FINANCIAL REPORT

CONSOLIDATED SEWERAGE

DISTRICT NO. 1

PARISH OF JEFFERSON

STATE OF LOUISIANA

DECEMBER 31, 1996

FINANCIAL REPORT

CONSOLIDATED SEWERAGE DISTRICT NO. 1

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STATE OF LOUISIANA

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LUTHER C. SPEIGHT & COMPANY
A Corporation of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Consolidated Sewerage District No. 1 of the Parish of Jefferson, State of Louisiana (the District), as of and for the year ended December 31, 1996, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District as of and for the year ended December 31, 1995, were audited by other auditors whose report dated April 25, 1996, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards; **Government Auditing Standards**, issued by the Comptroller General of the United States; and provisions of Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Sewerage District No. 1 of the Parish of Jefferson, State of Louisiana, as of December 31, 1996, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with **Government Auditing Standards**, we have also issued a report dated April 10, 1997 on our consideration of the District's internal control structure and a report dated April 10, 1997 on its compliance with laws and regulations.

Luther C. Speight & Company

Luther C. Speight & Company
April 10, 1997

CONSOLIDATED SEWERAGE DISTRICT NO. 1
Jefferson Parish, Louisiana
Balance Sheets

December 31, 1996 and 1995

ASSETS	1996	1995
Current assets		
Cash		
Share of pooled assets	$ 2,000,343	$ 1,829,221
Receivables		
Accounts		
Ad valorem taxes	3,468,827	2,016,454
Due from other governments	4,900,245	4,721,971
Inventory, at average cost	8,458	5,787
Prepaid expenses	1,511,194	1,435,763
	10,000	23,270
Total current assets	11,899,067	10,032,466
Restricted assets		
Construction fund	23,407,377	21,740,787
Property, plant, and equipment		
Land	11,710,202	11,548,811
Plant and equipment	404,461,402	391,756,870
	416,171,604	403,305,681
Less accumulated depreciation	(73,973,075)	(65,362,869)
Total property, plant, and equipment	342,198,529	337,942,812
TOTAL ASSETS	$ 377,504,973	$ 369,716,065

[Continued]

CONSOLIDATED SEWERAGE DISTRICT NO. 1
Jefferson Parish, Louisiana
Balance Sheets

December 31, 1996 and 1995

LIABILITIES AND FUND EQUITY	1996	1995
Current liabilities		
Accounts payable	$ 687,422	$ 430,443
Accrued payroll expenses	1,557,906	1,458,769
Accrued claims payable	-	-
Deferred revenue	4,984,714	4,840,849
Total current liabilities	7,230,042	6,730,061
Fund equity		
Contributed capital		
Parish	16,440,587	16,930,939
Subdividers	13,432,396	13,815,826
Citizens	3,186,276	3,263,929
Ad valorem tax bonds	8,512,186	8,743,316
Sales tax bonds	242,583,773	235,821,800
State	88,525	91,106
Federal government	50,927,028	52,065,624
Total contributed capital	335,170,771	330,732,540
Retained earnings		
Reserved for construction	23,407,377	21,740,787
Unreserved	11,696,783	10,512,677
Total retained earnings	35,104,160	32,253,464
Total fund equity	370,274,931	362,986,004
TOTAL LIABILITIES AND FUND EQUITY	$ 377,504,973	$ 369,716,065

The accompanying notes are an integral part of this statement.

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

For the Years Ended December 31, 1996 and 1995

	1996	1995
Operating revenues		
Service charges	$ 14,036,271	$ 12,790,648
Delinquent charges	289,145	348,314
Sewer connection fees	43,237	34,655
Other service charges	133,005	121,019
Total operating revenues	14,501,658	13,294,636
Operating expenses		
Personal services - Salaries & wages	5,011,994	4,887,825
Personal services - Employee benefits	1,232,733	1,288,635
Supplies	2,323,257	2,247,754
Purchased Services - Professional and Technical	6,161,768	6,308,973
Purchased Services - Property	3,169,547	2,590,921
Purchased Services - Other	1,721,139	1,324,756
General	103,892	66,593
Depreciation	8,669,103	8,396,817
Total operating expenses	28,393,433	27,112,274
Operating income (loss)	(13,891,775)	(13,817,638)
Nonoperating revenues (expenses)		
Taxes	4,752,161	4,568,172
State revenue sharing	317,803	323,138
Federal grants	-	64,238
Interest income	1,451,665	1,539,520
Construction sewer availability fees	401,700	402,500
Probable claims	-	1,668
Gain on transfer of fixed assets	-	31,405
Nonoperating revenues (expenses)	6,923,329	6,930,641
Income (loss) before operating transfers	(6,968,446)	(6,886,997)
Operating transfers in	1,500,000	851,059
Net income (loss)	(5,468,446)	(6,035,938)
Add depreciation on property, plant, and equipment acquired by capital contributions that reduces contributed capital	8,319,142	7,989,791
Increase in retained earnings	2,850,696	1,953,853
Retained earnings, January 1	32,253,464	30,299,611
Retained earnings, December 31	$ 35,104,160	$ 32,253,464

