was incurred related to the closure of the Home.

• **Group Home Residents Fund**

The Group Home Residents Fund is used to account for the allowance given to children residing at the Group Home. The revenue is derived from federal and state grants.

• **Human Resources Fund**

The Human Resources Fund was established to record the income and expenditures on various federal and state grants.

• **Civic Auditorium Fund**

The Civic Auditorium Fund is used to account for the maintenance and operation of the St. Bernard Parish Civic Center (Center). Revenues are derived from fees charged for the use of the Center.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• Communications Fund

The Communication Fund is used to account for the cost of the 911 Emergency Service number. Revenues are derived from a telephone tax.

• Community Development Fund

The Community Development Fund is used to account for the coordination of planning activities and emergency preparedness. The revenues are derived from permits, licenses and transfers from sales tax. The deficit fund equity of \$445 will be absorbed as part of the 1998 budget.

• Council On Aging Fund

The Council On Aging Fund is used to account for the receipt and disbursement of a one mill property tax levy for the maintenance and operation of the Senior Citizens Center.

3) Fund Descriptions - Debt Service Funds

• Public Improvement Bonds Series A, B, C Fund

The Public Improvement Bonds Series A, B, C Fund is used to accumulate monies for the payment of bonds dated June 1, 1985. Series A was issued for the purpose of acquiring land and buildings for recreational purposes, and acquiring necessary equipment therefore. Series B was issued for the purpose of constructing public buildings consisting of incinerators for the parish government and acquiring all necessary land, equipment and furnishings therefore. Series C was issued for the purpose of constructing

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

3) Fund Descriptions - Debt Service Funds (Continued)

• Public Improvement Bonds Series A, B, C Fund (Continued)

an addition for the parish government and acquiring all necessary land, equipment and furnishings therefore. Each series is secured by an ad valorem tax levy. At December 31, 1993, all obligations of the A, B, C Fund has been paid. The fund balance at December 31, 1997 of \$288,148 will be used to fund a drainage project in the future.

• Public Improvement Bonds Series 1977 Fund

The Public Improvement Bonds Series 1977 Fund is used to accumulate monies for the payment of bonds dated June 1, 1977, which were issued for the purpose of paying all or any part of the cost of public works, buildings, improvements and facilities in the parish. The bonds are secured from the proceeds of a special one-half of 1 percent sales and use tax.

• Public Improvement Bonds Series 1996 Fund

The Public Improvement Bond Series 1996 Fund is used to accumulate monies for the payment of bonds dated April 9, 1996, which were issued to defuse 1986 series public improvement bond issue. The bonds are secured from the proceeds of a special one-half of 1 percent sales and use tax. During 1997, the fund was returned. At December 31, 1996, the fund was reported as the Public Improvement Bonds Series 1986 Fund.

• Bond Reserve 1996 Fund

The Bond Reserve 1996 Fund was established to comply with the bond resolutions of the Public Improvement Bonds Series 1996. This fund is used to account for a \$274,000 reserve as required by the 1996 issue. At December 31, 1997, there was an excess of \$62,255 in the 1996 Fund. During 1997, the fund was returned. At December 31, 1996, the fund was reported as the Bond Reserve 1973 and 1986 Fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Governmental Funds (Continued)

5) Fund Descriptions - Debt Service Funds (Continued)

• Bond Reserve 1977 Fund

The Bond Reserve 1977 Fund was established to comply with the bond resolutions of the Public Improvement Bonds, Series 1977. This account is used for transfer of sales tax from the sales tax account. Payments into the Reserve Fund have ceased due to accumulating an amount equal to the highest combined principal and interest requirements for any succeeding bond year.

• 1990 and 1997 General Obligation Bond Fund

The 1990 and 1997 General Obligation Bond Fund is used to accumulate monies for the payment of bonds dated February 1, 1990 and December 1, 1997. The 1990 Bonds were used for the purpose of constructing a jail and detention facility and the acquisition of any necessary equipment and furnishings associated with the facility. The 1997 bonds were used to defuse \$4,125,000 of the previously issued 1990 bonds. The bonds are secured by an ad valorem tax.

• Versailles Industries Park Sinking Fund

The Versailles Industrial Park Sinking Fund is used to accumulate monies for the payment of special assessment bonds. These bonds were used to finance public improvements deemed to benefit the properties against which the cost are assessed. The costs of the project is estimated and property owners are assessed their proportionate share. The property owner either pays the assessment within 60 days or over a 10-year period. Interest is charged on the unpaid assessments at the rate of 6.25%. Bond principal and interest are paid with the monies provided by payments on the assessments and related interest.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

4) Fund Descriptions - Capital Projects

• **Drainage and Siphon Fund**

The Drainage and Siphon Fund is used to account for the construction and improvements of drains and drainage canals, including the construction of pumping stations.

• **Fire District 1-2 C.I. Series Bond Fund**

The Fire District 1-2 Construction Fund is used to account for the costs of improving fire protection facilities and purchasing fire trucks and other fire fighting equipment for Fire Protection District 1 and 2.

• **Road District Project Bond Fund**

The Road District Project Fund is used to account for the costs of acquiring equipment to be used for constructing, improving and maintaining public roads and highways.

• **Public Improvement Bonds Series D, E, F, G Fund**

The Public Improvement Bonds Series D, E, F, G Fund is used to account for the road maintenance, road lighting and drainage construction.

• **Drainage Construction Bonds of 1967 and 1982 Fund**

The Drainage Construction Bonds of 1967 and 1982 Fund is used to account for maintaining, digging, and improving drains and drainage canals including the maintenance of two new pumping stations.

• **Capital Projects Fund**

The Capital Projects Fund is used to track and pay for costs of capital projects. The source of funding for the projects will be from transfers from general, special revenue or internal service operating accounts.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Governmental Funds (Continued)

4) Fund Descriptions - Capital Projects (Continued)

• Courthouse Capital Fund

The Courthouse Capital Fund is used to account and pay for the cost associated with improvements and maintenance to the Courthouse. The source of funding for the improvements will be from transfers from the Criminal Court Fund.

• Idness Multipurpose Building Fund

The Idness Multipurpose Building Fund is used to account and pay for the costs associated with construction of the Idness Multipurpose Building. The source of funding for the construction is from state grants.

• Urban System Roadway Reconstruction Fund

The Urban System Roadway Reconstruction Fund is used to account for the costs associated with roadway reconstruction in various areas of the parish. The reconstruction is financed by the transfers from the general fund.

d) Proprietary Funds - Enterprise Funds - St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts

1) Organization

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 Commission's major operation was to provide water and sewerage services for the parish of St. Bernard. The Commission 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

1) Organization (Continued)

Bernard Sewer District No. 1, and St. Bernard Sewer District No. 1-2. On December 31, 1985, St. Bernard Sewer District No. 1-2, a contractual entity which had performed sewerage operations for St. Bernard Sewer Districts No. 1 and No. 2, was dissolved. The other water and sewer districts remain in existence and serve primarily as tax levying entities.

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

2) Reporting Entity

Because the parish government is the governing board of the districts, the districts are considered to be component units of the St. Bernard Parish Government. Financial statements for the Division may be obtained from the St. Bernard Parish Finance Department.

3) Basis of Presentation

The general purpose financial statements include Division and the districts which are separate component units of the parish government. The Division is responsible for water and sewerage operations of the parish and the districts (St. Bernard Water District No. 1, St. Bernard Water District No. 2, St. Bernard Sewer District No. 1, St. Bernard Sewer District No. 2.) Ad valorem taxes are levied by the individual districts for other water or sewerage operations and for the retirement of outstanding bonds. Taxes received by the

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

3) Basis of Presentation (Continued)

Individual districts for operation and maintenance of water and sewerage systems of the parish are transferred to the Division to operate the systems. The general purpose financial statements present the financial position, results of operations and cash flows of these entities taken as a whole and do not purport to present information for any of these entities individually.

4) Basis of Accounting

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

The general purpose financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The following practices were used:

i) Revenues

The Division's customers are billed monthly and the general purpose financial statements provide for 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 of the current year and January through March of the ensuing year.

Substantially all other revenues are recorded when earned.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

4) Basis of Accounting (Continued)

i) Expenses

The Division's unamortized debt expense consists of costs associated with the 1991 and 1994 Revenue Bond Issues and the 1991 General Obligation Refunding Bond Issues of Sewer District No. 1 and 2. The cost of issuance on the 1991 Revenue Bond Issue of \$28,707 is amortized, using the straight-line method over the 19-year life of the bond. The cost of issuance on the 1994 Revenue Bond Issue of \$266,655 is amortized using the straight-line method over the 18-year life of the bond. The cost of issuance of the Sewer District No. 1 1991 General Obligation Refunding Bond Issue of \$36,706 is amortized using straight-line method over the 11 1/2-year life of the bond. The cost of issuance of the Sewer District No. 2 1991 General Obligation Bond Issue of \$147,300 is amortized using straight-line method over the 13 1/2-year life of the bond.

Amortization of debt expense for the year ended December 31, 1997 was \$32,800.

The remaining unamortized debt expense on all bond issues at December 31, 1997 is \$345,979.

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.

ii) Inventory

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

4) Basis of Accounting (Continued)

iv) Fixed Assets and Long-Term Liabilities

Property, plant and equipment of the Division are included on the combined balance sheet of the enterprise fund. Interest costs incurred during construction is not capitalized. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Fixed assets, other than those donated, are recorded at cost. Donated fixed assets, primarily water and sewer lines constructed by independent contractors, are recorded at estimated fair market value as of the date donated. Fixed assets are reported on the balance sheet net of accumulated depreciation. Depreciation is computed using the straight-line method, over the following useful lives, stated in years:

| | Water and Sewer Division | Water District No. 1 | Water District No. 2 | Sewer Districts |
|----------------------------|--------------------------------|----------------------------|----------------------------|--------------------|
| Pipeline System | 100 | 100 | 100 | 5-20 |
| Buildings and improvements | 50-100 | 50 | 33 | 25 |
| Machinery and equipment | 5-10 | 4-50 | 8-10 | 10-20 |
| Water tanks | 50-100 | 33 | 33 | - |
| Mixer boxes | 33-66 | 33 | 33 | - |

Long-term liabilities are recognized within the enterprise fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

5) Levied Taxes

The following is a summary of authorized and levied ad valorem taxes for debt services for the year ended December 31, 1997:

| | <u>Authorized Millage</u> | <u>Levied Millage</u> |
|----------------------|-------------------------------|---------------------------|
| Water District No. 1 | Variable | .15 |
| Sewer District No. 1 | Variable | 5.00 |
| Sewer District No. 2 | Variable | 3.75 |

On April 1, 1997, there was an election to raise the operation and maintenance ad valorem tax of 3.34 mills in Water District No. 1 and 3.04 mills in Sewerage District No. 2. Both millage increases were rejected by the qualified voters. The estimated loss in revenue for the organization in 1997 due to the defeat is approximately \$250,000 in Water District No. 1 and \$450,000 in Sewerage District No. 2.

6) Compensated Absences

Employees earn two to five weeks of paid vacation each year, up to 90 days will be paid in cash at retirement or termination if proper notice is given. If proper notice is not given, up to 10 days may be subtracted from their accumulated vacation and the remainder is paid in cash. Employees earn 12 days of sick leave each year, which may accumulate to an unlimited number of days but does not vest. At December 31, 1997, the accrued vacation was \$258,062.

7) Restricted Assets

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

8) Fund Equity

i) Contributed Capital

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

ii) Reserves

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

9) Allowance for Doubtful Accounts

The Division has established an allowance for doubtful accounts for a write-off of delinquent accounts. The Division's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at December 31, 1997 is \$44,846.

10) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows cash includes amounts in petty cash, demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in certificates of deposit.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Proprietary Funds - Enterprise Funds - Home Mortgage Authority

1) Organization

The St. Bernard Parish Home Mortgage Authority (the Authority) was created through a Trust Indenture dated May 9, 1979, pursuant to provisions of Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of St. Bernard Parish, Louisiana.

The Authority's operations consist of two single family mortgage revenue bond programs and one single family mortgage refunding bond program whereby the Authority promoted residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. The funds for these programs were obtained through the issuance of \$25,000,000 in Single Family Mortgage Revenue Bonds dated September 1, 1979, \$10,000,000 in Single Family Mortgage Revenue Bonds dated November 1, 1980, \$4,433,000 in Single Family Mortgage Refunding Bonds dated March 29, 1991, \$11,255,000 in 1992 Series A Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, \$2,130,000 in 1992 Series B-1 Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, \$200,000 (maturity amount) in 1992 Series B-2 Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, and \$3,000,000 (maturity amount) in 1992 Series C Tax Exempt Single Family Mortgage Revenue Bonds dated June 1, 1992. The bonds dated September 1, 1979 have been defeased and the bonds dated November 1, 1980 have been called. The \$11,255,000 in 1992 Series A bonds dated June 1, 1992 have matured. The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Proprietary Funds - Enterprise Funds - Home Mortgage Authority
(Continued)

1) Organization (Continued)

The Authority has a Board of Trustees which is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the programs it initiates. Under the bond programs, the Authority utilizes financial institutions to originate and service the mortgage loans acquired. In addition, a bank has been designated as Trustee of the separate bond programs and has the fiduciary responsibility for the custodianship and investment of funds.

2) Reporting Entity

The financial statements of the Authority include the 1979 single family mortgage revenue bond program and the 1990 and 1992 single family mortgage refunding bond programs. There is no longer activity in the 1980 single family mortgage revenue bond program.

3) Basis of Presentation

The Authority's fiscal year ends March 31, 1998. The general purpose financial statements include the activities of the Authority for the fiscal year end. A comprehensive annual financial statement may be obtained from the Authority.

4) Basis of Accounting

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. Certain funds were established under the powers granted by the Bond Trust Indentures. The funds, which are maintained by the trustee bank, provide for the accounting of bonds issued, debt service and bond redemption requirements, investments and related revenues and operating expenses.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**c) Proprietary Funds - Enterprise Funds - Home Mortgage Authority
(Continued)**

4) Basis of Accounting (Continued)

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

5) Amortization

Bond issuance costs, including an underwriter's discount on bonds sold, are being amortized ratably over the life of the bonds based upon the principal outstanding amounts.

Premiums and discounts on the purchase of investments are amortized over the life of the security using the level yield method.

Discounts on bonds payable are amortized over the lives of the bonds using the level yield method.

6) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all short-term, highly liquid investments with a maturity of three months or less to be cash equivalents.

7) Internal Service Fund - Self-Insurance Fund

1) Organization

The Insurance Fund was established to account for the self-insurance of workman's compensation, unemployment compensation, general and automobile liability by the St. Bernard Parish Government. The parish government is self-insured for claims up to \$250,000 per occurrence. The parish government has an insurance policy for claims between \$250,000 and

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Internal Service Fund - Self-Insurance Fund (Continued)

1) Organization (Continued)

\$5,000,000 per occurrence. This policy has a 20% coinsurance clause with a maximum liability to the parish of \$1,000,000. The fund is administered by an independent insurance service company.

2) Basis of Accounting

The general purpose financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The following practices were used.

g) Estimated Liability for Claims and Judgments

The estimated claims liability related to prior years' workers compensation claims are computed by subtracting paid claims from the reserves previously set up to arrive at remaining reserves and then developing that number based on factors determined by the third party administrator using historical data.

The estimated claims liability related to prior years' general liability and auto claims was estimated by the parish government's legal department based on a claim by claim evaluation to determine the potential loss.

