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# Postlethwaite & Netterville

A Professional Accounting Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

2024 LEBLANCHE BOULEVARD • SUITE 4 • METairie, LOUISIANA 70002-1977 • TELEPHONE (504) 885-0000 • FAX (504) 885-0000

## INDEPENDENT AUDITORS' REPORT

To the President and Members  
St. James Parish Council  
Covington, Louisiana

We have audited the accompanying financial statements of St. James Parish Gas and Water Distribution Systems of the Parish of St. James, State of Louisiana at June 30, 1997 and 1996, and for the years then ended. These financial statements are the responsibility of the Parish of St. James, State of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only St. James Parish Gas and Water Distribution Systems and are not intended to present fairly the financial position of the Parish of St. James, State of Louisiana and the results of its operations and cash flows of its proprietary trust 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 St. James Parish Gas and Water Distribution Systems of the Parish of St. James, State of Louisiana at June 30, 1997 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 1, 1997 on our consideration of St. James Parish Gas and Water Distribution Systems's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Postlethwaite & Netterville

Metairie, Louisiana  
August 1, 1997



## Postlethwaite & Netterville

A Public Accounting Corporation  
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Presidents and Members  
St. James Parish Council  
Coverson, Louisiana

We have audited the financial statements of the St. James Parish Gas and Water Distribution System of the Parish of St. James, State of Louisiana, as of and for the years ended June 30, 1997 and 1996, and have issued our report thereon dated August 1, 1997. We conducted our audits 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 financial statements are free of material misstatement.

### Compliance

As part of obtaining reasonable assurance about whether St. James Gas and Water Distribution System's 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audits, we considered St. James Parish Gas and Water Distribution System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 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 over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the St. James Parish Gas and Water Distribution System. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Proffittwhite & Natterness

Metairie, Louisiana

August 1, 1987

ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA

BALANCE SHEETS

ASSETS

	June 30	
	1997	1996
Current assets		
Cash	\$ 180,383	\$ 83,603
Accounts receivable	289,981	325,874
Inventories	152,481	189,284
Prepaid insurance	81,139	78,009
Total current assets	<u>604,084</u>	<u>686,770</u>
Restricted assets	<u>848,029</u>	<u>814,353</u>
Utility plant, property and equipment, net	<u>8,866,481</u>	<u>9,060,719</u>
Other assets, net	<u>29,087</u>	<u>23,384</u>
Total assets	<u>\$ 10,428,081</u>	<u>\$ 10,585,026</u>

The accompanying notes are an integral part of these statements.



**LIABILITIES AND EQUITY**

	June 30	
	1987	1986
<b>Current liabilities (payable from current assets)</b>		
Accounts payable	\$ 117,509	\$ 241,891
Due to St. James Parish Solid Waste Fund	177,077	122,931
Accrued expenses	216,618	218,211
<b>Total current liabilities (payable from current assets)</b>	<u>511,204</u>	<u>583,033</u>
<b>Current liabilities (payable from restricted assets)</b>	<u>349,682</u>	<u>307,255</u>
<b>Long-term liabilities</b>		
Deferred revenue	35,000	59,800
Long-term debt, net	2,035,487	2,215,356
<b>Total long-term liabilities</b>	<u>2,070,487</u>	<u>2,275,156</u>
<b>Total liabilities</b>	<u>3,949,373</u>	<u>3,222,264</u>
<b>Equity</b>		
Contributed capital	4,627,119	4,538,144
Retained earnings		
Reserved for revenue bond debt service	499,965	507,299
Unreserved	2,202,629	2,294,911
<b>Total retained earnings</b>	<u>2,702,594</u>	<u>2,802,210</u>
<b>Total equity</b>	<u>7,329,713</u>	<u>7,340,354</u>
<b>Total liabilities and equity</b>	<u>\$ 11,279,086</u>	<u>\$ 10,562,618</u>

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENTS OF REVENUES AND EXPENSES**

	Year Ended June 30	
	1997	1998
<i>General and administrative</i>		
Wages	171,848	171,597
Ded. debts	7,193	6,997
Repairs and maintenance	41,471	31,787
Office	79,838	80,806
Insurance	89,588	104,807
Retirement	12,878	11,869
Employee benefits	165,657	145,707
Contracted services	42,317	40,811
Depreciation and amortization	37,697	30,236
	<u>671,125</u>	<u>641,341</u>
Total operating expense	<u>3,579,319</u>	<u>3,968,989</u>
Operating income	<u>113,878</u>	<u>270,537</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Transfers from St. James Parish Council	83,469	-
Interest revenue	37,327	39,988
Interest expense	(189,850)	(188,141)
Total nonoperating revenues (expenses)	<u>63,600</u>	<u>(158,253)</u>
<b>NET INCOME</b>	<u>\$ 58,378</u>	<u>\$ 112,284</u>