The accompanying notes are an integral part of this statement.

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

For the Years Ended December 31, 1996 and 1995

	1996	1995
Cash flows from operating activities		
Operating income (loss)	$ (13,891,775)	$ (13,817,638)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	8,669,103	8,396,817
Changes in assets and liabilities		
(Increase) decrease in receivables	(1,452,373)	172,917
(Increase) decrease in inventory	(75,431)	(151,927)
(Increase) decrease in prepaid expenses	13,270	(1,037)
Increase (decrease) in payables	256,979	(435,803)
Increase (decrease) in accrued liabilities	99,137	38,010
Total adjustments	7,510,685	8,018,977
Net cash provided by (used for) operating activities	(6,381,090)	(5,798,661)
Cash flows from noncapital financing activities		
Taxes	4,715,082	4,598,022
State revenue sharing	317,803	323,138
Federal grants	-	64,238
Probable claims	-	(118,332)
Operating transfers from other Jefferson Parish funds	1,500,000	851,059
Net cash provided by (used for) noncapital financing activities	6,532,885	5,718,125
Cash flows from capital and related financing activities		
Acquisition of fixed assets	(167,448)	(295,816)
Addition from Lien Ordinance 1019	-	-
Construction sewer availability fees	401,700	402,500
Net cash provided by (used for) capital and related financing activities	234,252	106,684

[Continued]

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

For the Years Ended December 31, 1996 and 1995

	1996	1995
Cash flows from investing activities		
Interest on investments	$ 1,451,665	$ 1,539,520
Net cash provided by (used for) investing activities	1,451,665	1,539,520
Net increase (decrease) in cash and cash equivalents	1,837,712	1,565,668
Cash and cash equivalents, January 1	23,570,008	22,004,340
Cash and cash equivalents, December 31	$ 25,407,720	$ 23,570,008
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital	$ 12,757,370	$ 21,429,142
Acquisitions of fixed assets with capital contributions	(12,757,370)	(21,429,142)
Change in estimate of accrued claims payable	-	(120,000)
Effect on net income for change in estimate of accrued claims payable	-	120,000
	$ -	$ -

Cash and cash equivalents at December 31 consists of:

	1996	1995
Current assets:		
Cash	$	$
Share of pooled assets	2,000,343	1,829,221
	2,000,343	1,829,221
Restricted assets:		
Share of pooled assets	23,407,377	21,740,787
Total	$ 25,407,720	$ 23,570,008

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Sewerage District No. 1 of the Parish of Jefferson (the District) was created effective January 1, 1992, pursuant to Ordinance #18420, adopted by the Jefferson Parish Council on December 4, 1991, and includes all of the territory within former East Bank Consolidated Sewerage District of Jefferson Parish and West Bank Consolidated Sewerage District of the Parish of Jefferson, Louisiana (which included the former Sewerage District No. 7 of the Parish of Jefferson, State of Louisiana, Sewerage District No. 11 of the Parish of Jefferson, State of Louisiana, Sewerage District No. 12 of the Parish of Jefferson, State of Louisiana and Sewerage District No. 13 of the Parish of Jefferson, State of Louisiana). The District was established for the purpose of providing sewerage services for the residents of the unincorporated areas of Jefferson Parish, Louisiana. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

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

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

   a. <u>Proprietary Fund</u>

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

7. RESTRICTED ASSETS
Included in restricted assets is the "Construction Fund" account, which is used to segregate those resources accumulated by collection of sewer availability fees to be used for capital improvements and renovations.