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

h) Revenue

Other operating income is generated through payments of premiums by the governmental funds. The income is recorded when earned.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Internal Service Fund - Self-Insurance Fund (Continued)

2) Basis of Accounting (Continued)

iii) Statements of Cash Flows

For the purpose of the statement of cash flows, the parish government considers all deposits to be cash equivalents.

iv) Self-Insurance Dividend / Operating Transfers

An annual analysis of all open policy years for workers compensation and automobile and general liability is completed by the risk manager and legal council to determine the exposure in each policy year. When it is determined that losses on outstanding and current claims can be reasonably estimated, an evaluation on the policy year is performed. The evaluation determines if a dividend can be declared by the self-insurance fund for that policy year. Once it is determined that a dividend can be declared, the findings are reviewed by the administration and presented before the Parish Council. The Parish Council then must pass an ordinance declaring a dividend from the self-insurance fund and dedicating the dividend to a project. For the year ended December 31, 1997 \$1,034,000 of dividends were paid from the Internal Service Fund. This amount is reported as a transfer out in the Internal Service Fund.

g) Use of Estimates

The preparation of general purpose 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 general purpose financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from these estimates.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Budgets

The following summarizes the budget activities of the parish government for the year ended December 31, 1997:

| | <u>1997 Budget Year</u> |
|-----------------------------|---|
| Completed and Available for | |
| Public Inspection | October 1, 1996 |
| Public Notices | November 22, 1996 |
| Public Hearings | December 3, 1996 |
| Council Adoption | December 3, 1996 |
| Budget Amendments | May 8, 1997, June 3, 1997 October 7, 1997, February 17, 1998 |

The St. Bernard Parish Government adopted annual budgets for the general fund, all special revenue funds, capital project funds, debt service funds and the enterprise fund. Budgets for the general fund and all special revenue funds are included in these general purpose financial statements. The budgets are prepared on the modified accrual basis of accounting. All appropriations except an appropriation for a capital expenditure will lapse at year end to the extent that they have not been expended or encumbered. The parish president is authorized to transfer amounts between line items within any fund. Budget amounts included in the general purpose financial statements include the original adopted budget and all subsequent revisions.

l) Cash and Investments

Cash includes amounts in regular and money market accounts. Investments are stated at cost. Investments during the year consisted of certificates of deposits.

j) Bad Debts

The general purpose financial statements for the parish government, including accounts receivable in the St. Bernard Parish Government Department of Public Works Water and Sewer Division, contain no allowance for bad debts. Uncollectible accounts due for ad valorem taxes and other receivables are

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Bad Debts (Continued)

recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the funds.

k) Accumulated Vacation and Sick Leave

Substantially all employees of the parish government earn from 10 to 20 days of annual leave each year depending on length of service. Annual leave accumulated in one year must be used by December 31 of the following year. Accumulated annual leave may be used only after 26 weeks of service. There are no leave benefits which require accrual under generally accepted accounting principles except for accumulated vacation for employees of the St. Bernard Parish Government Department of Public Works Water and Sewer Division.

Substantially all employees of the parish government accrue one day of sick leave for each month of continuous employment. Sick leave may be accumulated to a maximum of 90 days. All accumulated sick leave lapses upon termination or retirement.

According to L.R.S. 33:1993, firemen employed by the parish government are entitled to full pay during sickness or incapacity not brought about by the fireman's own negligence for a period of fifty-two weeks.

l) Sales and Use Tax

St. Bernard Parish Government has a 4½% sales and use tax. Two percent is dedicated to the parish government, 2% is dedicated to the St. Bernard Parish School Board, and ½% is dedicated to the St. Bernard Parish Sheriff. The St. Bernard Parish Sheriff is authorized to collect and remit this tax to the parish government and School Board for a stipulated fee.

The parish government's sales tax ordinance provides that the proceeds can be used for the general governmental operations of the parish. The sales tax receipts are included in the revenues of the General Fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Fund Equity

i) Reserves

Reserves represent those portions of fund equity not appropriable for expenditures in the following year or legally segregated for a specific future use.

ii) Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

iii) Residual Equity Transfer

A residual equity transfer represents nonrecurring or nonroutine transfer between funds. Because these transfers are not associated with the operations of the governmental funds, they are recorded as adjustments to fund balance.

n) Total Columns on Combined Statements - Overview

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

Note 2 - FUND DEFICITS

The following individual funds had deficit fund balances at December 31, 1997:

| Governmental Fund | Deficit Amount |
|---|----------------|
| Special Revenue Funds: | |
| Urban Mass Transportation Administration Fund | \$123,877 |
| Housing Voucher Program Fund | 9,316 |
| Judicial Court Reporter Fund | 312 |
| District Attorney General Fund | 36,688 |
| Community Development Fund | 445 |

All noted deficits will be absorbed through fees over future years or as part of the 1998 budget.

Note 3 - REVENUES, EXPENDITURES AND FINANCING SOURCES - ACTUAL AND BUDGET

The following individual funds have actual revenues and/or other sources which fall below 9% of budgeted revenues and/or other sources and/or actual expenditures and/or other uses which exceed 9% of budgeted expenditures and/or other uses:

| | <u>Actual</u> | <u>Budget</u> | <u>Difference</u> | <u>Percentage Difference</u> |
|--|---------------|---------------|-------------------|----------------------------------|
| Revenues: | | | | |
| Special Revenue Funds: | | | | |
| Criminal Court Fund | \$185,120 | \$195,994 | \$(10,874) | (5.53) |
| Group Home Fund | 13 | 27,448 | \$(27,435) | (99.95) |
| Expenditures: | | | | |
| General Fund | 4,934,250 | 4,555,522 | 378,728 | 8.31 |
| Special Revenue Funds: | | | | |
| District Attorney Fund | 481,270 | 444,627 | 36,643 | 8.24 |
| Human Resources Fund | 360,251 | 333,617 | 26,634 | 7.98 |
| Urban Mass Transportation Administration Fund | 350,811 | 325,797 | 25,014 | 71.83 |

Note 4 - CHANGES IN GENERAL FIXED ASSETS

Changes in the general fixed assets account group are as follows:

| | <u>January 1,</u> <u>1997</u> | <u>Additions</u> | <u>Disposals</u> | <u>Adjustment</u> <u>(1)</u> | <u>December 31,</u> <u>1997</u> |
|--|----------------------------------|---------------------------|-------------------------|---------------------------------|------------------------------------|
| Land, buildings and improvements | \$29,094,353 | \$ 543,480 | \$ 78,429 | \$ - | \$29,547,403 |
| Furniture, equipment, trucks and automobiles | 9,356,337 | 938,828 | 533,855 | 522,882 | 10,489,412 |
| Totals | <u>\$38,450,690</u> | <u>\$1,482,308</u> | <u>\$612,284</u> | <u>\$522,882</u> | <u>\$40,038,812</u> |

(1) During 1997 the parish government updated their fixed asset records. As a result, an adjustment was required to report the fixed assets at the actual carrying value as of December 31, 1997. The above adjustment is a result of the cumulative effect of the change in the carrying value of the fixed assets.

Note 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment for the St. Bernard Parish Government Department of Public Works Water and Sewer Division:

| | |
|--|----------------------------|
| Land | \$ 141,569 |
| Pipeline system | 49,781,915 |
| Plant, machinery and equipment | <u>33,750,323</u> |
| Total property, plant and equipment | 83,673,807 |
| Less accumulated depreciation | <u>(42,380,382)</u> |
| Net property, plant and equipment | <u>\$41,293,425</u> |

Note 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The composition of property, plant and equipment at December 31, 1997, by entity, is as follows:

| | |
|-------------------------------------|----------------------|
| The Division | \$ 33,427,421 |
| Water District No. 1 | 20,774,020 |
| Water District No. 2 | 3,128,277 |
| Sewer District No. 1 | 9,775,707 |
| Sewer District No. 2 | <u>17,268,382</u> |
| Total property, plant and equipment | 83,673,807 |
| Less accumulated depreciation | <u>(62,280,382)</u> |
| Net property, plant and equipment | <u>\$ 21,393,425</u> |

Depreciation expense totaled \$2,312,186 for the year ended December 31, 1997.

Note 6 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

a) Bank Deposits

State law requires deposits (cash and certificates of deposits) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision, or with an unaffiliated bank, or with a trust company for the account of the political subdivision. In accordance with state law all cash and deposits were collateralized.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the St. Bernard Parish Government or its agent, in the St. Bernard Parish Government's name.

Note 6 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the St. Bernard Parish Government's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the St. Bernard Parish Government's name, and deposits which are unimpaired or uncollateralized.

At year end the carrying amount and the bank balances of deposits for Governmental Funds and Internal Service Fund are as follows:

| | <u>Bank Balances Category:</u> | | | <u>Book Balance</u> |
|------|--------------------------------|-------------|-------------|-------------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| Cash | <u>\$5,156,042</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$4,664,624</u> |

At year end the carrying amount and the bank balances of deposits of the Proprietary Fund - Enterprise Fund - Water and Sewer and the Districts are as follows:

| | <u>Bank Balances Category:</u> | | | <u>Book Balance</u> |
|-------------------------|--------------------------------|--------------------|--------------------|---------------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| Cash | <u>\$2,879,810</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$2,761,745</u> |
| Certificates of deposit | <u>1,268,000</u> | <u>-</u> | <u>-</u> | <u>1,268,000</u> |
| Totals | <u>\$4,079,810</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$3,969,745</u> |

At December 31, 1997, cash and certificates of deposit in excess of the FDIC insurance were collateralized by securities held by affiliated banks for the account of the depositions. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Note 6 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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

| | <u>Beginning of Year</u> | <u>End of Year</u> |
|--|------------------------------|---------------------------|
| Cash and Cash Equivalents | | |
| Nonrestricted | \$ 197,798 | \$ 686,114 |
| Restricted | <u>1,759,960</u> | <u>3,215,611</u> |
| Total cash and cash equivalents | <u>\$1,957,758</u> | <u>\$3,901,745</u> |

Home Mortgage Authority

The Authority has deposits (bank balance) of \$529 as of March 31, 1998. The deposits are insured by FDIC insurance.

The Authority invests in the Marquis Treasury Securities Money Market Fund which is considered a cash equivalent. The Marquis Treasury Securities Money Market Fund invests exclusively in obligations issued by the U.S. Treasury and backed by its full faith and credit and in repurchase agreements involving such obligations. However, an investment in the fund is neither insured nor guaranteed by the U.S. Government. The Money Market Funds are held by a subcustodian in the name of the Authority. The Funds are managed by the Trustco Bank of the Authority.

b) Investments

Under state law the entity may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the entity may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Note 6 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

b) Investments (Continued)

The parish government's investments are categorized below to give an indication of the level of risk assumed by the parish government at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the parish government or in the parish government'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 parish government'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 parish government's name.

| | Market Value | Carrying Value | Category |
|--|--------------------|--------------------|----------|
| Governmental Funds | | | |
| Certificates of deposit | \$2,081,090 | \$2,081,090 | 1 |
| Internal Service Fund | | | |
| Self-Insurance Fund: | | | |
| Certificates of deposit | 400,000 | 400,000 | 1 |
| Component Unit | | | |
| St. Bernard Parish Home Mortgage Authority: | | | |
| Guaranteed investment contracts | 96,545 | 96,545 | 2 |
| U.S. Government securities | <u>1,179,936</u> | <u>822,022</u> | 3 |
| Totals | <u>\$3,757,531</u> | <u>\$3,399,632</u> | |

U.S. Government securities and guaranteed investment contracts are carried at amortized cost.

The bond indentures of the Authority authorize the Trustee to make investments under prudent investment standards reasonably expected to produce the greatest investment yield.

Note 7 - LEASES

The St. Bernard Parish Government Department of Public Works Water and Sewer Division has recorded a capital lease for a computer billing system. The computer system is valued at \$45,371 and is payable in 36 monthly installments of \$1,493 including interest at 11.361%. The total due, excluding interest, at December 31, 1997, is \$11,452.

The following is a summary of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of December 31, 1997:

| | |
|---|---------------|
| Total minimum lease payments for 1998 | \$11,945 |
| Less amount representing interest | <u>453</u> |
| Present value of net minimum lease payments | 11,452 |
| Less current portion | <u>11,452</u> |
| Long-term portion | \$ - |

The total amount of assets recorded as capital leases is \$61,739. The accumulated amortization of \$23,373 is included in accumulated depreciation as is current year amortization expense of \$6,174.

The Division 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 Division also receives lease income from three different tower lease agreements. The first lease is \$5,000 per year for a period of five years beginning August 9, 1995. The lease can be renewed for four additional five-year periods. The second lease is for \$6,000 per year. The lease commenced June 26, 1996 and is for a period of five years. The agreement can be renewed for four additional five-year periods. The third lease is for \$12,000 per year. The lease commenced August 22, 1996 and is for a period of five years. The lease agreement can be renewed for four additional five-year periods.

Note 7 - LEASES (Continued)

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

| <u>Year Ending December 31.</u> | |
|-------------------------------------|-----------------|
| 1998 | \$25,500 |
| 1999 | 25,500 |
| 2000 | 20,500 |
| 2001 | 2,500 |
| 2002 | 2,500 |
| Thereafter | <u>3,000</u> |
| Total | <u>\$81,500</u> |

Rental income for the year ended December 31, 1997 was \$27,388.