The accompanying notes are an integral part of these statements.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENTS OF CHANGES IN RETAINED EARNINGS  
YEARS ENDED JUNE 30, 1987 AND 1986**

	<u>Reserved for Revenue Bond Debt Service</u>	<u>Unreserved</u>	<u>Total Retained Earnings</u>
Balance at July 1, 1985	\$ 650,925	\$ 2,038,971	\$ 2,689,896
Net income	-	112,266	112,266
Increase (decrease) in reserve for revenue bond debt service	<u>(143,690)</u>	<u>143,690</u>	<u>-</u>
Balance at June 30, 1986	307,235	2,292,811	2,600,046
Net income	-	58,375	58,375
Increase (decrease) in reserve for revenue bond debt service	<u>(8,333)</u>	<u>8,333</u>	<u>-</u>
Balance at June 30, 1987	<u>\$ 498,902</u>	<u>\$ 2,359,419</u>	<u>\$ 2,858,321</u>

The accompanying notes are an integral part of these statements.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENTS OF CASH FLOWS**

	Year Ended June 30	
	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income	\$ 113,978	\$ 270,537
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	346,443	328,769
Provision for uncollectible accounts	7,324	6,821
Write off of uncollectible accounts	(18,714)	-
Loss (gain) on disposal of capital assets	39	(11,140)
Changes in assets and liabilities:		
Accounts receivable	37,364	(28,039)
Inventory	36,803	(94,388)
Prepaid insurance	23,378	(5,186)
Accounts payable	(134,383)	(5,794)
Retainage payable	-	(69,571)
Due to St. James Parish Solid Waste Fund	54,166	26,922
Accrued expenses	14,387	14,045
Deferred revenues	(80,000)	(88,000)
Customers' deposits	23,622	2
Net cash provided by operating activities	<u>423,178</u>	<u>408,188</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(98,302)	(452,721)
Principal paid on revenue bond maturities	(140,313)	(170,944)
Interest paid on revenue bonds	(186,553)	(189,124)
Transfer from St. James Parish Council	83,653	-
Capital contributed by customers and St. James Parish Council	38,748	38,403
Net cash used in capital and related financing activities	<u>(312,767)</u>	<u>(784,386)</u>

The accompanying notes are an integral part of these statements.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENTS OF CASH FLOWS**

	<u>Year Ended June 30</u>	
	<u>1997</u>	<u>1996</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Maturities of certificates of deposit	100,000	100,000
Purchase of certificates of deposit	(100,000)	(100,000)
Purchase of investments	(8,000)	(18,407)
Interest received	<u>37,343</u>	<u>40,345</u>
Net cash provided by investing activities	<u>19,343</u>	<u>12,938</u>
Net increase (decrease) in cash and cash equivalents	98,472	(250,410)
Cash and cash equivalents - beginning of year	415,332	775,742
Cash and cash equivalents - end of year	<u>\$ 513,804</u>	<u>\$ 425,332</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Noncash capital and related financing activities:		
Utility plant, property and equipment contributed by subdivisions	<u>\$ 50,213</u>	<u>\$ 66,764</u>

The accompanying notes are an integral part of these statements.

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**Reporting entity**

The St. James Parish Gas and Water Distribution System (System) was established June 2, 1964 by the St. James Parish Police Jury and later acknowledged by the St. James Parish Council.

The financial statements of the System are components of the St. James Parish Council's financial statements as of December 31.

St. James Parish Gas and Water Distribution System supplies water and gas to the residents of St. James Parish in the State of Louisiana.

**Basis of accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The System applies all applicable GASB pronouncements as well as any of the following pronouncements issued on or before November 30, 1987: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure unless these pronouncements conflict with or contradict GASB pronouncements.

**Fund accounting**

The System is operated as an enterprise fund which is intended by the local governing body to recover through user charges the costs (expenses including depreciation) of retirement of investments and of providing goods and services to the general public on a continuing basis.

**Utility plant, property and equipment**

Utility plant, property and equipment are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

**Utility plant, property and equipment (continued)**

Utility plant, distribution systems and components	3-50 years
Office furniture, fixtures and equipment	3-15 years
Transportation equipment	3- 8 years

Improvements and betterments to utility plant, property and equipment are capitalized. The System reports public domain or infrastructure fixed assets (i.e. gas and water lines) that are immovable. Expenditures for repairs and maintenance which do not extend the life of the applicable assets are charged to expense as incurred. Upon retirement or disposal of an asset, the cost of the asset and the accumulated depreciation are removed from the books and any resulting gain or loss is included in the statement of revenues and expenses.

**Bad debts**

The System has established an allowance for uncollectible customer accounts based upon past experience.

**Inventories**

Materials and supplies inventories are stated at the lower of cost (weighted moving average) or market. Gas purchased and in the System's lines is expensed when purchased. Water produced by the System is expensed when purified.