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

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

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

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. NEW ACCOUNTING STANDARDS
For the year ended December 31, 1996, the District has implemented GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues." The new standard requires a liability for claims be reported if information prior to issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements. The required disclosure can be found in Note L.

NOTE B - RECEIVABLES

Receivables consist of the following at December 31:

	1996	1995
Accounts	$3,468,827	$2,016,454
Ad Valorem Taxes	4,900,245	4,721,971
Due from Other Governments	8,458	5,787
	$8,377,530	$6,744,212

The District considers unbilled receivables at year-end to be those amounts for services received by customers in the current year, but not actually billed by the District until the following year. This receivable amounts to $1,850,893 for 1996 as compared to $802,015 for 1995. This amount is included in the accounts receivable shown above.

The District had the following receivables due from other governments as of December 31, 1996:

Due from State of Louisiana	$ 950
Due from Jefferson Parish Sheriff's Department	7,508
	$ 8,458

NOTE C - RESTRICTED ASSETS

Restricted assets are comprised of the following at December 31, 1996:

	CONSTRUCTION FUNDS
Share of pooled assets	$ 23,407,377

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

A summary of changes in property, plant, equipment, depreciation, and construction in progress for the year ended December 31, 1996 follows:

	BALANCE DECEMBER 31, 1995	ADDITIONS	NET TRANSFERS (TO) FROM OTHER FUNDS	BALANCE DECEMBER 31, 1996
Buildings	$ 4,700,192	$ -	$ 1,213,484	$ 5,913,676
Collection and distribution system	247,384,286	-	11,006,357	$ 258,390,643
Sewer treatment plants	131,052,103	-	323,472	131,375,575
Improvements	838,034	-	-	838,034
Furniture & fixtures	753,678	-	-	753,678
Equipment	3,114,506	167,442	46,272	3,328,220
Vehicles	3,914,071	-	(52,495)	3,861,576
	391,756,870	167,442	12,537,090	404,461,402
Land	11,548,811	-	161,391	11,710,202
	$ 403,305,681	$ 167,442	$ 12,698,481	$ 416,171,604

	LIFE	ACCUMULATED DEPRECIATION DECEMBER 31, 1995	1996 DEPRECIATION	NET TRANSFERS (TO) FROM OTHER FUNDS	ACCUMULATED DEPRECIATION DECEMBER 31, 1996
Buildings	20	$ 47,002	$ 106,139	$ -	$ 153,141
Collection and distribution system	50	38,967,357	5,057,314	-	44,024,671
Sewer treatment plants	50	20,572,967	2,624,724	-	23,197,691
Improvements	10	292,084	83,802	-	375,886
Furniture & fixtures	10	614,399	40,672	-	655,071
Equipment	10	1,695,561	371,093	(6,402)	2,060,252
Vehicles	5	3,173,499	385,359	(52,495)	3,506,363
		$ 65,362,869	$ 8,669,103	$ (58,897)	$ 73,973,075

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

Increases of $12,738,922 in property, plant, and equipment are the result of the capitalization of those assets constructed in Capital Project Funds. Those funds are reported in the Parish's Comprehensive Annual Financial Report. The Capital Project Funds are funded primarily by a parishwide dedicated sales tax to construct and improve the sewer plants and sewer lines of the parish.

As of December 31, 1991, the costs of fifteen decommissioned plants and their related contributed capital accounts have been removed from property, plant and equipment. Current and future costs of demolition are added to remaining land values. Management is not aware of any potential future liabilities which might arise from regulatory or environmental concerns in regard to final disposition of these plants.

During the year ended December 31, 1995, land and the associated decommissioning costs totalling $877,146 of the former Helois Treatment Plant were transferred to the General Fixed Assets Account Group of the Parish of Jefferson.

During the year ended December 31, 1995, improvements to the Rheem property located on Jefferson Highway were completed and the property was put into use by the Sewerage District and the Drainage and Central Garage Departments. Costs associated with the property of 4,700,912 for 1995 and 1,213,484 for 1996 were paid by the Sewer Capital Construction Fund and were capitalized. An agreement to reimburse the Sewer Capital Construction Fund for the costs associated with facilities used by the Drainage and Central Garage Departments will be reached under a reimbursement program beginning in 1997.

During the year ended December 31, 1994, land and the associated decommissioning costs totalling $897,258 of the former West Napoleon Sewage Treatment Plant were transferred to the Library District of the Parish of Jefferson.