Note 8 - GENERAL LONG-TERM OBLIGATIONS

a) All Fund Types - Bonds Payable

The following is a summary of the bonds payable transactions for the year ended December 31, 1997.

| | <u>General Long-term Debt</u> | <u>Enterprise Fund</u> | <u>Total Primary Government</u> | <u>Component Unit</u> | <u>Total Reporting Entity</u> |
|----------------------------------|---------------------------------------|----------------------------|---|---------------------------|---------------------------------------|
| Balances at January 1, 1997 | \$10,457,440 | \$12,340,000 | \$22,797,440 | \$1,914,560 | \$26,711,800 |
| Additions | 4,315,000 | - | 4,315,000 | 87,925 | 4,402,925 |
| Reductions | <u>(4,872,128)</u> | <u>(1,318,000)</u> | <u>(6,190,128)</u> | <u>(495,525)</u> | <u>(6,685,653)</u> |
| Balances at December 31, 1997 | <u>\$ 9,900,282</u> | <u>\$11,022,000</u> | <u>\$20,944,282</u> | <u>\$1,496,958</u> | <u>\$23,531,040</u> |

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

b) Governmental Fund Types

i) Bonds Payable

Scheduled payments are as follows:

| | |
|------------|--------------------|
| 1998 | \$ 927,550 |
| 1999 | 918,018 |
| 2000 | 978,887 |
| 2001 | 1,031,956 |
| 2002 | 1,088,583 |
| Thereafter | <u>4,972,688</u> |
| Total | <u>\$9,828,182</u> |

ii) Current Year Definance of Debt

On December 1, 1997, the parish government issued \$4,325,000 of General Obligation Refunding Bonds, Series 1997 with a yield of 4.75% to refund \$4,125,000 of General Obligation Refunding Bonds, Series 1990 outstanding with an average interest rate of 7%. The net proceeds of \$4,285,238 (after payment of \$39,770 in insurance and issuance costs) plus an additional \$82,416 of old debt service funds were used to purchase U.S. Government Securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the above General Obligation Refunding Bonds, Series 1990. As a result, these bonds are considered to be defeased and the liability for the bonds have been removed from the General Long-Term Debt Account Group. The parish government advance refunded the bonds for a net savings of \$472,754 and an economic gain of \$534,329.

iii) Prior Years' Definance of Debt

In prior years, the Parish Government has defeased a Public Improvement Refunding Bonds issue by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

b) Governmental Fund Types (Continued)

ii) Prior Years' Definance of Debt (Continued)

defensed and therefore removed as a liability from the Parish Government's General Long-Term Debt Account Group. As of December 31, 1997, the amount of defensed debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$2,570,000.

c) Proprietary Fund Types - The Division

The following is a summary of long-term liabilities and the current portion due at December 31, 1997:

| | Water and Sewer Division | Water District No. 1 | Sewer District | | Total |
|------------------------|-----------------------------|-------------------------|------------------|--------------------|--------------------|
| | | | No. 1 | No. 2 | |
| Public Improvement | | | | | |
| general obligation and | | | | | |
| revenue bonds payable | \$8,100,000 | \$155,000 | \$445,000 | \$2,164,000 | \$11,124,000 |
| Capital lease payable | <u>11,452</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,452</u> |
| | 8,171,452 | 155,000 | 445,000 | 2,164,000 | 11,135,452 |
| Less current portion: | | | | | |
| Public Improvement and | | | | | |
| revenue bonds payable | 695,000 | 135,000 | 60,000 | 331,000 | 1,241,000 |
| Capital lease payable | <u>11,452</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,452</u> |
| Long-term portion | <u>\$7,465,000</u> | <u>\$1,000</u> | <u>\$385,000</u> | <u>\$1,833,000</u> | <u>\$9,883,000</u> |

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

c) Proprietary Fund Types - The Division (Continued)

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 | \$23,380,773 | \$ 155,000 |
| Sewer District | | |
| No. 1 | 4,088,407 | 443,000 |
| No. 2 | <u>20,582,315</u> | <u>3,360,000</u> |
| Totals | <u>\$48,051,485</u> | <u>\$3,958,000</u> |

The Bonds were issued to construct improvements and extensions to the water works and sewerage systems. Public improvement and general obligation 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 7.70% through March 1, 1998. Amount outstanding - \$155,000.
2. \$675,000 General Obligation Refunding Bonds of the Sewer District No. 1 issue of September 1, 1991, due in annual installments of \$10,800 to \$80,000 bearing interest rates of 5.2% to 6.5% through March 1, 2003. Amount outstanding - \$443,000.
3. \$240,000 Public Improvement Bonds of the Sewer District No. 2 issue of June 1, 1971, due in annual installments of \$1,600, bearing an interest rate of 6% through February 1, 2001. Amount outstanding - \$4,000.
4. \$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 6.85% through March 1, 2008. Amount outstanding - \$2,360,000.

Note 4 - GENERAL LONG-TERM OBLIGATIONS (Continued)

e) Proprietary Fund Types - The Division (Continued)

Revenue Bonds

On April 1, 1994, the Commission refunded 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 \$940,000 by issuing \$7,950,000 Series 1994 Revenue Refunding Bonds. The interest rate on the new bonds ranges from 7% to 7.2% 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, 1997 is \$7,040,000. The 1991 Revenue Bonds are due in annual principal installments of \$40,000 to \$125,000, bearing interest rates of 6.80 to 7.10% through August 1, 2011. The balance outstanding at December 31, 1997 is \$1,120,000.

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 Division include all fees, rents, charges, and other income derived, or to be derived by or for the account of the Division from, or for, the ownership, operation, use, or services of the system and any other amounts paid into and credited to the revenue fund created by the 1986, 1991, and 1994 revenue bond resolutions. Such revenues include, but are not limited to, proceeds of any ad valorem taxes received by the Division pursuant to the terms of the intergovernmental agreement. Such revenues exclude (a) federal, state, or local government monies received for capital improvements to the system and (b) amounts necessary to pay the reasonable and necessary current expenses of operating and maintaining the system.

Pursuant to a resolution, the Division has agreed in each bond year to fix, establish, and collect such rates and collect such fees, rentals, or other charges for all services, after making due allowance for delinquencies in collection and after providing for the payment of the reasonable and necessary expenses of operating and maintaining the system, to produce net revenues (1) that are sufficient to pay debt service on all outstanding bonds and to maintain the funds and accounts established in the resolution and (2) that result in each fiscal year in the greater of (a) the sum of debt service payable on the bonds in the ensuing fiscal year plus any required deposit to the Debt Service Fund, or (b) a ratio of net revenues to average

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

c) Proprietary Fund Types - The Division (Continued)

Revenue Bonds (Continued)

annual debt service of not less than 1.25 to 1. The ratio of net revenue to average annual debt service for the year ended December 31, 1997, is 2.07 to 1. The ratio is more than the minimum requirements of the bond indenture. The bond agreement requires the Division to establish and maintain the following accounts:

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

The Division has established and maintained these accounts, and at December 31, 1997, the cash and cash equivalent balances in the debt service account, the debt service reserve account and the renewal and replacement account were \$474,328, \$1,194,687 and \$863,988, respectively. The account balances in the debt service reserve and renewal and replacement accounts exceed the minimum requirements of the bond indenture. The account balance in the debt service account is less than the minimum requirements of the bond indenture.

Note B - GENERAL LONG-TERM OBLIGATIONS (Continued)

c) Proprietary Fund Types - The Division (Continued)

Revenue Bonds (Continued)

A schedule of annual debt service requirements for both the public improvement and general obligation bonds and the revenue bonds for each of the next five years is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------|----------------------------|---------------------------|----------------------------|
| 1998 | \$ 1,241,000 | \$ 581,840 | \$ 1,822,840 |
| 1999 | 1,136,000 | 523,298 | 1,659,298 |
| 2000 | 1,168,000 | 465,995 | 1,633,995 |
| 2001 | 1,201,000 | 405,314 | 1,606,314 |
| 2002 | 1,255,000 | 341,018 | 1,596,018 |
| 2003-2011 | <u>5,133,000</u> | <u>860,601</u> | <u>5,993,601</u> |
| Totals | <u>\$11,134,000</u> | <u>\$2,178,156</u> | <u>\$13,312,156</u> |

Customer Deposits

The Division has used funds from the Customer Meter Deposit Fund to pay operating expenses and capital improvements. At December 31, 1997, the customer meter deposits cash account had a balance of \$190,896 and the customer meter deposits liability was \$1,588,654.

d) Home Mortgage Authority

The net proceeds obtained from the 1979 and 1980 bond issues were used to establish funds authorized by the Bond Trust indentures and to purchase eligible mortgage loans secured by first mortgage liens on single family owner-occupied residences from qualified mortgage lenders accepted for participation in the program by the Authority.

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

d) Home Mortgage Authority (Continued)

Bonds Payable

On June 1, 1992, the Home Mortgage Authority issued \$11,255,000 in Single Family Mortgage Refunding Bonds, \$200,000 (maturity amount) in Single Family Mortgage Refunding Bonds, \$1,000,000 (maturity amount) in Single Family Mortgage Revenue Bonds, and \$2,130,000 in Single Family Mortgage Refunding Bonds to advance refund \$16,470,000 of outstanding 1979 Series bonds with interest rates of 5.87% to 7.5%. The net proceeds of \$13,793,143 (after \$1,821,319 in underwriting fees, trustee costs, and cash requirements) plus an additional \$4,264,483 of 1979 reserve fund money, loan proceeds and accrued interest were used to purchase Government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1979 Series Bonds. As a result, the 1979 bonds are considered defeased and the liability for these bonds was removed from the general purpose financial statements as of March 31, 1993. At March 31, 1998, \$13,960,000 of the defeased bonds are still outstanding.

The Bond Trust Indentures provide that bond principal and interest are secured by pledges of all mortgage loans acquired, all revenues and collections with respect to such loans, and all funds established by the Authority, together with all of the proceeds generated therefrom.

Outstanding bonds payable are due on a term and serial basis and bear interest at rates as follows:

| | |
|--|------------|
| Single Family Mortgage Revenue Bonds | |
| 1992 program Series C, zero coupon, due 2004 at maturity value of \$1,000,000, discounted to yield approximately 7.63%, unamortized discount was \$2,115,761 at March 31, 1998 | \$ 884,239 |
| Single Family Mortgage Refunding Bonds | |
| 1991 program, due 1994-2012, 8% | 1,394,426 |
| 1992 program Series B-1, due 2011, 7.5%-stated rate, discounted to yield approximately 7.84%, unamortized discount was \$34,790 at March 31, 1998 | 762,173 |

Note B - GENERAL LONG-TERM OBLIGATIONS (Continued)

d) Home Mortgage Authority (Continued)

Bonds Payable (Continued)

| | |
|--|---------------------------|
| 1993 program Series B-2, zero coupon, due 2014 at maturity value of \$200,000, discounted to yield approximately 9.25%, unamortized discount was \$154,080 at March 31, 1998 | ____45,920 |
| Total | <u>\$3,486,718</u> |

It is not possible to project the bond principal payments for the 1991 and 1993 Series B-1 issue for the next five years due to the required redemption procedures of the Trust indentures. The indenture of the 1991 issue requires monies remaining in the Collection Account of the 1991 issue will pay principal of the bonds after the following payments are satisfied:

- 1) payment to the Rebate Account in an amount equal to the excess nonmortgage savings;
- 2) payment of all interest due and payable with respect to any overdue bonds and any principal of such overdue bonds;
- 3) payment of interest due and payable on any bonds which are not overdue;
- 4) payment to the Debt Service Reserve Account (if necessary) to maintain the reserve requirement;
- 5) payment to the Revenue Account an amount equal to 1/12 of .55% per annum of the aggregate principal amount of outstanding bonds.

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

d) Home Mortgage Authority (Continued)

Bonds Payable (Continued)

The Indenture of the 1992 Series B-1 issue requires monies remaining in the Bond Fund Account of the 1992 Series B-1 issue will pay principal of the bonds after the following payments are satisfied:

- 1) payment of all interest due and payable with respect to any overdue bonds;
- 2) payment of any installments of interest then due and payable on any bonds which are not overdue;
- 3) payment to the Expense Account an amount sufficient to maintain a balance of \$15,000 therein.

The 1992 Series C bonds are callable at the option of the issuer on any date on or after June 1, 2002 at the following redemption prices expressed as percentages of the accreted value of the bonds as of the date of redemption:

| <u>Redemption Period</u> | <u>Redemption Prices</u> |
|-----------------------------------|--------------------------|
| June 1, 2002 through May 31, 2003 | 103% |
| June 1, 2003 through May 31, 2004 | 102% |
| June 1, 2004 through May 31, 2005 | 101% |
| June 1, 2005 and thereafter | 100% |

Note 9 - INTERFUND PAYABLES, RECEIVABLES AND INTERFUND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. The following balances represent the interfund receivables and payables at December 31, 1997:

**Note 9 - INTERFUND PAYABLES, RECEIVABLES AND INTERFUND TRANSFERS
(Continued)**

| Funds | Interfund Receivables | Interfund Payables |
|------------------------|---------------------------|---------------------------|
| General Fund | \$ 484,754 | \$1,175,333 |
| Special Revenue Funds | 187,077 | 3,022,308 |
| Debt Service Funds | 181,336 | 131,600 |
| Capital Projects Funds | 1,608,169 | 485,834 |
| Enterprise Fund | - | 722,330 |
| Internal Service Fund | <u>3,388,722</u> | <u>222,343</u> |
| Totals | <u>\$5,760,058</u> | <u>\$5,760,058</u> |

During the course of the operations, the numerous transactions occur between individual funds for goods provided or services rendered. These transactions are classified as other financing sources (uses) operating transfers in and out on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance. The following balances represent the internal transfers at December 31, 1997:

| Funds | Operating Transfers In | Operating Transfers Out |
|------------------------|----------------------------|----------------------------|
| General Fund | \$ 402,091 | \$11,847,144 |
| Special Revenue Funds | 9,448,409 | 161,333 |
| Debt Service Funds | 804,300 | - |
| Capital Projects Funds | 2,750,375 | 358,698 |
| Internal Service Fund | <u>-</u> | <u>1,838,000</u> |
| Totals | <u>\$13,405,175</u> | <u>\$13,405,175</u> |

Note 10 - LITIGATION

At December 31, 1997, the parish government is a defendant in a lawsuit in which an unfavorable judgment has been rendered. In April 1998 the Supreme Court of Louisiana rendered an opinion on a case with similar circumstances which may adversely affect the

Note 10 - LITIGATION (Continued)

legal position of the Parish during the appeals process. Accordingly, an estimated claim payable has been recorded in the General Fund at December 31, 1997 in the amount of \$400,000.

Along with the previously discussed litigation the parish government is a defendant in other lawsuits seeking damages which could not be quantified. These lawsuits are in various stages of resolution and their outcome cannot be presently determined. Accordingly, no provision for any liability that may result has been made in these general purpose financial statements.

The Parish Government estimates exposures for these claims to range from \$10,000 to \$850,000. These claims occurred prior to 1992, when the Parish began its self insurance program. Some of the claims are covered whole or in part by insurance. No provision for any liability that may result from these claims has been made at December 31, 1997 in these general purpose financial statements.

The St. Bernard Parish Government, Department of Public Works Water and Sewer Division is involved in various claims for alleged negligence. The exposure to the organization is estimated to be approximately \$56,772. The estimated claims liability is computed based on information received from the insurance company. The claims liability of \$56,772 at December 31, 1997 is presented at current value and has not been discounted.

Note 11 - FOOD STAMP PROGRAM - GOVERNMENTAL FUNDS

The Food Stamp Program is operated by the parish government under an agreement with the Louisiana Department of Social Services. Under this program the parish government is responsible for the issuance of food stamps to eligible participants in the parish. The value of food stamps on hand, received and issued is not recorded in the general purpose financial statements. Effective September 30, 1997 the Food Stamp Program was discontinued. Eligible participants receive their benefits through the use of a Louisiana Purchase card.

Note 11 - FOOD STAMP PROGRAM - GOVERNMENTAL FUNDS (Continued)

Activity of food stamps for the year ended December 31, 1997 is as follows:

| | |
|------------------------------|--------------------|
| Balance at January 1, 1997 | \$ 1,387,430 |
| Received | 1,723,574 |
| Issued | <u>(2,111,090)</u> |
| Balance at December 31, 1997 | \$ _____ |

Note 12 - MORTGAGE LOANS RECEIVABLE - PROPRIETARY FUNDS

Mortgage loans receivable acquired by the Home Mortgage Authority from participating mortgage lenders under the 1979 program which were transferred to the 1982 program have a stated rate of 8.235%. The mortgage loans under the 1980 program previously had a stated rate of 11.5%, but after transfer to the 1991 program, have a stated rate of 9.3%. These mortgage loans, which were granted only to residents of St. Bernard Parish, have calculated maturities of thirty years and are secured by first mortgages on the related real property. Each participating mortgage lender services these loans purchased from it by the Home Mortgage Authority and receives compensation for services rendered.

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured by the Home Mortgage Authority under pool insurance policies. The loans of the 1991 program are also insured under a special hazard policy.

The mortgage loans receivable were obtained through conventional, FHA and VA programs sponsored by the various participating mortgage lenders.

Note 13 - EMPLOYEE RETIREMENT SYSTEMS

The St. Bernard Parish Government contributes to the Parochial Employees Retirement System of Louisiana, the Firefighters' Retirement System and the District Attorneys' Retirement System of Louisiana. The parish's payroll for employees covered by the retirement systems for the year ended December 31, 1997 was \$10,150,441 (which includes a parish payroll of \$8,167,084 and St. Bernard Parish Government Department of Public Works Water and Sewer Division payroll of \$1,983,357.)