**Unbilled revenue**

Gas and water customers are billed at various times during the month; therefore a certain amount of unbilled revenue exists at year end. This amount has been accrued at year end.

**Capitalized interest**

It is the System's policy to capitalize construction period interest, if any. For the years ended June 30, 1997 and 1996, no interest was capitalized.

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents**

For purposes of the statement of cash flows, the System considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

**Investments**

State statutes authorize St. James Gas and Water Distribution System to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost. Market value is not materially different from its cost.

**Concentration of credit risk**

Financial instruments that potentially subject the System to concentrations of credit risk consist principally of trade accounts receivable. The System's revenues are generated in St. James Parish, Louisiana. The System does not require collateral from its customers to secure trade accounts receivable, however customers' utility deposits will be applied to unpaid accounts receivable balances.

**Annual and sick leave**

The System employees earn from 12 to 33 days of both annual and sick leave each year, depending upon length of service. Sick leave may be accumulated without limitation; however, annual leave may not be carried forward from one year to the next unless approved by the Parish President. Upon termination, unused accumulated sick leave from 12 to 60 days depending on length of service shall be paid to the employee at the employee's current rate of pay. Any unused annual leave is paid to the employee upon retirement or termination.

The cost of leave privileges, computed in accordance with the regulations, is recognized as a current year expense.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. Cash**

Cash and cash equivalents are as follows:

	June 30	
	1997	1996
Cash	\$ 180,803	\$ 83,803
Restricted assets		
Cash (including certificates of deposit of \$170,000 and \$105,000 as of June 30, 1997 and 1996, respectively)	241,501	331,507
	\$ 422,304	\$ 415,310

Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As June 30, 1997 the book balance of the System's deposits (including certificates of deposit at financial institutions) was \$421,804 and the bank balance was \$474,200. Deposits are insured as follows:

	Insured (FDIC)	Collateralized with securities held by the pledging financial institution's trust	Total
		Department	
Cash	\$ 20,525	\$ 577,684	\$ 598,209
Certificates of deposit	-	120,000	120,000
	\$ 20,525	\$ 697,684	\$ 718,209

Even though the pledged securities are considered uncollateralized (Category 7) under the provisions of GASB Statement 3, Louisiana Revised Statute 29:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the System that the fiscal agent has failed to pay deposited funds upon demand.

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM**  
**STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**3. Investments**

Investments held at June 30, 1997 and 1996 include \$287,128 and \$178,026, respectively, in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section 250.165, the investment in LAMP at June 30, 1997, is not categorized in the three risk categories provided by GASB Codification Section 250.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana Certified Public Accountants. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government, or one of its agencies, enterprise, or instrumentalities, as well as repurchase agreements collateralized by these securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 367 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

**4. Accounts Receivable**

Accounts receivable consist of the following:

	<u>June 30</u>	
	<u>1997</u>	<u>1996</u>
Gas and water sales	\$ 311,278	\$ 338,885
Tapping fees receivable	1,279	12,039
Damages to utility property	10,480	9,278
Less allowance for doubtful accounts	<u>(23,429)</u>	<u>(34,839)</u>
	309,518	325,363
Accrued interest receivable	444	362
	<u>\$ 309,962</u>	<u>\$ 325,725</u>

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**A. Restricted Assets**

The 1973 Series and 1982 Refunding Series Bond Resolutions established the following funds:

**Sinking Fund (SF)**

This fund was established to provide for the payments of bond principal and interest. Deposits to the fund of 1/6th of the next interest payment and 1/12th of the next principal payment are required monthly. At June 30, 1997 and 1998, the 1973 Series revenue bond sinking fund has investments in excess of its required balance by \$2,428 and \$64,518, respectively. At June 30, 1997 and 1998, the 1982 Refunding Series sinking fund has assets in excess of its required balance by \$1,408 and \$11,893, respectively.

**Reserve Fund (RF)**

This fund was established for the payments of bond principal and interest if the Sinking Fund is not capable of meeting the payments. At June 30, 1997 and 1998, the 1973 Series revenue bond reserve fund has been fully funded at an amount of \$135,880. The 1982 Refunding Series revenue bonds require monthly deposits to the fund in an amount that will increase the total amount on deposit, within a period not exceeding five years, to a sum equal to the highest principal and interest requirements in any succeeding fiscal year on the 1973 Series and 1982 Refunding Series revenue bonds. The highest principal and interest amount that will fall due is \$573,851, occurring in the fiscal year ending June 30, 1999. At June 30, 1997 and 1998 the fund balance for the 1982 Refunding Series revenue bonds was \$237,907 and \$131,071, respectively. The revenue bond reserve fund has been overfunded at June 30, 1997 and 1998 by \$10,026 and \$14,843, respectively.