Construction in progress is comprised of the following at December 31, 1996:

	PROJECT AUTHORIZATION	EXPENDED TO DECEMBER 31, 1996	COMMITTED	REQUIRED FUTURE FINANCING
Plant and line improvements	$ -0-	$ -0-	$ -0-	NONE

NOTE E - COMPENSATED ABSENCES

All full-time classified employees of the Parish hired prior to April 26, 1986, are permitted to accumulate and carry forward from one calendar year to the next a maximum of 90 days of accrued vacation (annual leave) and an unlimited number of days of accrued sick leave. Upon termination of employment, an employee is paid for his accumulated annual leave and, after 10 years of employment, has the option of receiving retirement credits (if eligible) or cash payment for one-half of his accumulated sick leave. Any employee who has a current balance of 90 or more days of annual leave may be reimbursed for any number up to, but not in excess of, 30 days. For budgetary purposes, requests for reimbursement must be submitted to the Finance Department in writing not later than October 1 of the year preceding the year in which reimbursement is to be made. At December 31, 1996 the amount of accrued annual and sick leave, and salary-related costs was $1,391,931 as compared to $1,351,806 at December 31, 1995.

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

Salary related costs (i.e., Medicare, Social Security, etc.) have been accrued as of December 31, 1996 in accordance with GASB Statement #16 for those employees hired after April 1, 1986. Restatement of prior periods was not considered necessary because the amounts were immaterial.

NOTE F - CHANGES IN CONTRIBUTED CAPITAL

A summary of changes in the District's contributed capital accounts for the year ended December 31, 1996 follows:

	PARISH	SUBDIVIDERS	CITIZENS	AD VALOREM TAX BONDS	PARISH SALES TAX BONDS	STATE	FEDERAL GOVERNMENT	TOTAL
Balances at 12/31/95	$ 16,930,939	$ 13,815,826	$ 3,263,929	$ 8,743,316	$ 235,821,800	$ 91,106	$ 52,065,624	$ 330,732,540
Transfer in of fixed assets at cost constructed with funds provided by Parish Sales Tax Bond proceeds	-	-	-	-	12,738,924	-	-	12,738,924
Transfer in of fixed assets from other Jefferson Parish funds	18,449	-	-	-	-	-	-	18,449
Depreciation expense for the year ended 12/31/96 on fixed assets acquired through capital contributions	(508,801)	(383,430)	(77,653)	(231,130)	(5,976,951)	(2,581)	(1,138,596)	(8,319,142)
Balances at 12/31/96	$ 16,440,587	$ 13,432,396	$ 3,186,276	$ 8,512,186	$ 242,583,773	$ 88,525	$ 50,927,028	$ 335,170,771

NOTE G - RETAINED EARNINGS RESERVES

Retained earnings reserved for construction are as follows:

	TOTAL
Balance, 12/31/95	$21,740,787
Plant Investment Fees	401,700
Interest Earned	1,264,890
Transfers Out	(-0-)
Balance, 12/31/96	$23,407,377

NOTE H - SEWERAGE SERVICE RATES

Pursuant to ordinance #18457, adopted by the Jefferson Parish Council on February 9, 1992 amending monthly sewer service charges, the following sewerage service rates were applied to billings for all users of the System effective February 15, 1992:

MONTHLY SERVICE CHARGE BILLINGS

METER SIZE (INCHES)	
5/8 or 3/4	$ .90
1	1.10
2	2.36
3	5.15
4	8.57
6	16.72
8	25.72
10	35.15
12	41.15

B) - MONTHLY SERVICE CHARGE BILLINGS

METER SIZE (INCHES)	
5/8 or 3/4	$ 1.80
1	2.19
2	4.71
3	10.29
4	17.14
6	33.43
8	51.43
10	70.29
12	82.29

Additionally, sewerage usage rates for residential customers were amended to provide for a volume charge which applies to 85% of total water consumption minus six thousand gallons times the volume rate charge of $1.00 per thousand gallons plus a minimum charge of $1.50 for monthly accounts and $3.00 for bi-monthly accounts.