Note 13 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

a) Parochial Employers' Retirement System

Plan Description - The Parish contributes to Plan A of the Parochial Employers' Retirement System of Louisiana (the System), cost-sharing multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 205 of the 1952 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1941 through 11:2015, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Parochial Employers' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619.

Funding Policy - Plan members are required to contribute 9.5% of their annual-covered salary and the Parish is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual payroll. The contribution requirements of plan members and the Parish are established and may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 1993, 1996 and 1995 were \$361,988, \$330,840 and \$411,133, respectively, equal to the required contributions for each year.

b) Firefighters' Retirement System

Plan Description - The Parish contributes to the Firefighters' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 434 of the 1979 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2251 through 11:2269, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, 2051 Silverstone Drive, Suite 210, Baton Rouge, Louisiana 70898-4136.

Note 13 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

b) Firefighters' Retirement System (Continued)

Funding Policy - Plan members are required to contribute 8% of their earnable compensation and the Parish is required to contribute at an actuarially determined rate. The current rate is 9% of annual-covered payroll. The contribution requirements of plan members and the Parish are established as may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 1997, 1996 and 1995 were \$296,251, \$283,943 and \$284,092, respectively, equal to the required contributions for each year.

c) District Attorneys' Retirement System

Plan Description - The Parish contributes to the District Attorneys' Retirement System (System), a cost-sharing multiple employer public employee retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 56 of the 1956 Louisiana Legislative Session established by the plan. The System is governed by Louisiana Revised Statutes 11:1281 through 11:1702, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to District Attorney Retirement System, 2189 Decatur Street, New Orleans, Louisiana, 70116.

Funding Policy - Plan members are required to contribute 7% of their compensation to the System. In addition, the Sheriffs and ex-officio tax collectors are required to contribute 2% of taxes collected to the System. The Parish is required to contribute to an actuarially determined rate. The current rate is 2.5% of annual-covered payroll. The contribution requirements of plan members and the Parish are established and may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 1997, 1996, and 1995 were \$3,402, \$5,113 and \$4,703, respectively, equal to the required contributions for each year.

Note 14 - SUPPLEMENTAL PAY

In addition to the compensation paid to St. Bernard Parish Government's employees, employees who are firemen, may be eligible to receive supplemental pay. Each type of employee is governed by their particular revised statute. The amount of the compensation is determined by State Law and is revised periodically.

As per Louisiana Revised Statute 33:2002, any full-time, regular employee of the parish fire protection district who is hired after March 31, 1988 and who has passed a certified fireman's training program equal to the National Fire Protection Association Standard 1001 and who is paid three hundred dollars per month from public funds is eligible for supplemental pay. These full-time employees are carried on the payroll paid from funds of the parish obtained through lawfully adopted bond issues or lawfully assessed taxes, either directly or through a board or commission set up by law or ordinance. Employees employed by the fire districts are not eligible for supplemental pay if they are presently drawing a retirement or disability pension, clerical employees and mechanics and for those employees who have not passed a certified fireman's training program but are hired after March 31, 1988. State supplemental pay for fire fighters must be taken into account in calculating fire fighters longevity pay, holiday pay, and overtime pay. The period of service for computing additional compensation includes prior service of employees who have returned or who hereafter return to such service provided that service in any parish or fire protection district fire department shall be used in computing such prior service which includes full-time employees of a volunteer fire department.

As of December 31, 1997, the Parish has recognized \$344,359 in revenues (other state funds) and expenditures (salary supplements) that the State of Louisiana has paid directly to the Parish's employees.

Note 15 - RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS

Use of the term "reserve" in describing fund balances/retained earnings indicates that a portion of the fund balances/retained earnings is not available for expenditure in the next period or is legally restricted for a specific future use. The nature and purpose of these reserves are explained below.

Note 15 - RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS
(Continued)

a) Governmental Funds - Reserved Fund Balances

Reserve for Incomplete Projects

The parish government reserved \$77,051 for incomplete projects as of December 31, 1997.

Reserve for Debt Service

A summary of the changes in the reserve fund balance follows:

| | Debt Service Funds |
|------------------------------|-----------------------|
| Balance at January 1, 1997 | \$ 2,387,779 |
| Payments | (5,787,145) |
| Collections | 1,575,422 |
| Loan Proceeds | <u>4,335,698</u> |
| Balance at December 31, 1997 | <u>\$ 2,428,654</u> |

Designated Fund Balances

The St. Bernard Parish Library's Board designated \$283,500 for future capital expansion.

b) Proprietary Funds - The Division - Reserved Retained Earnings

The St. Bernard Parish Government Department of Public Works Water and Sewer Division has established three reserves as reflected on the balance sheet.

Reserve for Capital Renewal and Replacement

The 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

**Note 15 - RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS
(Continued)**

b) Proprietary Funds - The Division - Reserved Retained Earnings (Continued)

Reserve for Capital Renewal and Replacement (Continued)

monthly to the reserve account from revenues in an amount equal to 5% of the prior month's operating expenses.) In addition, net assets acquired with commission funds are included in the reserve per board resolution. The reserved retained earnings are \$7,205,819 at December 31, 1997.

Reserve for Construction

The reserve for construction was 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 and 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 11, 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 \$1,622,258 at December 31, 1997.

Reserve for Debt Service

The reserve for debt service 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 \$1,111,163 of bond proceeds set aside for the benefit of bond holders. In addition, the related 1986, 1991 and 1994 bond principal and accrued interest reduces the reserve. As of December 31, 1997, the reserved retained earnings deficit was \$(347,391).

**Note 15 - RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS
(Continued)**

k) Proprietary Funds - The Division - Reserved Retained Earnings (Continued)

Reserve for Debt Service (Continued)

The components of the reserve accounts are as follows:

| | Reserve For Capital Replacement and | Reserve For Construction | Reserve For Debt Service | Total |
|--|---|--------------------------------|--------------------------------|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 863,988 | \$ - | \$1,629,815 | \$ 2,493,803 |
| Property, plant and equipment and bond insurance cost - net | <u>6,331,683</u> | <u>16,542,678</u> | - | <u>22,874,361</u> |
| Total assets | <u>7,195,671</u> | <u>16,542,678</u> | <u>1,629,815</u> | <u>25,368,164</u> |
| Liabilities | | | | |
| Current portion of bonds payable | - | - | 695,000 | 695,000 |
| Accrued interest payable | - | - | 170,241 | 170,241 |
| Lease payable | 11,452 | - | - | 11,452 |
| Long-term 1991 and 1994 revenue bonds payable | - | <u>6,353,835</u> | <u>1,111,165</u> | <u>7,465,000</u> |
| Total liabilities | <u>11,452</u> | <u>6,353,835</u> | <u>1,876,406</u> | <u>8,341,693</u> |
| Contributed Capital | - | <u>8,566,583</u> | - | <u>8,566,583</u> |
| Reserved Retained Earnings | <u>7,184,219</u> | <u>8,169,258</u> | <u>8,497,391</u> | <u>23,850,868</u> |

**Note 16 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS -
PROPRIETARY FUNDS**

The Division provides certain continuing health care insurance benefits for its retired employees. Substantially all of the Division's employees become eligible for these benefits if they reach normal retirement age while working for the Division. As of the year end, 17 retirees were eligible and receiving benefits. These benefits for retirees and

Note 16 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS - PROPRIETARY FUNDS (Continued)

similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the Division. Retirees and active employees are responsible for dependent coverage costs. The Division reimburses the first \$20,000 of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees and their dependents. Expenditures for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the Division. During the year, expenses of approximately \$49,387 were recognized for postretirement health care.

Note 17 - SELF INSURANCE

Enterprise Funds

The St. Bernard Parish Government Department of Public Works Water and Sewer Division is self-insured for hospitalization claims up to approximately \$20,000 per employee or an aggregate of approximately \$230,884 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:

| | <u>1997</u> | <u>1996</u> | <u>1995</u> |
|---------------------------------------|------------------|------------------|------------------|
| Claims liability at beginning of year | \$ 40,587 | \$ 41,634 | \$ 40,846 |
| Less claims paid during the year | (320,624) | (406,558) | (233,394) |
| Plus claims incurred | <u>340,141</u> | <u>405,511</u> | <u>234,182</u> |
| Claims liability at end of year | <u>\$ 60,104</u> | <u>\$ 40,587</u> | <u>\$ 41,634</u> |

The claims liability at December 31, 1997 is presented at current value and has not been discounted.

Note 17 - SELF INSURANCE (Continued)

Enterprise Funds (Continued)

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

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

The following represents a reconciliation of total claims liability:

| | |
|---------------------------------------|------------------|
| Claims liability at January 1, 1997 | \$ - |
| Claims paid during 1997 | (63,532) |
| Plus provision for insured claims | <u>86,858</u> |
| Claims liability at December 31, 1997 | <u>\$ 23,326</u> |

Internal Service Fund

The parish government established a self-insurance fund for their workman's compensation, unemployment compensation, general and automobile liability for all funds of the Parish except for the Enterprise Fund - Water and Sewer Division. The parish government is self insured for claims up to \$250,000 per occurrence. The government has an insurance policy for claims between \$250,000 and \$5,000,000 per occurrence. This policy has a 20% coinsurance clause with a maximum liability to the parish of \$1,000,000. The fund is administered by an independent insurance service company.

The estimated claims liability related to prior years' workers compensation claims are computed by subtracting paid claims from the reserves previously set up to arrive at "remaining reserves" and then "developing" that number based on factors determined by the third party administrator using historical data.

The estimated claims liability related to prior years' general liability and auto claims was estimated by the Parish's legal department based on a claim by claim evaluation to determine the potential loss.

Note 17 - SELF INSURANCE (Continued)

Internal Service Fund (Continued)

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

The following represents a reconciliation of total claims liability:

| | <u>1997</u> | <u>1996</u> | <u>1995</u> |
|---------------------------------------|------------------------|------------------------|------------------------|
| Claims liability at beginning of year | \$1,889,593 | \$1,237,181 | \$1,257,381 |
| Less claims paid during the year | (779,205) | (224,327) | (665,156) |
| Plus provision for incurred claims | <u>765,610</u> | <u>876,529</u> | <u>655,156</u> |
| Claims liability at end of year | <u>\$1,875,000</u> | <u>\$1,889,593</u> | <u>\$1,237,181</u> |

**Note 18 - TRANSFERS - PROPRIETARY FUNDS - ST. BERNARD PARISH
GOVERNMENT DEPARTMENT OF PUBLIC WORKS WATER AND SEWER
DIVISION**

An operating transfer of \$ 731,333 was made between the St. Bernard Parish Water and Sewer Division and Water District No. 1, Sewer District No. 1 and Sewer District No. 2. The transfer was made for the Division's portion of all valuer's taxes and state revenue sharing for maintenance and operations which was collected in 1997.

Note 19 - GAIN ON DAMAGE SETTLEMENT

The St. Bernard Water and Sewer Division suffered substantial damage to its Mississippi River water intake crib, flender and pipe from barge to crib in two separate tow boat accidents during 1994. The Water and Sewer Division has incurred \$572,263 in costs to repair the damaged structure. The Division has recovered \$764,135 from insurance

Note 19 - GAIN ON DAMAGE SETTLEMENT (Continued)

proceeds and \$344,414 from lawsuit judgment proceeds. For the year ended December 31, 1997 a gain on damage settlement in the amount of \$136,287 was recorded as other operating revenue in the general purpose financial statements.

Note 20 - JOINT VENTURE - GOVERNMENTAL FUNDS

There exists a joint venture between the St. Bernard Parish Government and the St. Bernard Cultural Center, Inc. (Corporation). The Corporation is a nonprofit entity which provides concession services to the St. Bernard Parish Cultural Center. The Corporation was organized on a nonstock basis and its shareholders pursuant to RS 12:218 consist of the St. Bernard Parish Manager, Secretary and Treasurer. The affairs and business of the Corporation are managed by a board of directors. The Corporation reimburses the parish government the cost of parish employees used for the concessions. In addition, any profit made is remitted to the parish government. Following is a condensed financial statement on the Corporation as of December 31, 1997.

Balance Sheet

| | |
|-------------------|------------------|
| Assets | <u>\$ 18,572</u> |
| Retained Earnings | <u>\$ 18,572</u> |

Income Statement

| | |
|---|-----------------|
| Concession sales | \$151,321 |
| Less refunds, commissions and cost of goods sold | <u>140,792</u> |
| Gross profit | 10,528 |
| Less expenses | (72,537) |
| Less transfers to St. Bernard Parish Government | <u>(14,378)</u> |
| Net profit | <u>\$ 3,996</u> |

Note 21 - SECTION 8 HOUSING PROGRAM INVESTIGATION

Apparent irregularities involving the Section 8 Housing Program were discovered by the St. Bernard Parish Government during 1995. The matter was referred to the Department of Housing and Urban Development (HUD) and subsequently turned over to the Federal Bureau of Investigation for investigation. As a result of the investigation \$139,698 of ineligible payments have been identified and must be returned to the federal program. It is the Parish Government's contention that these amounts will be paid by the individuals responsible. No payment has been requested by the Parish Government from HUD. However, individuals responsible have been court ordered to make restitution. To date \$11,577 has been received by the Parish Government as restitution.

Note 22 - ADMINISTRATIVE ORDER

During 1994, the St. Bernard Parish Department of Public Works Water and Sewer Division received an administrative order from the United States Environmental Protection Agency (EPA). The order stated that the Division has violated its National Pollutant Discharge Permit and the Clean Water Act. The EPA has allowed the Division a reasonable period to take corrective action to eliminate and prevent recurrence of the noncompliant discharges cited in the findings or to submit a comprehensive plan to eliminate and prevent recurrence of violations cited in findings.

The Division has filed a response to the deficiencies cited in the order. The Division can be assessed up to \$25,000 per day in penalties for noncompliance to the order. There have been no assessments by the EPA or penalties accrued in these general purpose financial statements.

Note 23 - COMMITMENTS AND CONTINGENCIES

The Parish Government received funding under grants from various federal and state governmental agencies. The agency grants specify the purpose for which the grant monies are to be used; the grants are subject to audit by the granting agency or its representative.

Note 24 - FEDERAL INVESTIGATION

During 1993, the Division has come under investigation by a federal agency concerning its waste water disposal from its facilities. The investigation is in its initial stage. Presently, it is not possible to determine the effect of this investigation on the financial statements, if any.

SUPPLEMENTAL INFORMATION SECTION

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government and which, therefore, cannot be diverted to other uses.