**Capital Addition and Contingency Fund (CACF)**

This fund was established to provide for expansions, additions, improvements, repairs and replacement of the gas and water distribution systems. It may also be used for bond maturity payments and interest payments if the Sinking Funds and Reserve Funds are not capable of meeting the payments. The 1973 Series and the 1982 Refunding Series revenue bonds require 3% of the gross revenue of the Distribution System collected be deposited to the fund after the required deposits to the Sinking Fund and Reserve Fund have been made.





**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Restricted Assets (continued)**

Restricted assets consist of the following:

	Interest Rate %	Maturity Date	June 30	
			1997	1996
<b>1971 Series revenue bonds</b>				
<i>Sliding fund</i>				
Money market	2.91*	-	3,196,150	3,156,373
<b>1982 Rebuilding Series</b>				
<i>revenue bonds</i>				
<i>Sliding fund</i>				
Money market	2.91*	-	36,156	48,445
<b>Revenue fund</b>				
Money market	2.41*	-	8,579	29,843
LAMP	5.33*	-	357,128	378,026
			<u>901,903</u>	<u>801,671</u>
<b>Capital additions and</b>				
<b>Contingencies fund</b>				
Money market	2.91*	-	102,831	91,811
Total restricted revenue bonds			<u>711,883</u>	<u>703,628</u>
<b>Contract deposits</b>				
Cash	2.20*	-	18,848	8,854
Certificate of deposit	5.00*	12/4/97	120,800	305,808
			<u>139,648</u>	<u>314,662</u>
<b>Total restricted assets</b>			<u>\$ 848,829</u>	<u>\$ 814,553</u>

\*Interest rate is a floating rate and interest rate given is current rate at June 30, 1997.

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM**  
**STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. Restricted Assets (continued)**

	June 30	
	1997	1996
Group of restricted assets		
Cash and cash equivalents:		
Cash	\$ 18,848	\$ 3,854
Money market accounts	324,855	325,873
Total cash and cash equivalents	343,703	329,727
Certificates of deposits	128,808	105,800
LUMP	357,128	378,326
	\$ 829,639	\$ 814,853

**6. Utility Plant, Property and Equipment**

The activity in utility plant, property and equipment for the years ended June 30, 1997 and 1996 were as follows:

	Balance June 30, 1996	Additions	(Retirements)	Balance June 30, 1997
Gas distribution system	\$ 1,874,776	\$ 14,808	\$ (30)	\$ 1,889,744
Water distribution system	11,888,664	74,358	(4,648)	11,958,404
Office furniture, fixtures, and equipment	428,877	10,888	(6,075)	433,708
Transportation equipment	128,718	45,811	(10,388)	155,242
Construction in progress	292,348	1,142	-	293,490
	14,568,794	\$ 148,515	\$ (11,161)	14,717,500
Less accumulated depreciation	3,528,477			3,801,070
	\$ 11,040,317			\$ 10,916,430

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. Utility Plant, Property and Equipment (continued)**

	Balance June 30, 1997	Additions	Disposals	Balance June 30, 1998
Gas distribution system	\$ 1,470,286	\$ 407,056	\$ (2,966)	\$ 1,874,376
Water distribution system	11,801,113	59,998	(11,429)	11,849,682
Office furniture, fixtures, and equipment	358,779	61,103	-	419,882
Transportation equipment	114,863	2,754	-	117,617
Construction in progress	<u>324,660</u>	<u>342,824</u>	<u>(373,779)</u>	<u>293,605</u>
	14,071,501	\$ 813,735	\$ (757,744)	14,990,196
Less accumulated depreciation	<u>3,217,337</u>			<u>3,538,472</u>
	<u>\$ 10,854,164</u>			<u>\$ 11,451,724</u>

During the years ended June 30, 1997 and 1998, depreciation was charged to operating expenses as follows:

	Year Ended June 30	
	1997	1998
Gas department	\$ 44,664	\$ 43,331
Water department	264,344	259,023
General and administrative	<u>33,813</u>	<u>28,233</u>
	\$ 342,821	\$ 330,587

During the year ended June 30, 1996, preliminary engineering services began for the planned construction on the cost-bank water plant upgrade. Actual construction has not begun as of June 30, 1997.

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM**  
**STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**7. Other Assets**

Included in other assets are costs incurred in connection with the issuance of revenue bonds. Bond debt costs are amortized ratably in relation to the principal maturities of the underlying bonds. Bond debt costs amortized to general and administrative expenses for the years ended June 30, 1997 and 1996 were \$3,707 and \$4,004, respectively.

Other assets consist of the following:

	<u>June 30</u>	
	<u>1997</u>	<u>1996</u>
Bond debt costs	\$ 120,348	\$ 120,348
Less accumulated amortization	(111,196)	(97,449)
Contract deposits	342	242
	<u>\$ 8,494</u>	<u>\$ 23,141</u>

**8. Employee Retirement System and Plan**

Substantially all employees of the System are members of the Parochial Employees Retirement System of Louisiana (PERSL), a multiple-employer (non-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The PERSL is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the System are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from System funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 30 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1990, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1990. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefits accrued to their date of termination. The PERSL also provides death and disability benefits. Benefits are established by state statute.