NOTE I - AD VALOREM TAX

The Parish levies an ad valorem tax on property as of November 15 of each year to finance the budget for the following year. The tax is due and becomes an enforceable lien on the property on the first day of the month following the filing of the tax rolls by the assessor with the Louisiana Tax Commission (usually December 1). The tax is delinquent 30 days after its due date. Taxes are levied based on property values determined by the Jefferson Parish Assessor's office. All land and residential improvements are assessed at 10 percent of fair market value, and other property at 15 percent of fair market value. Taxes are billed and collected by the Jefferson Parish Sheriff's Department which receives a certain millage for its services. The taxes remitted by the Sheriff's Department to the Parish are net of assessor's commission and pension fund contribution. Ad valorem taxes are recorded as revenue of the period for which levied, thus the 1995 property tax which was levied to finance the budget for 1996 was recorded as revenue for the year 1996. The 1996 property tax which was levied to finance the budget for 1997 is recorded as deferred revenue at December 31, 1996.

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

PURPOSE	MILLAGE 1996	1995
Maintenance and operations:		
Consolidated Sewerage District No. 1	4.66	5.0

NOTE J - INTEREST COST

No interest cost was capitalized during the years ended December 31, 1996 and 1995.

NOTE K - OPERATING TRANSFERS

The District had the following operating transfers during the year ended December 31, 1996:

FUND TRANSFERRED TO OR FROM	OPERATING TRANSFERS IN	OPERATING TRANSFERS OUT
Sewer Capital Program	$1,500,000	$ -

NOTE L - RISK MANAGEMENT

GENERAL LIABILITY

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

The District makes payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" are reported as quasi-external transactions. The District's premiums were $1,212,486 and $1,183,232 for 1996 and 1995, respectively.

At December 31, 1996, the total outstanding claims liability of the General Liability Fund was $22,408,365, which includes an estimated liability for incurred but not reported claims of $6,779,446. The estimated claim liability is determined by the third-party administrator based on historical information and anticipated payments. These liabilities are based on the requirements of GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Claims liability is not available by individual fund.

HEALTH INSURANCE

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

The total amount of contributions by the District for health insurance was $427,293 and $413,205 for 1996 and 1995, respectively.

UNEMPLOYMENT COMPENSATION

The Parish is self-insured for unemployment claims filed with the state. To account for and finance these claims, the Parish has established a Self-Insurance Fund (an internal service fund) whereby each fund contributes .45 percent of its annual payroll into the fund. In 1996, the contribution was temporarily suspended until such time as additional funding is needed to cover outstanding claims. The interfund "premiums" are reported as quasi-external transactions.

NOTE M - COMMITMENTS AND CONTINGENCIES

MANAGEMENT CONTRACT

During 1987, the former Eastbank Consolidated Sewerage District entered into a professional service agreement with Parsons Corporation Inc. to provide operation and maintenance services for the East Bank Wastewater Treatment Plant. The agreement is for a period of five years and at the District's discretion may be renewed for five consecutive two-year terms. The contract was renewed in 1994 for a two-year term. Payments include all operational costs which include professional services and personnel, and also administrative and maintenance expenses consistent with the proper operation, maintenance and management of a wastewater treatment facility in accordance with the operating budget submitted to the District's management annually.

Additional payments required under this agreement include 1) management fee of $100,000 annually; 2) cost incentive fee equal to 25 percent of any underrun in total operations and maintenance costs paid annually up to $100,000; 3) performance incentive fee based on mathematical computation as provided in the agreement up to $100,000.

Payments under this agreement totaled $1,887,961 for 1996 as compared to $1,836,780 for 1995.

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

LITIGATION

The District is a defendant in a number of claims and lawsuits resulting principally from personal injury, property damage, and construction claims. The Parish Attorney and the outside administrator of the Parish's Risk Management Fund have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the District and to arrive at an estimate, if any, of the amount or range of potential loss to the District. As a result of such review, the various claims and lawsuits have been categorized into "probable", "reasonably possible" and "remote" contingencies, as defined in National Council on Governmental Accounting Statement No. 4 for claims and judgements. Loss contingencies estimated at $ -0- categorized as "probable" have been accrued as other liabilities of the District at December 31, 1996. The District's "reasonably possible" loss contingencies at December 31, 1996, for which an amount of liability can be estimated, approximates $ -0-.

NOTE N - PENSION PLANS

The District's employees participate in the retirement systems described below. Total pension expense recorded by the District for contributions to the retirement systems for the year ended December 31, 1996 was $409,473 as compared to $434,463 for December 31, 1995.