**SPECIAL REVENUE FUNDS
COMBINED BALANCE SHEET**

St. Bernard Parish Government

December 31, 1997

Consolidated
Funds

| | Public Safety Fund | Garbage District No. 1 Fund | Overage District No. 2 Fund | Prothonotary District No. 1 - 2 Fund | Recreation Department Fund | Health Fund | Urban Mass Transportation Administration Fund | Job Training Partnership Act Fund | Housing Start School Program Fund | Housing Voucher Program Fund |
|--|--------------------|-----------------------------|-----------------------------|--------------------------------------|----------------------------|-------------------|---|-----------------------------------|-----------------------------------|------------------------------|
| Assets | | | | | | | | | | |
| Cash | \$ - | \$ - | \$ 628 | \$ 132 | \$ - | \$ - | \$ - | \$ 3,071 | \$ 212,322 | \$ 73,388 |
| Investments - all cost recoverability - net | 848,251 | 561,838 | 1,328,128 | 465,022 | 116,275 | 258,428 | 194,288 | 194,288 | 61,487 | 47,184 |
| Due from other funds | - | - | - | - | - | - | - | - | - | 4,181 |
| Other assets | - | - | - | 832 | - | - | - | - | 268 | 128 |
| Total assets | \$ 848,251 | \$ 561,838 | \$ 1,956,856 | \$ 603,879 | \$ 116,275 | \$ 258,428 | \$ 194,288 | \$ 3,265 | \$ 273,809 | \$ 118,581 |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ 39,428 | \$ 102,238 | \$ 21,942 | \$ - | \$ 6,712 | \$ 6,712 | \$ 250,288 | \$ 2,648 | \$ 216,128 | \$ 81,670 |
| Salaries and payroll deductions payable | 73,171 | 12,281 | 382,485 | 18,828 | - | - | 6,934 | 40,288 | - | - |
| Due to other funds | 662,115 | 379,628 | 1,607,338 | 327,928 | 67,628 | 67,628 | 186,685 | 8,348 | 78,712 | 46,184 |
| Other liabilities | - | - | - | 3,488 | - | - | - | 8,348 | - | - |
| Total liabilities | \$ 774,714 | \$ 494,147 | \$ 2,219,693 | \$ 379,244 | \$ 74,338 | \$ 74,338 | \$ 263,911 | \$ 19,388 | \$ 294,840 | \$ 127,854 |
| Fund Equity (Deficit) | | | | | | | | | | |
| Fund balance (deficit) | \$ 73,537 | \$ 66,691 | \$ 737,163 | \$ 224,635 | \$ 41,937 | \$ 184,090 | \$ - | \$ 3,617 | \$ 79,689 | \$ - |
| Designated - capital development | - | - | - | - | - | - | - | - | - | - |
| Unassigned - unassigned | - | - | - | - | - | - | - | - | - | - |
| Total fund equity (deficit) | \$ 73,537 | \$ 66,691 | \$ 737,163 | \$ 224,635 | \$ 41,937 | \$ 184,090 | \$ - | \$ 3,617 | \$ 79,689 | \$ - |
| Total liabilities and fund equity (deficit) | \$ 848,251 | \$ 561,838 | \$ 1,956,856 | \$ 603,879 | \$ 116,275 | \$ 258,428 | \$ 194,288 | \$ 3,265 | \$ 273,809 | \$ 118,581 |

| Assets | Judicial | | Criminal | | Custody | | Dinics | | Environmental | | Depos | | Fund | |
|--|---|------------------|---------------|-------------|-----------------|------------------|---------------------|---------------------|-------------------|---------------|---------------|-------------|-------------|-------------|
| | Repos | Cost | Cost | Cost | Cost | Cost | Cost | Cost | Cost | Cost | Cost | Cost | Cost | Cost |
| Cash | \$ 2,996 | \$ 29,226 | \$ 881 | \$ - | \$ - | \$ - | \$ - | \$ 17,407 | \$ 20,270 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investments - at cost | - | - | - | - | - | - | - | - | 1,000,000 | - | - | - | - | - |
| Receivables - int | 3,328 | 11,944 | - | - | - | - | - | 3,495 | 487,008 | - | - | - | 211,730 | - |
| Due from other funds | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 6,324 | \$ 44,882 | \$ 881 | \$ - | \$ - | \$ - | \$ 20,902 | \$ 2,006,186 | \$ 211,730 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Liabilities | Accounts payable | \$ 281 | \$ - | \$ 460 | \$ 20,348 | \$ - | \$ 8,500 | \$ 1,990 | \$ 1,990 | \$ 4,542 | \$ - | \$ - | \$ - | \$ - |
| | Salaries and payroll deductions payable | 5,971 | - | - | 12,100 | - | - | - | - | - | - | - | - | - |
| | Due to other funds | - | 48,487 | - | 3,328 | - | - | - | - | 11,880 | 100,000 | - | - | - |
| | Other liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | Total liabilities | 6,252 | 48,887 | 460 | 36,576 | - | 8,500 | 11,970 | 11,970 | 16,422 | - | - | - | - |
| | Fund Equity (Deficit) | (328) | 4,395 | - | (26,688) | 3,328 | 15,402 | 1,936 | 1,936 | 16,408 | 16,408 | - | - | - |
| Total liabilities and fund equity (deficit) | (328) | 4,395 | - | (26,688) | 3,328 | 15,402 | 1,936 | 1,936 | 16,408 | 16,408 | - | - | - | - |
| | (328) | 4,395 | - | (26,688) | 3,328 | 15,402 | 1,936 | 1,936 | 16,408 | 16,408 | - | - | - | - |
| Total liabilities and fund equity (deficit) | \$ 6,252 | \$ 44,882 | \$ 881 | \$ - | \$ - | \$ 20,902 | \$ 2,006,186 | \$ 211,730 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| | Group Event Resolving Fund | Human Resources Fund | Civic Activities Fund | Communications Fund | Community Development Fund | Council On Aging Fund | Total |
|--|-------------------------------------|----------------------------|-----------------------------|------------------------|----------------------------------|-----------------------------|--------------|
| Assets | | | | | | | |
| Cash | \$ - | \$ 11,186 | \$ 10,164 | \$ 20,893 | \$ 2,298 | \$ 7,428 | \$ 78,295 |
| Investments - all fund | - | - | - | 200,000 | - | - | 1,250,000 |
| Receivables - all | - | 41,540 | 627 | 1,417 | 18,428 | 168,000 | 4,801,486 |
| Due from other funds | - | 364,972 | - | - | - | - | 167,417 |
| Other assets | - | - | - | - | - | - | 1,431 |
| Total assets | \$ - | \$ 1,122,698 | \$ 264,751 | \$ 223,452 | \$ 21,726 | \$ 183,428 | \$ 2,413,508 |
| Liabilities | | | | | | | |
| Accounts payable | \$ - | \$ 4,024 | \$ 14,074 | \$ 3,384 | \$ 4,087 | \$ 68 | \$ 35,657 |
| Salaries and payroll deductions payable | - | 7,111 | - | - | 18,086 | - | 25,206 |
| Due to other funds | - | 19,900 | - | 14,095 | - | - | 34,000 |
| Other liabilities | - | - | 17,465 | - | - | - | 17,465 |
| Total liabilities | - | \$ 31,035 | \$ 31,549 | \$ 17,479 | \$ 22,173 | \$ 68 | \$ 83,309 |
| Fund Equity (Deficit) | | | | | | | |
| Fund balance - deficit: | | | | | | | |
| - designated - capital development | - | \$ 64,118 | \$ 3,331 | \$ 27,418 | - | \$ 18,146 | \$ 103,003 |
| - unrestricted - undesignated | - | - | - | - | \$ 193 | - | \$ 193 |
| Total fund equity (deficit) | - | \$ 64,118 | \$ 3,331 | \$ 27,418 | \$ 193 | \$ 18,146 | \$ 103,196 |
| Total liabilities and fund equity (deficit) | \$ - | \$ 1,153,698 | \$ 268,091 | \$ 240,932 | \$ 21,921 | \$ 183,428 | \$ 2,416,708 |

**SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT)**

St. Bernard Parish Government

For the year ended December 31, 1997

| | Consolidated | | | | |
|---|-------------------------|--------------------------------------|---|----------------------------------|-------------------|
| | Public Works Fund | Garbage District No. 1 Fund | Fire Protection District No. 1 + 2 Fund | Recreation Department Fund | Health Fund |
| Revenues | | | | | |
| Taxary | | | | | |
| Ad valorem | \$ 369,086 | \$ 369,086 | \$ 1,611,047 | \$ 404,111 | \$ 136,099 |
| Other taxes, penalties and interest, etc. | 1,341 | 1,341 | 114,650 | 951 | 213 |
| Licenses and permits | - | - | - | - | - |
| Federal grants | - | - | - | - | - |
| State funds | | | | | |
| Federal transportation funds | 671,944 | - | - | - | - |
| State revenue sharing | 66,434 | 66,434 | 41,088 | 38,863 | 17,311 |
| Other state funds | 78,673 | - | 344,199 | 5,179 | - |
| Fees, charges, and commissions for services | 383,783 | - | 3,308 | 17,898 | - |
| Fines and forfeitures | - | - | - | - | - |
| Use of money and property | 473 | 4,717 | 1,480 | 261 | 141 |
| Other revenues | 33,668 | - | 31,049 | 4,678 | - |
| Total revenues | 2,375,763 | 643,661 | 1,993,334 | 484,233 | 170,948 |
| Expenditures | | | | | |
| General government | | | | | |
| Legislative | 4,383 | 3,158 | - | - | 1,828 |
| Judicial | - | - | - | - | - |
| Finance and administrative | 34,871 | 17,643 | - | - | 5,760 |
| Other general government | - | - | - | - | - |
| Public safety | - | - | 3,442,707 | - | - |
| Public works | 3,843,623 | 3,379,613 | - | - | - |
| Health and welfare | - | - | - | 1,883,589 | 96,754 |
| Culture and recreation | - | - | 31,847 | - | - |
| Capital outlay | - | - | - | - | - |
| Total expenditures | 3,872,878 | 3,382,383 | 3,474,514 | 1,883,589 | 193,582 |
| Excess (Deficiency) of Revenues Over Expenditures | (697,115) | (2,948,942) | (1,481,180) | (299,356) | (6,634) |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers in | 514,403 | 2,886,143 | 3,473,941 | 587,533 | - |
| Operating transfers out | (2,828) | (3,577) | 869 | (1,287) | - |
| Total other financing sources (uses) | 511,575 | 2,882,566 | 3,474,810 | 586,246 | - |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (185,540) | (1,066,376) | (296,370) | (71,110) | (6,634) |
| Fund Balances (Deficit) | | | | | |
| Beginning of year | 179,199 | 124,209 | (175,989) | 176,648 | (3,151) |
| Revised equity transfer | - | - | - | - | - |
| End of year | \$ 179,199 | \$ 124,209 | \$ (175,989) | \$ 176,648 | \$ (3,151) |

| Urban Water Transmission Administration Fund | Job Training Partnership Act Fund | Housing Rim Subsidy Fund | Housing Voucher Program Fund | Subsidy Cost Repayment Fund | Capital Case Fund | Contingency Capital Case "A" Fund | Public Agency Special Fund |
|---|--|-----------------------------------|---------------------------------------|--------------------------------------|-------------------------|--|-------------------------------------|
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| - | - | - | - | - | - | - | - |
| 155,448 | 1,905,170 | 91,130 | 107,500 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 83,147 | - | - | - | - | - | - | - |
| 88,300 | - | - | - | 44,208 | 10,079 | - | - |
| - | - | 9,074 | 1,775 | - | 189,199 | - | - |
| 3,894 | 181,879 | - | - | - | 1,880 | - | - |
| 201,832 | 2,087,049 | 100,204 | 109,275 | 44,208 | 191,120 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 179,094 | 61,000 | 26,941 | 480,276 |
| - | - | - | - | - | - | - | - |
| 201,832 | 2,087,049 | - | - | - | - | - | - |
| - | - | 102,677 | 21,094 | - | - | - | - |
| - | - | - | - | - | 1,941 | - | - |
| 201,832 | - | 2,702 | - | - | - | - | - |
| 201,832 | 2,087,049 | 105,379 | 21,094 | 179,094 | 62,941 | 26,941 | 480,276 |
| (6,786) | - | (24,892) | (11,880) | (140,709) | (11,190) | (26,941) | (480,276) |
| - | - | 77 | - | 189,813 | - | 26,971 | 480,417 |
| - | - | - | (87) | - | (184,280) | - | (247) |
| - | - | 77 | (87) | 189,813 | (184,280) | 26,971 | 480,170 |
| (6,786) | - | (11,813) | (11,240) | 6,209 | (26,087) | 78 | (27,186) |
| (115,867) | 1,349 | 10,279 | 1,003 | (6,871) | 36,491 | (100) | (6,586) |
| - | - | - | - | - | (4,300) | - | - |
| \$ (120,653) | \$ 1,349 | \$ 10,551 | \$ (5,238) | \$ (1,662) | \$ 32,191 | \$ (100) | \$ (71,692) |

| | Environmental Mitigation Fund | Open Witness Fee Fund | Litany Fund | Good Lighting District No. 1 Fund |
|---|-------------------------------------|--------------------------------|--------------------|---|
| Revenues | | | | |
| Taxes: | | | | |
| Ad valorem | \$ - | \$ - | \$ 491,647 | \$ 231,783 |
| Other taxes, penalties and interest, etc. | - | - | - | 244 |
| License and permits | - | - | - | - |
| Federal grants | - | - | 90,000 | - |
| State funds: | | | | |
| Federal transportation funds | - | - | - | - |
| State revenue sharing | - | - | 81,717 | 29,719 |
| Other state funds | - | - | 23,214 | - |
| Fees, charges, and commissions for services | - | - | 11,307 | - |
| Fines and forfeitures | - | 111,700 | 18,048 | - |
| Use of money and property | 200 | 100 | 70,460 | - |
| Other revenues | - | - | 18,098 | - |
| Total revenues | 200 | 111,700 | 821,781 | 261,806 |
| Expenditures | | | | |
| General government: | | | | |
| Legislative | - | - | - | - |
| Judicial | - | 87,808 | - | - |
| Finance and administrative | - | - | - | - |
| Other general government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | 602,268 |
| Health and welfare | - | - | - | - |
| Culture and recreation | - | - | 129,919 | - |
| Capital outlay | - | - | 168,004 | - |
| Total expenditures | - | 87,808 | 497,931 | 602,268 |
| Excess (Deficiency) of Revenues Over Expenditures | 200 | 23,892 | 323,850 | (340,462) |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | - | - | - | 194,144 |
| Operating transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | 194,144 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures And Other Financing Uses | 200 | 23,892 | 323,850 | (146,318) |
| Fund Balances (Deficit) | | | | |
| Beginning of year | 1,900 | (16,000) | 1,518,183 | 28,641 |
| Residual equity transfer | - | - | - | - |
| End of year | 2,100 | \$ 17,892 | \$1,842,033 | \$ 28,323 |

Schedule E
(Continued)

| Energy Plant Fund | Group Home Resident Fund | Human Resource Fund | City Auditorium Fund | Communications Fund | Community Development Fund | General Admin. Fund | Total |
|-------------------------|-----------------------------------|---------------------------|----------------------------|------------------------|----------------------------------|---------------------------|--------------|
| \$ - | \$ - | \$ - | \$ - | \$ 182,841 | \$ - | \$ 171,868 | \$ 354,709 |
| - | - | - | - | - | - | - | 288,711 |
| - | - | - | - | - | 249,287 | - | 249,287 |
| - | - | 288,749 | - | - | 22,888 | - | 311,637 |
| - | - | - | - | - | - | - | 607,964 |
| - | - | - | - | - | - | - | 274,768 |
| - | - | - | - | - | 22,823 | - | 1,279,228 |
| - | - | - | 217,219 | - | 28,242 | - | 245,461 |
| - | - | - | - | - | - | - | 288,521 |
| - | 29 | - | 1,806 | 6,899 | - | 11 | 87,788 |
| 12 | 681 | 1,268 | 22,000 | - | 1,824 | - | 249,222 |
| 12 | 684 | 167,894 | 149,025 | 191,114 | 149,886 | 173,880 | \$ 1,112,882 |
| - | - | - | - | 1,155 | - | - | 14,298 |
| - | - | - | - | - | - | - | 848,229 |
| - | - | - | - | 8,180 | - | - | 212,528 |
| - | - | - | - | - | - | - | 1,111,139 |
| - | - | - | - | 188,215 | - | 5,139 | 1,309,541 |
| - | - | - | - | - | - | - | 4,811,888 |
| 551,620 | - | 294,284 | - | - | 792,382 | - | 1,638,286 |
| - | - | 5,827 | 180,188 | - | - | - | 1,792,887 |
| - | - | - | - | 1,820 | 221 | - | 112,681 |
| 551,620 | - | 300,111 | 180,188 | 191,114 | 792,603 | 5,139 | \$ 1,912,519 |
| (551,620) | 684 | 7,883 | 111,229 | 14,194 | (262,598) | 187,761 | \$ 1,190,667 |
| 552,870 | - | - | 124,894 | 347 | 176,826 | - | 844,837 |
| - | (2,172) | (28) | (1,984) | - | (289) | - | (164,329) |
| 552,870 | (2,172) | (28) | (11,089) | 347 | (177,722) | - | 680,526 |
| 699,726 | (1,172) | 7,855 | (1,645) | 14,411 | 121,74 | 187,761 | 1,006,680 |
| 699,726 | 1,111 | 88,741 | 11,111 | 261,177 | (12,579) | - | 1,069,686 |
| - | - | - | - | - | - | - | (1,289) |
| \$ - | \$ - | \$ 66,888 | \$ 1,722 | \$ 2,177,192 | \$ 1,082 | \$ 167,761 | \$ 2,947,867 |

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the payment of interest and principal on all general obligation debt. They do not include debt issued by the Proprietary Funds.