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. Employee Retirement System and Plan (continued)**

PERSE issues an annual publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14618, Baton Rouge, Louisiana 70803-4618, or by calling (504) 938-1351.

**Funding Policy.** Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the System is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the PERSE include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the System are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:303, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The System's contributions to PERSE under Plan A for the years ending June 30, 1997, 1998, and 1999, were \$126,668, \$120,184, and \$118,772, respectively, equal to the required contributions for each year.

**9. Deferred Compensation Plan**

The employees of the System may participate in a deferred compensation plan offered by the St. James Parish Council. The plan was created in accordance with Internal Revenue Code Section 457 and is available to all Parish employees. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency.

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



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. Deferred Compensation Plan (continued)**

The System'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 System 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 PIEDCO Securities Corp. The choice of the investments option(s) is made by the participant.

At June 30, 1997 and 1996, the assets in the plan for St. James Parish Council (excluding the System) were valued at \$1,500,188 and \$1,168,730, respectively.

**10. Current Liabilities (Payable from Restricted Assets)**

Current liabilities (payable from restricted assets) consist of the following:

	June 30	
	1997	1996
Current maturities of Revenue Bonds		
1993 Series	\$ 155,000	\$ 145,000
1982 Series	48,848	38,313
	199,949	183,313
Accrued interest on Revenue Bonds	15,253	36,182
Customers' deposits	134,980	118,858
	\$ 349,982	\$ 338,353

Restricted asset sinking funds have been established to meet the restricted liabilities for the maturities of the revenue bonds. At June 30, 1996, the assets in the sinking funds exceeded restricted liabilities for the current maturities of the revenue bonds by \$8,480. At June 30, 1997, the restricted liabilities for the current maturities of the revenue bonds exceeded the assets in the sinking funds by \$79,877.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**11. Deferred Revenues**

During the year ended June 30, 1999 the System negotiated with Eagle Asphalt Products, to construct a 4-inch high pressure gas line from the BAC-Agrios existing station to Eagle Asphalt Products, located on the westbank along Highway 18. In order to finance the construction of the gas line, Eagle Asphalt Products advanced the System \$150,000 to begin construction. Starting August, 1998 Eagle Asphalt began using the gas line and receiving a monthly credit of \$5,000 on its gas utility bill for a period of thirty months. If the credit is not utilized in the current month, it is not carried forward. The balance in deferred revenues at June 30, 1997 and 1998 is \$50,000 and \$95,000, respectively.

**12. Long-Term Debt**

Revenue bonds payable consist of the following:

	June 30	
	1997	1998
\$3,808,808, 1977 Serial bonds due in annual installments of \$150,000 to \$230,000 through December, 2003, at 8% interest	\$3,808,808	\$1,490,000
\$2,804,838, 1980 Refunding Serial bonds due in annual installments of \$44,949 to \$146,381 through December, 2007, at 11% interest	838,358	968,671
	2,971,166	2,458,671
Less current maturities included in Restricted liabilities (see note 10)	198,848	180,313
	\$2,772,318	\$2,278,358

**Fixed Redemption Provisions**

1973 Series revenue bonds maturing on or after December 1, 1994 may be called for redemption in interest order at interest payment dates with redemption prices ranging from 104% to 109% of par value.

1982 Refunding Series revenue bonds maturing on or after June 1, 1998 may be called by redemption in interest order at interest payment dates at par value plus accrued interest plus a premium as follows:

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**12. Long-Term Debt (continued)**

<u>Exemption Date</u>	<u>Exemption</u>
June 1, 1999 and December 1, 1999	2.0%
June 1, 2000 and December 1, 2000	1.5%
June 1, 2001 and December 1, 2001	1.0%
June 1, 2002 and December 1, 2002	0.5%
June 1, 2003 and December 1, 2003 and thereafter	-

The annual maturities to amortize all debt outstanding as of June 30, 1997, including interest payments of \$975,486, are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Total</u>
1998	\$ 373,486
1999	373,481
2000	373,327
2001	371,994
2002	369,709
2003-2007	1,183,686
2008	184,999
	<u>\$4,318,652</u>

**13. Contributed Capital**

During the years ended June 30, 1997 and 1996, the Distribution System received the following contributed capital:

	<u>Year Ended June 30</u>	
	<u>1997</u>	<u>1996</u>
Contractors and customers	\$ 88,968	\$ 102,367
Beginning balance	4,538,144	4,432,577
Ending balance	<u>\$4,627,113</u>	<u>\$4,538,144</u>



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**14. Accumulated Unpaid Vacation and Sick Pay**

Unpaid vacation and sick pay are accrued when incurred. At June 30, 1997 and 1996, accumulated accrued unpaid vacation and sick pay was \$156,258 and \$145,639, respectively.