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

PLAN MEMBERSHIP

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

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

PLAN DESCRIPTIONS

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

Employees who were hired prior to December 15, 1979 participate in both the Parish and State Plans. Benefits for these employees are provided principally by the State Plan. The benefits provided by the Parish are limited to amounts resulting from differences between benefits provided by the two systems. Under the Parish Plan, employees with 10 years of service may retire at age 60, employees with 25 years of service may retire at age 55, and employees with 30 years of service may retire regardless of age. Employees who are members of the Parish Plan only receive benefits equal to 1 percent of the highest three-year average annual compensation plus 2 percent of the first $1200 of average compensation for each year of service. The benefits for employees who are members of the Parish Plan only, with less than 20 years of service, are reduced by 3 percent per year for each year they receive benefits below the age of 62. Employees who are members of both the Parish and State Plans receive benefits equal to 3 percent of the highest three-year average annual compensation for each year of service reduced by any amounts paid by the State Plan. The total combined payments of both systems may not exceed 100 percent of the member's final average compensation. Retirement benefits are payable monthly for the life of the retiree, and upon the retiree's death, under certain conditions, are payable to the retiree's surviving spouse and minor children.

NOTE N - PENSION PLANS (Continued)

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

Under the State Plan, a member is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, or 25 years of creditable service and is at least 55 years old, or 10 years of

creditable service and is at least 60 years old. The monthly retirement benefit is equal to 3 percent of the member's average monthly compensation for any 36 months of consecutive service in which compensation was highest, multiplied by years of creditable service, not to exceed 100 percent of member's final compensation. Retirement benefits are payable monthly for the life of the retiree, and upon the retiree's death, under certain conditions, are payable to the retiree's surviving spouse and minor children.

COVERED PAYROLL

The Parish's total payroll, as well as the covered payroll, for each of the plans for the year ended December 31, 1996, were as follows:

	COVERED
Parish Plan	$21,476,026
State Plan	67,554,154

CURRENT MEMBERSHIP

Current membership in the single-employer plan (The Parish Plan) is comprised of the following as of December 31, 1996:

	PARISH PLAN
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	844
Active plan participants:	
Vested	529
Total	1,373

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

FUNDING STATUS AND PROGRESS

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

CONSOLIDATED SEWERAGE DISTRICT NO. 1
Jefferson Parish, Louisiana
Notes to Financial Statements (Continued)
December 31, 1996

NOTE N - PENSION PLANS (Continued)

Because the standardized measurement is used only for disclosure purposes, the measurement is independent of the methods used to determine contributions to the Plans. The pension benefit obligations for the Parish Plan were determined as part of actuarial valuations made as of December 31, 1996. Significant actuarial assumptions used to determine the standardized measure of the pension benefit obligations are summarized as follows:

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

The standardized measure of the pension benefit obligation for the Parish Plan is comprised of the following as of December 31, 1996.

	PARISH PLAN
Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$23,376,540
Current employees:	
Accumulated employee contributions	2,478,346
Employer-financed vested	2,416,612
Employer-financed nonvested	3,535,522
Total pension benefit obligation	31,807,020
Net assets available for benefits, at cost or amortized cost (market value - $18,644,225)	18,004,054
Unfunded pension benefit obligation	$13,802,966

The State Plan, a cost-sharing multiple-employer plan, does not conduct separate measurements of assets and pension benefit obligations for individual employers.

	STATE PLAN AS OF DECEMBER 31, 1995
Total pension benefit obligation	$800,314,000
Net assets available for benefits	696,715,211
Unfunded pension benefit obligation	$103,598,789

No changes in actuarial assumptions or benefit provisions that would significantly affect the valuation of the pension benefit obligations occurred during 1996.

NOTE N - PENSION PLANS (Continued)

CONTRIBUTIONS REQUIRED AND MADE

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

Contributions required and made for the Parish Plan is comprised of the following as of December 31, 1996.