**DEBT SERVICE FUNDS
COMBINING BALANCE SHEET**

St. Bernard Parish Government

December 31, 1997

| | Public Improvement Bond Funds | | |
|--|-------------------------------|-------------------|-------------------|
| | Series A, B, C | Series 1977 | Series 1996 |
| Assets | | | |
| Cash | \$ 208,140 | \$ 231,240 | \$ 236,615 |
| Cash with fiscal agent | - | - | 38 |
| Investments - at cost | - | - | - |
| Receivables - net | - | - | - |
| Special assessments: | | | |
| Delinquent | - | - | - |
| Deferred | - | - | - |
| Due from other funds | - | - | 131,600 |
| Total assets | <u>\$ 208,140</u> | <u>\$ 231,240</u> | <u>\$ 368,251</u> |
| Liabilities | | | |
| Due to other funds | \$ - | \$ - | \$ - |
| Deferred revenue | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Equity | | | |
| Fund balances: | | | |
| Reserved for debt service | - | 231,240 | 368,251 |
| Unreserved - undesignated | 208,140 | - | - |
| Total fund equity | <u>208,140</u> | <u>231,240</u> | <u>368,251</u> |
| Total liabilities and fund equity | <u>\$ 208,140</u> | <u>\$ 231,240</u> | <u>\$ 368,251</u> |

| Bond Reserve 1996 Fund | Bond Reserve 1977 Fund | 1990 And 1991 General Obligation Bond Fund | Versailles Industrial Park Slating Fund | Total |
|---------------------------------|---------------------------------|--|---|---------------------|
| \$ 94,650 | \$ 70,042 | \$ 363,846 | \$ - | \$ 1,204,533 |
| - | - | - | - | 36 |
| 372,739 | 458,300 | - | - | 831,030 |
| 455 | 400 | 560,665 | 4,194 | 565,806 |
| - | - | - | 5,035 | 5,035 |
| - | - | - | 306,149 | 306,149 |
| - | - | - | 29,736 | 161,336 |
| <u>\$ 467,855</u> | <u>\$ 528,832</u> | <u>\$ 924,511</u> | <u>\$ 345,116</u> | <u>\$ 3,073,945</u> |
| | | | | |
| \$ 131,600 | \$ - | \$ - | \$ - | \$ 131,600 |
| - | - | - | 306,149 | 396,149 |
| <u>131,600</u> | <u>-</u> | <u>-</u> | <u>306,149</u> | <u>437,749</u> |
| | | | | |
| 336,255 | 528,832 | 924,511 | 38,967 | 2,428,666 |
| - | - | - | - | 208,140 |
| <u>336,255</u> | <u>528,832</u> | <u>924,511</u> | <u>38,967</u> | <u>2,636,196</u> |
| | | | | |
| <u>\$ 467,855</u> | <u>\$ 528,832</u> | <u>\$ 924,511</u> | <u>\$ 345,116</u> | <u>\$ 3,073,945</u> |

**DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**

St. Bernard Parish Government

For the year ended December 31, 1997

| | Public Improvement Bond Funds | | |
|---|-------------------------------|-------------------|-------------------|
| | Series A, B, C | Series 1977 | Series 1996 |
| Revenues | | | |
| Taxes - ad valorem | \$ 6,800 | \$ 4,132 | \$ 4,072 |
| Use of money and property | - | - | - |
| Special assessments | - | - | - |
| Total revenues | <u>6,800</u> | <u>4,132</u> | <u>4,072</u> |
| Expenditures | | | |
| General government: | | | |
| Finance and administrative | - | 288 | 928 |
| Debt service: | | | |
| Principal retirement | - | 321,800 | 175,000 |
| Interest and service charges | - | 170,218 | 131,896 |
| Total expenditures | <u>-</u> | <u>492,306</u> | <u>297,624</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>6,800</u> | <u>(488,174)</u> | <u>(293,552)</u> |
| Other Financing Sources (Uses) | | | |
| Proceeds of refunding bonds | - | - | - |
| Payments to or funded bond escrow agent | - | - | - |
| Operating transfers in | - | 464,874 | 338,338 |
| Total other financing sources (uses) | <u>-</u> | <u>464,874</u> | <u>338,338</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | <u>6,800</u> | <u>25,699</u> | <u>44,786</u> |
| Fund Balances | | | |
| Beginning of year | <u>201,248</u> | <u>205,841</u> | <u>122,135</u> |
| End of year | <u>\$ 208,048</u> | <u>\$ 231,540</u> | <u>\$ 166,921</u> |

| Bond Reserve 1994 Fund | Bond Reserve 1997 Fund | 1990 and 1997 General Obligation Bond Fund | Versailles Industrial Park Sinking Fund | Total |
|---------------------------------|---------------------------------|--|---|---------------------|
| \$ 24,539 | \$ - | \$ 618,547 | \$ - | \$ 618,547 |
| - | 28,618 | 31,617 | 21,696 | 132,436 |
| - | - | - | 24,832 | 24,832 |
| <u>24,539</u> | <u>28,618</u> | <u>648,164</u> | <u>56,528</u> | <u>738,822</u> |
| - | - | 19,632 | 1,865 | 22,012 |
| - | - | 285,080 | 38,173 | 743,132 |
| - | - | 331,338 | 18,689 | 581,061 |
| - | - | <u>555,940</u> | <u>57,826</u> | <u>1,387,145</u> |
| <u>24,539</u> | <u>28,618</u> | <u>82,174</u> | <u>(1,341)</u> | <u>(582,320)</u> |
| - | - | 4,335,080 | - | 4,335,080 |
| - | - | (4,430,080) | - | (4,430,080) |
| - | - | - | - | 884,380 |
| - | - | <u>(95,080)</u> | - | <u>789,380</u> |
| <u>24,539</u> | <u>28,618</u> | <u>(2,826)</u> | <u>(1,341)</u> | <u>137,037</u> |
| <u>311,696</u> | <u>308,222</u> | <u>937,337</u> | <u>-6,368</u> | <u>2,589,139</u> |
| <u>\$ 336,235</u> | <u>\$ 328,832</u> | <u>\$ 934,511</u> | <u>\$ 28,987</u> | <u>\$ 2,616,196</u> |

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of capital facilities of the Parish, including those financed by special assessments. These funds do not include acquisitions and/or construction for Proprietary Funds.

**CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET**

St. Bernard Parish Government

December 31, 1997

| | Drainage and Siphon Fund | Fire (District 1-3 C.I. Series Bond Fund) | Road District Project Bond Fund | Public Improvement Bond Series D, E, F, G Fund |
|--|-----------------------------------|--|--|--|
| Assets | | | | |
| Cash | \$ 151,199 | \$ 4,873 | \$ 12,797 | \$ 43,242 |
| Due from other funds | - | - | - | - |
| Total assets | <u>\$ 151,199</u> | <u>\$ 4,873</u> | <u>\$ 12,797</u> | <u>\$ 43,242</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Equity | | | | |
| Fund balances: | | | | |
| Reserved for incomplete contracts | - | - | - | - |
| Unreserved - undesignated | <u>151,199</u> | <u>4,873</u> | <u>12,797</u> | <u>43,242</u> |
| Total fund equity | <u>151,199</u> | <u>4,873</u> | <u>12,797</u> | <u>43,242</u> |
| Total liabilities and fund equity | <u>\$ 151,199</u> | <u>\$ 4,873</u> | <u>\$ 12,797</u> | <u>\$ 43,242</u> |

| Drainage Construction Bonds of 1967 and 1982 Fund | Capital Projects Fund | Clearhouse Capital Fund | Interim Multipurpose Bldg. Fund | Urban System Roadway Reconstruction Fund | Total |
|---|-----------------------------|-------------------------------|--|--|--------------------|
| \$ 111,625 | \$ - | \$ 228,368 | \$ 250,548 | \$ 208,811 | \$1,009,215 |
| - | 1,608,169 | - | - | - | 1,608,169 |
| <u>\$ 111,625</u> | <u>\$1,608,169</u> | <u>\$ 228,368</u> | <u>\$ 250,548</u> | <u>\$ 208,811</u> | <u>\$2,611,382</u> |
| \$ - | \$ 341,118 | \$ - | \$ 58 | \$ - | \$ 341,180 |
| 28,737 | 499,097 | - | - | - | 481,834 |
| <u>28,737</u> | <u>797,207</u> | <u>-</u> | <u>58</u> | <u>-</u> | <u>826,994</u> |
| - | 77,851 | - | - | - | 77,851 |
| 81,888 | 753,911 | 228,368 | 250,548 | 208,811 | 1,787,527 |
| <u>81,888</u> | <u>810,992</u> | <u>228,368</u> | <u>250,548</u> | <u>208,811</u> | <u>1,784,398</u> |
| <u>\$ 111,625</u> | <u>\$1,608,169</u> | <u>\$ 228,368</u> | <u>\$ 250,548</u> | <u>\$ 208,811</u> | <u>\$2,611,382</u> |

**CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES**

St. Bernard Parish Government

For the year ended December 31, 1997

| | Drainage and Sewer Fund | Fire District 1-2 C.I. Series (Bond Fund) | Road District Project Bond Fund | Public Improvement Bond Series B, E, F, G Fund |
|---|----------------------------------|--|--|--|
| Revenues | | | | |
| Other state funds | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | 4,953 | 134 | 388 | 1,489 |
| Other revenues | - | - | - | - |
| Total revenues | <u>4,953</u> | <u>134</u> | <u>388</u> | <u>1,489</u> |
| Expenditures | | | | |
| Public works | - | - | - | 4,068 |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,068</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>4,953</u> | <u>134</u> | <u>388</u> | <u>(2,579)</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures And Other Financing Uses | <u>4,953</u> | <u>134</u> | <u>388</u> | <u>(2,579)</u> |
| Fund Balance | | | | |
| Beginning of year | <u>146,664</u> | <u>3,919</u> | <u>12,489</u> | <u>43,813</u> |
| End of year | <u>\$ 151,617</u> | <u>\$ 4,053</u> | <u>\$ 12,877</u> | <u>\$ 41,234</u> |

| Drainage Construction Bonds of 1967 and 1982 Fund | Capital Projects Fund | Courthouse Capital Fund | Isleus Multipurpose Bldg. Fund | Urban System Roadway Reconstruction Fund | Total |
|---|-----------------------------|-------------------------------|---|--|--------------|
| \$ - | \$ - | \$ - | \$ 248,930 | \$ - | \$ 248,930 |
| 12,579 | 10 | 3,524 | 2,016 | 911 | 20,030 |
| - | - | 30,080 | - | - | 30,080 |
| 12,579 | 10 | 33,604 | 250,946 | 911 | 308,046 |
| - | 698,780 | - | 398 | - | 703,238 |
| - | 952,569 | - | - | - | 952,569 |
| - | 1,651,349 | - | 388 | - | 1,653,017 |
| 12,579 | (1,651,318) | 33,604 | 250,548 | 911 | (1,354,776) |
| - | 2,445,606 | 96,789 | - | 208,000 | 2,750,395 |
| (254,518) | (8,159) | - | - | - | (262,677) |
| (254,518) | 2,441,447 | 96,789 | - | 208,000 | 2,791,677 |
| (341,960) | 790,108 | 130,305 | 250,548 | 208,911 | 1,040,838 |
| 423,848 | 20,814 | 90,083 | - | - | 534,745 |
| \$ 81,888 | \$ 810,962 | \$ 220,388 | \$ 250,548 | \$ 208,911 | \$ 1,784,388 |

**SCHEDULE OF CHANGES IN LONG-TERM DEBT -
GOVERNMENTAL AND ENTERPRISE FUNDS**

St. Bernard Parish Government

For the year ended December 31, 1997

| | <u>Date Of Issue</u> | <u>Original Issue</u> | <u>Long-term Outstanding Balance January 1, 1997</u> |
|---------------------------------------|--------------------------|---------------------------|--|
| Governmental Fund Bonds | | | |
| Public Improvements: | | | |
| Series ST - 1977 | June 1, 1977 | \$ 1,350,000 | \$ 2,255,000 |
| Series ST - 1996 | April 9, 1996 | 2,740,000 | 2,740,000 |
| Special assessment: | | | |
| Versailles Industrial Park Project | October 24, 1997 | 381,721 | 381,721 |
| General obligation: | | | |
| Series 1982-B | June 15, 1982 | 60,000 | 30,719 |
| Series 1990 | Feb. 1, 1990 | 5,850,000 | 5,050,000 |
| Series 1997 | December 1, 1997 | <u>4,335,000</u> | - |
| Total Governmental Bonds | | <u>\$ 18,736,721</u> | <u>\$ 10,457,440</u> |

| <u>Additions</u> | <u>Redemptions</u> | <u>Long-Term Outstanding Balance December 31, 1997</u> | <u>Maturities Outstanding December 31, 1997</u> | <u>Interest Rate</u> |
|---------------------|---------------------|--|---|----------------------|
| \$ - | \$ 323,000 | \$ 1,930,000 | 1998 - 2002 | 5.75 |
| - | 173,000 | 2,565,000 | 1998 - 2006 | 4.00 - 5.00 |
| - | 38,172 | 343,340 | 1998 - 2006 | 5.25 |
| - | 3,986 | 36,733 | 1998 - 2002 | 10.70 |
| - | 4,393,000 | 720,000 | 1998 - 2000 | 6.15 - 6.35 |
| <u>4,333,000</u> | <u>-</u> | <u>4,333,000</u> | 1998 - 2010 | 4.75 |
| <u>\$ 4,333,000</u> | <u>\$ 4,873,158</u> | <u>\$ 9,920,383</u> | | |

| | <u>Date Of Issue</u> | <u>Original Issue</u> | <u>Long-term Outstanding Balance January 1, 1997</u> |
|--|--------------------------|---------------------------|--|
| Enterprise Funds | | | |
| Sewer Division | | | |
| Revenue bonds | Dec. 1, 1991 | \$ 1,350,000 | \$ 1,165,000 |
| Revenue bonds | Aug. 1, 1994 | 7,950,000 | 7,663,000 |
| Water District No. 1: | | | |
| Public improvement bonds | Sept. 1, 1973 | 2,500,000 | 310,000 |
| Sewer District No. 1 | | | |
| General obligations bond | Sept. 1, 1991 | 875,000 | 505,000 |
| Sewer District No. 2: | | | |
| Public improvement bonds | June 1, 1971 | 240,000 | 5,000 |
| General obligations bonds | Sept. 1, 1991 | <u>2,285,000</u> | <u>2,690,000</u> |
| Total Water and Sewer Division | | <u>14,010,000</u> | <u>12,340,000</u> |
| Home Mortgage Authority: | | | |
| Single Family Revenue Bonds - 1992 Program Series C | | 607,505 | 828,286 |
| Single Family Refunding Bonds - 1991 Program | | 4,435,000 | 2,016,700 |
| 1992 Program Series B-1 | | 1,819,655 | 973,421 |
| 1992 Program Series B-2 | | <u>29,218</u> | <u>41,950</u> |
| Total Home Mortgage Authority | | <u>6,891,378</u> | <u>3,914,357</u> |
| Total Enterprise Funds | | <u>\$ 22,901,378</u> | <u>\$ 16,254,357</u> |