**15. Risk Management**

The System is exposed to various risks of loss related to theft, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The System carries commercial insurance to cover these risks, including workers's compensation. Settled claims have not exceeded their commercial coverage in any of the past three fiscal years.

The System joined with the St. James Parish Council to form a Group Hospitalization Claims Clearing Fund (an internal service fund accounted for by the Council) to account for and finance its uninsured risks of loss related to employee health and medical claims for its employees. The System pays monthly premiums to the Fund for its health and medical insurance coverage based on estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. Under the program, the Fund provides coverage for up to a maximum of \$45,000 for each employee's health claims. The Council purchases insurance for claims in excess of coverage provided by the Fund.

**16. Commitments**

St. James Parish Gas and Water Distribution System is a member of the Louisiana Municipal Natural Gas Purchasing and Distribution Authority (the Authority). As a member of the Authority, the System agrees to purchase all of its gas supplies for resale to its customers through the Authority's gas distribution system. The Authority prepares an annual budget that contains an estimate of all of the Authority's operations, maintenance and general expenses relating to the operation and conduct of the business of the Authority during the year. The total amount set forth in the Annual Authority Budget is paid ratably by each member of the Authority based on a percentage of each member's cost of gas. This contract is renewed annually beginning October 1 and can be terminated by either party by giving written notice to the other party at least six months prior to termination.



**SUPPLEMENTAL INFORMATION**





# Postlethwaite & Netterville

A PROFESSIONAL AND CONSULTING CORPORATION

MEMBER OF PRICE WATERHOUSE COOPERS

2075 BELLEVUE AVENUE • SUITE 4 • NEW ORLEANS, LOUISIANA 70004 • (504) 581-1000 • TELEPHONE (504) 581-5000 • FAX (504) 581-5000

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the President and Members  
St. James Parish Council  
Convent, Louisiana

Our audit was made for the purpose of forming an opinion on the financial statements of St. James Gas and Water Distribution System of the Parish of St. James, State of Louisiana at June 30, 1997 and 1996, and for the years then ended. The financial information on pages 27 to 34 is presented for the purposes of additional analysis and is not a required part of the financial statements of St. James Parish Gas and Water Distribution System of the Parish of St. James, State of Louisiana. Such information, except for that portion marked "Unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

*Postlethwaite & Netterville*

Metairie, Louisiana  
August 1, 1997

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 1997**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Gas sales	\$ 1,489,200	\$ 1,387,489	\$ (71,707)
Water sales	1,200,000	1,086,930	(113,069)
Permittees	79,800	79,399	(401)
Miscellaneous	46,947	35,461	(11,486)
Total operating revenues	<u>2,795,947</u>	<u>2,689,197</u>	<u>(96,750)</u>
<b>OPERATING EXPENSES</b>			
<b>Gas department</b>			
Gas purchases	671,000	687,807	(16,807)
Wages	205,000	208,836	(3,836)
Employer benefits	1,200	1,134	66
Retirement	15,000	13,560	1,440
Repairs and maintenance	64,000	56,130	7,870
Legal fees	(2,000)	(2,298)	298
Depreciation	44,200	44,660	(460)
	<u>995,400</u>	<u>1,014,231</u>	<u>(18,831)</u>
<b>Water department</b>			
Chemicals	128,500	113,949	14,551
Wages	365,000	365,836	(836)
Employer benefits	2,000	1,929	71
Retirement	27,000	27,655	(655)
Utilities	77,000	72,520	4,480
Repairs and maintenance	39,200	45,134	(7,934)
Depreciation	215,000	264,144	(49,144)
	<u>864,100</u>	<u>892,861</u>	<u>(28,761)</u>

See accountants' report on supplemental information.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 1997**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>General and administrative</b>			
Wages	174,000	177,849	(3,849)
Bad debts	4,000	7,193	(3,193)
Repairs and maintenance	48,800	47,477	1,323
Office	85,400	79,838	5,562
Insurance	101,000	99,868	1,132
Retirement	12,600	12,970	(370)
Employer benefits	158,800	160,697	(1,897)
Contracted services	32,000	42,517	(10,517)
Depreciation and amortization	30,500	37,637	(7,137)
	<u>645,000</u>	<u>671,135</u>	<u>(26,135)</u>
Total operating expenses	<u>2,525,500</u>	<u>2,575,219</u>	<u>(49,719)</u>
Operating income	<u>263,527</u>	<u>113,978</u>	<u>(149,549)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers from St. James Parish Council	85,000	85,000	-
Interest revenue	30,700	37,337	337
Interest expense	<u>(199,000)</u>	<u>(185,863)</u>	13,137
Total nonoperating revenues (expenses)	<u>(73,293)</u>	<u>(63,526)</u>	9,767
<b>NET INCOME</b>	<u>\$ 186,460</u>	<u>\$ 30,975</u>	<u>\$ (155,485)</u>

See accountants' report on supplemental information.