	PARISH PLAN
Contribution required:	
Normal cost	$ 300,781
Amortization of unfunded actuarial accrued liability	696,434
	$ 997,215
Contributions made:	
Employer	$ 1,013,555
Employee	168,067
	$ 1,181,622
Contributions made as a percentage of covered payroll:	
Employer	4.70%
Employee	.80%

The contributions of the State Plan are established by State Statutes. Any additional amounts required to meet the total actuarially determined contribution requirements for any given year are provided from Louisiana insurance premium taxes. In the event that the Louisiana Insurance Premium Tax Fund is depleted, the Louisiana Legislative Actuarial Committee will increase the Parish's contribution to provide the additional amount required. For 1996, employers and employees were required to contribute into the plan as follows:

	STATE PLAN
Contributions required and made	
Employer	
Contribution percentage	7.25%
Covered payroll percentage	7.25%
Amount	$ 4,897,676
Employee	
Contribution percentage	9.50%
Covered payroll percentage	9.50%
Amount	$ 6,417,635
	$ 11,315,311

NOTE N - PENSION PLANS (Continued)

TREND INFORMATION

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

	PARISH PLAN (DECEMBER 31)
Net assets available for benefits as a percentage of the pension benefit obligation:	
1996	56.6%
1995	55.3%
1994	55.8%
Unfunded (assets in excess of) pension benefit obligation as a percentage of covered payroll:	
1996	64.3%
1995	62.2%
1994	59.2%
Employer contributions to the pension plan as a percentage of covered payroll:	
1996	4.7%
1995	3.9%
1994	3.6%

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

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become due. Ten year historical trend information is presented in the supplemental information section of this report for the Parish Plan. Ten-year historical trend information for the State Plan is available in the separately issued Parochial Employees' Retirement System's December 31, 1995 Comprehensive Annual Financial Report.

NOTE O - DEFERRED COMPENSATION PLAN

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Parish (without being restricted to the provisions

NOTE O - DEFFERED COMPENSATION PLAN (Continued)

of benefits under the plan), subject only to the claims of the Parish's general creditors. Participants' rights under the plan are equal to those of general creditors of the Parish in an amount equal to the fair market value of the deferred account for each participant.

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

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

NOTE P - POST-RETIREMENT HEALTH CARE

Health Care and Life Insurance

In addition to providing pension benefits, the Parish provides certain health care and life insurance benefits for retired employees as authorized by Resolution No. 74791. Substantially all employees who reach normal retirement age while working for the Parish are eligible. The cost of these benefits are recorded as expenditures when the premiums are paid. The health care and life insurance premiums for retired employees of the District amounted to $91,937 and $102,565 for 1996 and 1995, respectively.

Cost of Living Plan

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

NOTE Q - BOARD COMPENSATION

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

SPECIAL REPORTS OF CERTIFIED
PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of Consolidated Sewerage District No. 1 of the Parish of Jefferson, State of Louisiana (the District), for the year ended December 31, 1996 and have issued our report thereon dated April 10, 1997. The financial statements of the District as of December 31, 1995, were audited by other auditors whose report dated April 25, 1996, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and **Government Auditing Standards**, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

In planning and performing our audit of the financial statements of the District for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the District. These matters are included in the management letter which accompanies the general purpose financial statements of Jefferson Parish.

This report is intended for the use of management, the Jefferson Parish Council, the U.S. Department of Health and Human Services (the cognizant agency), and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Luther C. Speight & Co

Luther C. Speight & Company

April 10, 1997

LUTHER C. SPEIGHT & COMPANY
A Corporation of Certified Public Accountants
and Management Consultants

June 26, 1997

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

Dear Members of the Jefferson Parish Council:

In planning and performing our audit of the financial statements of the Consolidated Sewerage District No.1 of the Parish of Jefferson for the year ended December 31, 1996 (on which we have issued our report dated April 10, 1997), we noted the following observation concerning certain matters related to its internal control structure, accounting, administrative, and operating matters.

OBSERVATION:
In performing our audit we noted that a physical inventory of supplies was performed annually; however, there was no year-end reconciliation of the physical inventory count to the perpetual inventory balance.

SUGGESTION:
The Consolidated Sewerage District No.1 should perform a variance analysis between the physical inventory amount and the perpetual inventory amount at year end. This would identify any unreasonable fluctuations in inventory and provide assurance that the valuation of inventories is appropriate.

This report is intended solely for the information and use of the Jefferson Parish Council, management, and others within the organization.

We will be pleased to discuss this comment with you and, if desired, to assist you in implementing the suggestion.

Yours truly,

Luther C. Speight & Company

Luther C. Speight & Company

New Orleans Office: 10001 Lake Forest Blvd Suite 404 New Orleans, LA 70127 phone (504) 244-9400 fax (504) 244-8740
Atlanta Office: 400 Colony Square Suite 200 Atlanta, GA 30361 phone (404) 870-9045 fax (404) 870-9005