Schedule 7
(Continued)

| <u>Additions</u> | <u>Redemptions</u> | <u>Long-Term Outstanding Balance December 31, 1997</u> | <u>Maturities Outstanding December 31, 1997</u> | <u>Interest Rate</u> |
|------------------|---------------------|--|---|----------------------|
| \$ - | \$ 45,000 | \$ 1,128,000 | 1997 - 2011 | 6.00 - 7.00 |
| - | 625,000 | 7,048,000 | 1997 - 2006 | 4.00 - 5.20 |
| - | 155,000 | 155,000 | 1997 - 1998 | 5.70 |
| - | 60,000 | 445,000 | 1997 - 2005 | 5.90 - 6.50 |
| - | 1,000 | 4,000 | 1997 - 2001 | 6.00 |
| - | 338,000 | 2,950,000 | 1997 - 2005 | 5.90 - 6.65 |
| - | <u>1,216,000</u> | <u>11,128,000</u> | | |
| 63,953 | - | 894,239 | 1997 - 2014 | 7.00 |
| - | 382,277 | 1,794,426 | 1997 - 2012 | 8.00 |
| - | 203,248 | 762,173 | 1997 - 2011 | 7.84 |
| <u>3,970</u> | - | <u>45,920</u> | 1997 - 2014 | 9.25 |
| <u>67,923</u> | <u>495,525</u> | <u>1,486,758</u> | | |
| <u>\$ 67,923</u> | <u>\$ 1,311,525</u> | <u>\$ 14,610,758</u> | | |

COMPENSATION PAID PARISH COUNCIL MEMBERS

St. Bernard Parish Government

For the year ended December 31, 1997

| | |
|---------------------------------|-----------------|
| Clay A. Coats, Council Chairman | \$ 8,247 |
| Daniel L. Dymart | 7,200 |
| Curtis B. Piro | 7,200 |
| Joseph S. DiPaola, Jr. | 7,200 |
| Mita Rusich Hunter | 7,200 |
| Craig P. Taffaro, Jr. | 7,200 |
| Henry J. Rodriguez, Jr. | <u>7,200</u> |
| Total | \$51,500 |

The schedule of compensation paid to parish council members was prepared in compliance with Home Rule Charter, Section 2-65 Compensation. According to the Charter, the compensation of the first council members elected under this charter shall be \$7,200 per annum. The chairman of the council will receive \$1,200 per annum in addition to the regular annual compensation. The salary of the President of the parish government shall be \$45,000 per annum.

SPECIAL REPORTS ON CERTIFIED PUBLIC ACCOUNTANTS



Burgoin Bennett

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

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

We have audited the general purpose financial statements of the St. Bernard Parish Government (the Primary Government), State of Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated June 3, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

We did not audit the financial statements of the discretely presented component unit, St. Bernard Parish Home Mortgage Authority. These financial statements were audited by other auditors and our report on internal control over financial reporting and on compliance does not include this entity. Separate reports were issued on the blended component unit, St. Bernard Parish Library and the Property Fund - Enterprise Fund.

Compliance

As part of obtaining reasonable assurance about whether the Primary Government's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 97-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Primary Government's general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Primary Government's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 97-1 and 97-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Primary Government's general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 97-1 to be a material weakness.

This report is intended for the information of the Administration of the St. Bernard Parish Government, the St. Bernard Parish Council, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Bougeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
June 5, 1998.



Bourgeois Bennett

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the St. Bernard Parish Government (the Primary Government), State of Louisiana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended December 31, 1997. The Primary Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Primary Government's management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Primary Government's compliance with those requirements.

As described in items 97-6, through 97-9 in the accompanying schedule of findings and questioned costs, the Primary Government did not comply with requirements regarding allowable costs/costs principles, equipment and real property management, procurement, suspension and debarment, and reporting that are applicable to its Section 8 Rental Voucher Program and Certificate Program and Job Training Partnership Act programs. Compliance with such requirements is necessary, in our opinion, for the Primary Government to comply with the requirements applicable to the programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1997.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining an effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Primary Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Primary Government's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs in items 97-4 and 97-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered item 97-4 to be a material weakness.

This report is intended for the information of the Administration of the St. Bernard Parish, the St. Bernard Parish Council, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, La.,
June 5, 1998.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
PRIMARY GOVERNMENT**

St. Bernard Parish Government

For the year ended December 31, 1997

| Federal Grantor/Pass Through Grantor/ Program or Cluster Title | Federal CFDA Number | Federal Expenditure |
|---|---------------------------|------------------------|
| U.S. Department of Agriculture | | |
| Passed through Louisiana Department of Agriculture and Forestry: | | |
| Food Coupon Program (Value of coupon issued) | 10-551 | \$3,111,004 |
| Administrative Costs of Food Coupons Distribution | 10-551 | 30,206 |
| Food Distribution Program | 10-550 | 36,615 |
| Emergency Food Assistance Program (Administrative Cost) | 10-568 | <u>8,673</u> |
| | | 3,176,498 |
| Passed through Louisiana Department of Education: | | |
| Family Day Care Home Program | 10-558 | <u>96,968</u> |
| | | 3,273,467 |
| Total U.S. Department of Agriculture | | |
| | | <u>3,273,467</u> |
| U.S. Department of Housing and Urban Development | | |
| Section 8 Cluster: | | |
| Section 8 Rental Voucher Program | 14-835 | 337,897 |
| Section 8 Rental Certificate Program | 14-857 | <u>922,513</u> |
| | | 1,260,410 |
| Subtotal direct programs | | |
| | | 1,260,410 |
| Passed through Louisiana Housing Finance Agency: | | |
| Home Investment Partnerships Program | 14-289 | <u>456</u> |
| | | 1,260,866 |
| Total U.S. Department of Housing and Urban Development | | |
| | | <u>1,260,866</u> |

| Federal Grantor/Pass Through Grantor/ Program or Cluster Title | Federal CFDA Number | Federal Expenditure |
|---|---------------------------|------------------------|
| U.S. Department of Labor | | |
| Passed through Louisiana Department of Labor: | | |
| Job Training Partnership Act - Title II-A | 17.250 | 708,484 |
| Job Training Partnership Act - Title II-B | 17.250 | 314,830 |
| Job Training Partnership Act - Title II-C | 17.250 | 480,883 |
| Job Training Partnership Act - Title III-F | 17.244 | 782,598 |
| Job Training Partnership Act - 8% | 17.250 | 20,963 |
| Job Training Partnership Act - 5% | 17.250 | 27,600 |
| JOHNIT, One-Stop Career Center | 17.250 | 101,850 |
| School to Work/Out of School | 17.250 | 9,800 |
| | | <u>2,646,408</u> |
| Passed through Louisiana Department of Education: | | |
| Job Training Partnership Act - 8% | 17.250 | <u>80,452</u> |
| Total U.S. Department of Labor | | <u>3,726,840</u> |
| U.S. Department of Transportation | | |
| Direct program - FTA Operating/Capital Grant | 20.507 | <u>356,484</u> |
| U.S. Department of Health and Human Services | | |
| Passed through Louisiana Department of Social Services: | | |
| Office of Community Services: | | |
| Low Income Home Energy Assistance Program | 93.568 | 62,924 |
| Weatherization Assistance Program | 93.568 | <u>11,979</u> |
| | | <u>74,903</u> |
| Office of Family Support: | | |
| Family Independence Work Program | 93.561 | <u>178,330</u> |
| Passed through Louisiana Department of Labor: | | |
| Community Services Block Grant | 93.569 | <u>108,988</u> |
| Total U.S. Department of Health and Human Services | | <u>363,221</u> |

| <u>Federal Grants/Paid Through Grants/ Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditure</u> |
|---|------------------------------------|--------------------------------|
| U.S. Federal Emergency Management Agency | | |
| Passed through Louisiana Military Department: Emergency Food and Shelter Program | 83.523 | 28,369 |
| Passed through United Way: Emergency Food and Shelter Program | 83.523 | <u>28,059</u> |
| Total Federal Emergency Management Agency | | <u>56,328</u> |
| Total Expenditures of Federal Awards | | <u>\$ 8,036,006</u> |

See accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS - PRIMARY GOVERNMENT**

St. Bernard Parish Government

For the year ended December 31, 1997

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the St. Bernard Parish Government (The Primary Government) and is presented on the modified accrual basis of accounting. Commodities received, which are non-cash revenues are valued at prices provided by the U.S. Department of Agriculture. The information in this schedule is presented in accordance with the requirements of OMB Circular A-113, Guide for States, Local Governments, and Non-Profit Organizations.

Note 2 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Primary Government provided federal awards to subrecipients as follows:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Provided to Subrecipients</u> |
|--|--------------------------------|---|
| Job Training Partnership Act - Title II-A | 17.250 | \$62,740 |
| Job Training Partnership Act - Title II-C | 17.250 | 122,308 |
| Job Training Partnership Act - Title III-F | 17.246 | 27,916 |

Note 3 - FINDINGS OF NONCOMPLIANCE

The findings of noncompliance are disclosed in the accompanying schedule of findings and questioned costs. The potential reimbursement effects of the findings are not ascertainable.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

St. Bernard Parish Government

For the year ended December 31, 1997

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness yes none reported

Noncompliance material to financial statements noted? yes no

b) Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes No
- Reportable condition(s) identified that are not considered to be material weakness yes none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 yes no

Section I Summary of Auditor's Results (Continued)

c) Identification of Major Programs:

| CFDA Number(s) | Name of Federal Program (or Cluster) |
|----------------|---|
| 14.551 | Food Coupon Program and Administrative Costs |
| 14.853 | Section 8 Rental Voucher Program |
| 14.857 | Section 8 Rental Certificate Program |
| 17.246 | Job Training Partnership Act Program |
| 17.250 | Job Training Partnership Act Programs |
| 20.507 | FTA Operating/Capital Grant |

Dollar threshold used to distinguish
between Type A and Type B programs: **\$300,000**

Auditor qualified as a low-risk auditor? yes no

Section II Financial Statement Findings

Internal Control

87-1 Criteria - There should be a segregation of duties for the review of invoices, coding invoices, processing invoices for payment and having checks signed.

Condition - One person is responsible for reviewing invoices, coding invoices to various programs, processing invoices for payment, having checks signed by a check-signing machine, and requesting funds from governmental agency for payment of invoices. On occasion, the person who is responsible for reconciling bank statements and posting receipts and disbursements to the general ledger performs the previously mentioned duties.

Questioned Costs - None noted.

Context - This condition was reported in the previous audit.

Effect - The possibility of fraud or collusion exists.

Cause - There is a limited number of personnel available to handle different functions.

Section II Financial Statement Findings (Continued)

Internal Control (Continued)

97-1 (Continued)

Recommendation - The Primary Government should assign someone independent of the review, approval and processing of cash disbursements to receive the bank statements unopened and review the canceled checks and statements for unusual items. We understand that this recommendation from the previous audit is being followed but not on a consistent basis.

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

97-2 Criteria - There should be a reconciliation of federal reports filed with the granting agency and the general ledger.

Condition - The year-end reports were not reconciled to the general ledger.

Questioned Costs - None noted.

Context - This condition was reported in the previous audit.

Effect - Erroneous reports submitted to funding agencies.

Cause - There was no reconciliation between federal reports and general ledgers.

Recommendations - The Accounting Department should review all completed federal reports to ensure reconciliation between report and general ledger.

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

Compliance

97-3 Criteria - The Louisiana Budget Act, Louisiana Revised Statute 39:1318, requires that the Primary Government amend their budget when total revenue and other sources are falling to meet budgeted revenues and other sources by 3% or more or total expenditures and other uses are exceeding budgeted expenditures and their uses by 3% or more.

Section II Financial Statement Findings (Continued)

Compliance (Continued)

97-3 (Continued)

Condition - Several instances were noted where revenues and other sources fell by more than 5% of projected revenues and where expenditures and other uses exceeded the projected budget by 5% or more.

Questioned Costs - None noted.

Context - This condition was reported in the previous audit.

Effect - The Primary Government is in violation of Louisiana statute.

Cause - The Primary Government did not comply with the requirements of state law.

Recommendation - The Primary Government should provide the requirements of the Louisiana Budget Act to all responsible parties and instill the importance of complying with all aspects of the law.

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

Section III Federal Award Findings and Questioned Cost

Internal Control

97-4 Federal Program and Specific Federal Award Identification - CFDA Title: Job Training Partnership Act, CFDA Numbers: 17.346, 17.389

Criteria - There should be a proper segregation of duties for the review of invoices, coding invoices, processing invoices for payment and having checks signed.

Condition - One person is responsible for reviewing invoices, coding invoices to various programs, processing invoices for payment, having checks signed by a check-signing machine, and requesting funds from governmental agency for payment of invoices. On occasion, the person who is responsible for reconciling bank statements and posting receipts and disbursements to the general ledger performs the previously mentioned duties.

Section III Federal Award Findings and Questioned Cost (Continued)

Internal Control (Continued)

97-4 (Continued)

Questioned Costs - None noted.

Context - This condition was reported in the previous audit.

Effect - The possibility of fraud or collusion exists.

Cause - There is a limited number of personnel available to handle different federal functions.

Recommendations - The First Planning District (which administers the JTPA programs) should assign someone independent of the review, approval and processing of cash disbursements to receive the bank statements unopened and review the canceled checks and statements for unusual items. We understand that this recommendation from the previous audit is being followed but not on a consistent basis.

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

97-5 Federal Program and Specific Federal Award Identification - CFDA Title: Family Day Care Home Program, CFDA Number: 92.528, CFDA Title: Community Service Block Grant, CFDA Number: 93.569, CFDA Title: Section 8 Rental Certificate Program, CFDA Number: 14.857

Criteria - Reports submitted to federal awarding agency for reimbursement should include all activity of the reporting period, be supported by underlying accounting or performance records, and be fairly presented in accordance with program requirements.

Condition - The year-end close out reports were submitted, however, the reports did not reconcile to the financial records.

Questioned Costs - None noted.

Context - The finding is an ongoing problem.

Effect - The funding agencies are receiving erroneous information which could affect future funding.

Section III Federal Award Findings and Questioned Cost (Continued)

Internal Control (Continued)

97-5 (Continued)

Cause - There is no reconciliation between the federal reports and the general ledgers.

Recommendations - The Primary Government should establish separate fund accounts for each of the various programs administered by the Human Resources Department. The persons responsible for the preparation of reports for federal agencies or pass-through agencies should coordinate the results with the Finance Department before submission.