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 1996**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>			
Gas sales	\$ 1,464,900	\$ 1,466,961	\$ 2,061
Water sales	1,221,500	1,249,606	27,116
Fees	76,600	82,056	5,416
Miscellaneous	25,600	26,923	1,323
Total operating revenues	<u>2,788,600</u>	<u>2,825,546</u>	<u>37,616</u>
<b>OPERATING EXPENSES</b>			
<b>Gas Department</b>			
Gas purchases	646,000	733,198	(87,198)
Wages	225,700	289,644	63,956
Employer benefits	2,100	1,997	103
Retirement	30,000	27,168	2,832
Repairs and maintenance	47,800	43,640	4,160
Legal fees	19,000	11,910	7,090
Depreciation	36,200	43,331	(7,131)
	<u>1,006,800</u>	<u>1,051,478</u>	<u>44,678</u>
<b>Water Department</b>			
Chemicals	136,800	128,358	8,442
Wages	313,500	308,223	5,277
Employer benefits	900	874	26
Retirement	11,000	14,058	(2,858)
Utilities	77,000	74,158	2,842
Repairs and maintenance	56,000	41,876	14,124
Depreciation	254,000	259,000	(5,000)
	<u>848,300</u>	<u>824,777</u>	<u>23,523</u>

See accountants' report on supplemental information.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 1998**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>General and administrative</b>			
Wages	168,900	171,997	(3,097)
Real estate	4,800	6,997	(2,197)
Repairs and maintenance	197,800	51,787	146,013
Office	88,750	88,808	58
Insurance	78,800	90,807	(12,007)
Retirement	11,800	11,800	0
Employee benefits	158,850	148,707	(10,143)
Contracted services	48,800	48,811	(11)
Depreciation and amortization	28,200	38,238	(10,038)
	<u>744,800</u>	<u>641,941</u>	<u>102,859</u>
<b>Total operating expenses</b>	<u>744,800</u>	<u>641,941</u>	<u>102,859</u>
<b>Operating income</b>	<u>206,800</u>	<u>279,817</u>	<u>68,217</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenue	37,800	38,808	1,008
Interest expense	(798,200)	(798,141)	59
Total nonoperating revenues (expenses)	<u>(760,400)</u>	<u>(759,333)</u>	<u>1,067</u>
<b>NET INCOME</b>	<u>\$ 44,400</u>	<u>\$ 112,294</u>	<u>\$ 68,094</u>

See accountants' report on supplemental information.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**STATEMENT OF CHANGES IN ASSETS RESTRICTED FOR REVENUE BOND DEBT SERVICE  
YEAR ENDED JUNE 30, 1997**

	Sinking Funds	Reserve Funds	Capital Additions and Contingencies Funds	Total
Restricted assets, July 1, 1996	<u>\$ 204,817</u>	<u>\$ 407,871</u>	<u>\$ 91,811</u>	<u>\$ 704,509</u>
<b>RECEIPTS</b>				
Interest on investments	4,579	18,876	9,315	32,770
Transfers from:				
Operating account	<u>377,651</u>	<u>-</u>	<u>145,737</u>	<u>523,388</u>
Total receipts	<u>382,230</u>	<u>18,876</u>	<u>149,052</u>	<u>550,158</u>
Total available	<u>687,047</u>	<u>426,747</u>	<u>240,863</u>	<u>1,354,657</u>
<b>DISBURSEMENTS</b>				
Bond principal	180,315	-	-	180,315
Bond interest	185,931	-	-	185,931
Capital expenditures and repairs	-	-	57,112	57,112
Transfers to:				
Operating account	<u>83,532</u>	<u>34,040</u>	<u>-</u>	<u>117,572</u>
Miscellaneous expenses	<u>944</u>	<u>-</u>	<u>-</u>	<u>944</u>
Total disbursements	<u>451,722</u>	<u>34,040</u>	<u>57,112</u>	<u>542,874</u>
Restricted assets, June 30, 1997	<u>\$ 135,325</u>	<u>\$ 392,707</u>	<u>\$ 183,751</u>	<u>\$ 711,783</u>

See accountants' report on supplemental information.



ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA

REPORTS OF GAS UNACCOUNTED FOR  
(IN THOUSAND CUBIC FEET)  
(UNAUDITED)

	Year Ended June 30	
	1997	1996
Gas purchased	143,348	484,309
Gas used	324,900	389,677
Gas unaccounted for	117,398	94,332
Percentage unaccounted for	5.36%	3.81%

REPORTS OF WATER UNACCOUNTED FOR  
(IN THOUSAND GALLONS)  
(UNAUDITED)

	Year Ended June 30	
	1997	1996
Miscellaneous water leaving plant	717,285	754,531
Water billed to customers	588,528	618,158
Backwash water used	8,866	18,371
Total water accounted for	595,284	628,683
Water unaccounted for	122,001	125,827
Percentage unaccounted for	17.69%	16.42%

UTILITY CUSTOMERS  
(UNAUDITED)

	Year Ended June 30	
	1997	1996
Water	4,851	4,851
Gas	3,056	3,123
Total	7,907	7,974

See accountants' report on supplemental information.



**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**INSURANCE COVERAGE  
JUNE 30, 1997  
(UNAUDITED)**

<u>Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Zenick-American Insurance Company; provides coverage on all of Parish property	Fire, lightning and extended coverage (95% co-insurance)		12-31-97
	Water Plant No. 1		
	Building and machinery	\$ 450,000	
	Contents	\$ 540,000	
	Water Plant No. 2		
	Building and machinery	\$ 1,260,000	
	Contents	\$ 540,000	
	Water Towers		
	Convent, LA	\$ 72,000	
	Union, LA	\$ 72,000	
	South Vacherie, LA		
	Large Tower	\$ 50,000	
	Small Tower	\$ 67,500	
	North Vacherie, LA	\$ 67,500	
	Wellness, LA	\$ 67,500	
	Booster station, Convent, LA		
	Building	\$ 3,000	
	Contents	\$ 30,000	
	Warehouse		
	Building	\$ 27,000	
	Contents	\$ 70,000	
	Office, Vacherie, LA		
	Building	\$ 80,000	
	Contents	\$ 70,000	
Parish Government Risk Management Agency	Workmen's Compensation Employer's Liability	Statutory \$100,000	12-31-97

See accountants' report on supplemental information.

**ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM  
STATE OF LOUISIANA**

**INSURANCE COVERAGE  
JUNE 30, 1992  
UNAUDITED**

<u>Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Zurich-American Insurance Company	Comprehensive automobile		03-01-98
	bodily injury/property damage Comprehensive (\$1,000 deductible)	\$1,000,000	
	Uninsured motorist	Actual value	
	Collision (\$1,000 deductible)	\$1,000,000	
		Actual value	
Ranger Insurance Company	Comprehensive general liability coverage including completed operations and explosion	\$1,000,000	6-14-98
Ranger Insurance Company	Excess Liability	\$2,000,000	6-14-98
Zurich-American Insurance Company	Contractor equipment 1% of value deductible	\$50,567	3-4-97

See accountants' report on supplemental information.

**ST. JAMES PARISH**  
**GAS AND WATER DISTRIBUTION SYSTEM**

**STATE OF LOUISIANA**

**MANAGEMENT LETTER**

**JUNE 30, 1997**



## Postlethwaite & Netterville

A Professional Accountants Corporation  
CERTIFIED PUBLIC ACCOUNTANTS

1004 NEW BRUNSWICK • SUITE A • MEMPHIS, LOUISIANA 70001-9071 • TELEPHONE (504) 887-0288 • FAX (504) 884-0288

August 1, 1997

To Mr. Dale J. Hymal, Jr., President and  
Members of the St. James Parish Council  
Convent, Louisiana

Re: St. James Parish Gas and Water Distribution System

### Gentlemen:

In planning and performing our audit of the financial statements of St. James Parish Gas and Water Distribution System for the year ended June 30, 1997, we considered the System's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of the following matter that is an opportunity for strengthening internal controls and operating efficiency. We appreciate the difficulties that are encountered in attempting to establish the highest degree of internal control with the limited number of personnel available to accomplish what may be installed. We believe, however, that our recommendations, if substantially implemented, will provide a reasonable degree of internal control with a minimum of change or additional cost.

### Separation of Duties

Although the small size of the Gas and Water Distribution System's staff limits the extent of separation of duties, we believe that certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

One of the most critical areas of separation is cash, where we noted that the bookkeeper handles incoming checks or cash and prepares the deposit slip on certain occasions when other employees are absent or busy. The result is the danger that intentional or unintentional errors could be made and not detected. We suggest that someone other than the bookkeeper receive walk-in cash payments, prepare a list of the cash received, and prepare the deposit slip. These simple steps would not require the addition of any new employees or add significant time to either the clerk's, director of finance's or manager's time.

We previously reported on the System's internal control structure in our report dated August 1, 1997. This letter does not affect our report dated August 1, 1997 on the financial statements of St. James Parish Gas and Water Distribution System.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with you, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the use of St. James Parish Gas and Water Distribution System and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by St. James Parish Gas and Water Distribution System, is a matter of public record.

Postlethwaite & Nettleton



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**ST. JAMES PARISH**  
**GAS AND WATER DISTRIBUTION SYSTEM**

**STATE OF LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 1927 and 1928**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewer, entity and other appropriate public officials. The report is available for public inspection at the Election House of the State of Louisiana, the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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