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

Compliance

97-6 Federal Program and Specific Federal Award Identification - CFDA Title: Family Day Care Home Program, CFDA Number: 10.858, CFDA Title: Community Services Block Grant, CFDA Number: 93.569

Criteria - Certain provisions of the Office of Management and Budget (OMB) A-87, *Allowable Costs and Cost Principles* (A-87) require various documentation to be compiled with regarding direct billed services such as self-insurance premiums.

Condition - The Primary Government has not complied with the documentation and certification requirements of A-87 as it relates to federal programs.

Questioned Costs - Allocation to these programs amounted to \$39,224.

Context - This finding was noted in the previous audit.

Effect - Funding for these programs could be jeopardized by not following requirements of A-87.

Cause - The Primary Government has not complied with the requirements of A-87.

Recommendations - The Primary Government should comply with the documentation requirements of A-87 with respect to self-insurance fund as follows:

Section III Federal Award Findings and Questioned Cost (Continued)

Compliance (Continued)

97-6 (Continued)

Recommendations (Continued)

- There should be fund financial statements which include a balance sheet and statement of revenues and expenses.
- A summary of billings and claims paid by each participating fund.
- A listing of all non-operating transfers into and out of the fund.
- A listing of the types of risks covered by the fund (e.g., automobile liability, workers compensation, etc.).
- A description of how premiums are calculated to be charged to participating funds.
- There should be certification by the responsible government official that billing from the self-insurance fund are in accordance with OMB Circular A-87.

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

97.7 Federal Program and Specific Federal Award Identification - CFDA Title Job Training Partnership Act (JobNET program), CFDA Number: 17.259

Criteria - Provisions of A-87 require the proper recording of equipment acquired with federal funds.

Condition - Inventory records for the purchase of equipment in the JobNET program do not agree with the amounts listed in the financial records.

Questioned Costs - None noted.

Context - The finding is an isolated incident. The inventory records of purchases of equipment in other JTPA programs agree with the financial records.

Effect - Inventory records are incomplete, a violation of A-87.

Section III Federal Award Findings and Questioned Cost (Continued)

Compliance (Continued)

97-7 (Continued)

Cause - The client has not had the opportunity to record the equipment purchased with federal funds.

Recommendations - The fixed asset inventory records should be updated to record the equipment purchased and the property control specialist should maintain proper records to comply with A-37.

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

97-8 Federal Program And Specific Federal Award Identification - CPDA Title: Job Training Partnership Act (JTPA), CPDA Number: 17,250

Criteria - Draw down of federal cash is only for immediate needs and limits payments to subrecipients for immediate cash needs.

Condition - Funds requested and received in JTPA II-A program were in excess of requirements.

Questioned Costs - None noted.

Context - The excess funds in JTPA II-A provided funding for cost reimbursement contracts in other JTPA programs.

Effect - The First Planning District is in violation of their contract and could jeopardize future participation in the JTPA II-A program.

Cause - The First Planning District does not have any funding from the Primary Government to operate cost reimbursement programs.

Recommendations - The Primary Government should provide the First Planning District sufficient funding to operate the cost reimbursement programs.

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

Section III Federal Award Findings and Questioned Cost (Continued)

Compliance (Continued)

87-9 Federal Program and Specific Federal Award Identification - CFDA Title: Family Day Care Home Program, CFDA Number: 10.568, CFDA Title: Weatherization Assistance Program, CFDA Number: 93.568, CFDA Title: Community Service Block Grant, CFDA Number: 93.569

Criteria - Provisions of A-87 regarding the documentation of salaries and wages for employees who work on more than one federal program require personnel activity reports (time sheets) which meet the following standards:

- a) Must reflect an after-the-fact distribution of the actual activity of each employee.
- b) Must account for the total activity for which the employee is compensated.
- c) Must be prepared at least monthly and must coincide with one or more pay periods.
- d) Must be signed by the employee.

Condition - Records are not available to support allocation of salary and wages for the Human Resources Department.

Questioned Costs - The salary and wages allocated to the above programs amounted to \$105,696.

Context - The oversight agency for the Section 8 programs, the Department of Housing and Urban Development, has approved the allocation of wages to their programs since the HUD funding is for reimbursement of rental assistance and utility allowances paid to landlords and tenants.

Effect - Funding for the other federally financed programs could be jeopardized by not following the requirements of A-87.

Cause - The Primary Government has not complied with the requirements of A-87.

Recommendations - The Primary Government should implement a policy requiring all federal program managers to maintain compliance with the applicable sections of A-87 with respect to the documentation of services and wages.

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

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

St. Bernard Parish Government

For the year ended December 31, 1997

Section I - Internal Control and Compliance Material to the Primary Government's General Purpose Financial Statements

Internal Control

- 95-1 Recommendation** - The First Planning District should have assigned someone independent of the review, approval and processing of cash disbursements receive the uncashed bank statements and review the associated checks and statements for unusual items.

Management's Response - Unresolved, see finding 97-1 in the accompanying schedule of findings and questioned costs.

- 95-2 Recommendation** - The Accounting Department should have reconciled to the general ledger so as not to jeopardize funding of the various programs.

Management's Response - Unresolved, see finding 97-2 in the accompanying schedule of findings and questioned costs.

Compliance

- 96-3 Recommendation** - The Primary Government should have provided the requirements of the Louisiana Budget Act to all responsible parties and instill the importance of complying with all aspects of the law.

Management's Response - Unresolved, see finding 97-3 in the accompanying Schedule of Findings and Questioned Costs.

Section II - Internal Control and Compliance Material to Federal Awards

Internal Control

96-4 Recommendation - The First Planning District should have assigned someone independent of the review, approval and processing of cash disbursements receive the bank statements unopened and review the canceled checks and statements for unusual items.

Management's Response - Unresolved, see finding 97-4 in the accompanying schedule of findings and questioned costs.

96-5 Recommendation - The Accounting Department should reconcile reports submitted to federal awarding agencies to the general ledger so as not to jeopardize funding of the various programs.

Management's Response - Unresolved, see finding 97-2 in the accompanying schedule of findings and questioned costs.

Compliance

All Programs

96-6 Recommendation - The Primary Government should have complied with the documentation requirements of OMB Circular A-87 for direct billing of self-insurance premiums.

Management's Response - Unresolved, see finding 97-6 in the accompanying schedule of findings and questioned costs.

96-7 Recommendation - The Primary Government should have complied with the documentation requirements of OMB Circular A-87 for allocating salary and wages to federal programs.

Management's Response - Partially resolved, see finding 97-9 in the accompanying schedule of findings and questioned costs.

Section II - Internal Control and Compliance Material to Federal Awards (Continued)

Compliance (Continued)

All Programs (Continued)

96-8 Recommendation - Fixed assets purchases should have been included by the Accounting Department in the listing of the First Planning District, detailing the funding source, cost, date purchased and asset description in accordance with the provisions of OMB Circular A-87.

Management's Response - Unresolved, see finding 97-7 in the accompanying schedule of findings and questioned costs.

Section 3 Rent Subsidy

96-9 Recommendation - All tenant files are to be reviewed by responsible personnel during the annual recertification process for required documents and tenant and landlord allowances be reviewed for accuracy.

Management's Response - Resolved, the parish government has assigned an internal auditor to perform procedures that would eliminate the majority of these types of errors.

96-10 Recommendation - Proper documentation are to be maintained by responsible personnel for the preparation of reports projecting estimates in housing assistance payments and tenant rental payments.

Management's Response - Resolved, the parish government has been following the procedures prescribed by the federal program to estimate the annual cash needs which resulted in excess cash on hand at year end.

Section 3 Housing Vouchers

96-11 Recommendation - All tenant files are to be reviewed by responsible personnel during the annual recertification process for required documents and tenant and landlord allowances be reviewed for accuracy.

Management's Response - Resolved, the parish government has assigned an internal auditor to perform procedures that would eliminate the majority of these types of errors.

Section II - Internal Control and Compliance Material to Federal Awards (Continued)

Compliance (Continued)

Section 8 Housing Vouchers(Continued)

96-12 Recommendation - The Primary Government should have maintained proper documentation for the preparation of reports projecting estimates in housing assistance payments and tenant rental payments.

Management's Response - Resolved, the parish government has been following the procedures prescribed by the federal program to estimate the annual cash needs which resulted in excess cash on hand at year end.

Day-Care Home Program

96-13 Recommendation - The Primary Government should have agreed the reports filed with the granting agency to the general ledger and any differences should have been documented.

Management's Response - Unresolved, see finding 97-5 in the accompanying schedule of findings and questioned costs.

Community Services Block Grant

96-14 Recommendation - The Primary Government should have agreed the reports filed with the granting agency to the general ledger and any differences should have been documented.

Management's Response - Unresolved, see finding 97-5 in the accompanying schedule of findings and questioned costs.

Section III Management Letter

96-15 Recommendation - Cash and checks received for the payment of beer and liquor permits should be forwarded to the accounting department for processing and deposited on a daily basis. Also, pre-numbered receipts should be completed for all payments received for these permits.

Management's Response - Resolved, the Parish Government now uses pre-numbered beer and liquor permits.

Section III Management Letter (Continued)

96-16 Recommendation - Separate time and attendance reports should be developed for the public works department which would provide greater detail of the work performed by parish employees. This would enable the parish government to capture all cost on a project by project basis.

Management's Response - Unresolved, see Management's Corrective Action Plan finding 97-10.

96-17 Recommendation - A lease should be drawn up and executed with Mobile Oil Co. for lease of land to replace the original lease which expired in 1994.

Management's Response - Resolved.

MANAGEMENT'S CORRECTIVE ACTION PLAN

St. Bernard Parish Government

For the year ended December 31, 1997

Section I - Internal Control and Compliance Material to the Primary Government's General Purpose Financial Statements

Internal Control

- 95-1 Recommendation** - The First Planning District should assign someone independent of the review, approval and processing of cash disbursements to receive the bank statements unopened and review the enclosed checks and statements for unusual items. We understand that this recommendation from the previous audit is being followed but not on a consistent basis.

Management's Corrective Action - The JTPA office has implemented a procedure for a person to review the bank statements on a monthly basis as of June 1998 as suggested by the external auditors.

- 97-2 Recommendations** - The Accounting Department should review all completed federal reports to ensure reconciliation between the report and the general ledger.

Management's Corrective Action - The Human Resource Department did experience a problem with one close out report in 1997 that was not reviewed by the Finance Department because of annual leave taken. However, a corrected report was filed and the matter was eliminated. The finance department has separate the programs into different individual funds for 1998. This will allow for more accurate record keeping for the individual programs.

Compliance

- 97-3 Recommendation** - The Primary Government should provide the requirements of the Louisiana Budget Act to all responsible parties and instill upon them the importance of complying with all aspects of the law.

Section I - Internal Control and Compliance Material to the Primary Government's General Purpose Financial Statements (Continued)

Compliance (Continued)

97-3 (Continued)

Management's Corrective Action - Due to the lengthy process of amending the budget, it is very difficult for the Parish to administer amendments to the budget that occur late in the fiscal year and have them implemented prior to year-end. The Parish could amend the budget after year-end, but the only benefit to the Parish would be to remain within the 5% margin. The variances stated in Exhibit I are minor, however, the administration will make every effort to adhere to all requirements of the Louisiana Budget Act.

Section II - Internal Control and Compliance Material to Federal Awards

Internal Control

97-4 Recommendations - The First Planning District should assign someone independent of the review, approval and processing of cash disbursements to receive the bank statements uncopied and review the cashed checks and statements for unusual items. We understand that this recommendation from the previous audit is being followed but not on a consistent basis.

Management's Corrective Action - The JTPA office has implemented a procedure for a person to review the bank statements on a monthly basis as of June 1998 as suggested by the external auditors.

97-5 Recommendations - The Primary Government should establish separate fund accounts for each of the various programs administered by the Human Resources Department. The persons responsible for the preparation of reports for federal agencies or pass-through agencies should coordinate the results with the Finance Department before submission.

Management's Corrective Action - The Human Resource Department did experience a problem with one close out report in 1997 that was not reviewed by the Finance Department because of annual leave taken. However, a corrected report was filed and the matter was eliminated. The finance department has separated the programs into different individual funds for 1998. This will allow for more accurate record keeping for the individual programs.

Section II - Internal Control and Compliance Material to Federal Awards (Continued)

Compliance

97-6 Recommendations - The Primary Government should comply with the documentation requirements of A-87 with respect to self-insurance fund as follows:

- There should be fund financial statements which include a balance sheet and statement of revenues and expenses.
- A summary of billings and claims paid by each participating fund.
- A listing of all non-operating transfers into an out of the fund.
- A listing of the types of risk covered by the fund (e.g., automobile liability, workers compensation, etc.).
- A description of how premiums are calculated to be charged to participating funds.
- There should be a certificate by the responsible government official that billing from the self-insurance fund are in accordance with OMB Circular A-87.

Management's Corrective Action - It is the opinion of the auditors that the Parish Government should consider retaining the services of an actuary to estimate the costs associated with the insurance program. The administration has considered this suggestion and has concluded that its method of cost estimates are more than adequate (see Note 17) and that the use of an actuary would be an additional cost with little benefit.

97-7 Recommendations - The fixed asset inventory records should be updated to record the equipment purchased and the property control specialist should maintain proper records to comply with OMB Circular A-87.

Management's Corrective Action - JTPA has reconciled their inventory, fixed asset listing, and financial records as of June 1998. The audit finding has been rectified and should not occur in the future.

97-8 Recommendations - The Primary Government should provide the First Planning District sufficient funding to operate the cost reimbursement program.

Section II - Internal Control and Compliance Material to Federal Awards (Continued)

Compliance (Continued)

97-8 (Continued)

Management's Corrective Action - JTPA is working with all programs in an effort to receive funding in a more efficient manner. JTPA is also conferring with the Parish government to receive seed money to resolve the cash flow restrictions imposed on the programs. A decision should be made by the Parish Government by the end of 1998.

- 97-9 Recommendation** - The Primary Government should implement a policy requiring all federal program managers to maintain compliance with the applicable sections of A-87 with respect to the documentation of salaries and wages.

Management's Corrective Action - Administration has received written approval from its cognizant agent (HUD) as to its current allocation method of salaries and wages. Circular A-87 states that "Substitute system for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency." Based on this approval the administration feels it is compliance with the requirements of Circular A-87.

Section III Management Letter

- 97-10 Recommendation** - The Parish Government should develop separate time and attendance reports for the public works department which provides greater detail of the work performed by public works employees.

Management's Corrective Action - When the new reporting model is introduced we will review the requirements and implement the needed changes.



Bourgeois Bennett

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

We have audited the general purpose financial statements of the St. Bernard Parish Government, State of Louisiana, as of and for the year ended December 31, 1997, and have issued our report thereon dated June 3, 1998. In planning and performing our audit we considered the St. Bernard Parish Government's internal control in order to determine auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

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

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

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

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
June 3, 1998.

LETTER
DATE
TO
FROM
RE

General

- 1) During our testing of the St. Bernard Parish Government's, work order system, it was noted where the time listed on the employees time and attendance reports could not be agreed to the time listed on the work order selected for testing. It is our understanding that time and attendance reports for the public works department do not provide a detailed listing of the work performed by each employee. Currently the Government Accounting Standards Board is researching a new reporting model which will require the reporting of certain infrastructure expenditures in the general fixed asset account group of local governments. We recommend that a separate time and attendance report be developed for the public works department which provide greater detail of the work performed by parish employees. This will enable the St. Bernard Parish Government to capture all cost on a project by project basis and would allow for implementation when the new standards become effective.