FINANCIAL REPORT

CONSOLIDATED SEWERAGE DISTRICT NO. 1

PARISH OF JEFFERSON

STATE OF LOUISIANA

DECEMBER 31, 1998

FINANCIAL REPORT

CONSOLIDATED SEWERAGE DISTRICT NO. 1

PARISH OF JEFFERSON

STATE OF LOUISIANA

DECEMBER 31, 1998 and 1997

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FINANCIAL SECTION

Celebrating 30 Years

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

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 years ended December 31, 1998 and 1997, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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 District, as of December 31, 1998 and 1997, 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 June 17, 1999 on our consideration of the District's internal control structure and its compliance with laws and regulations.

Luther C. Speight & Company

Luther C. Speight & Company
June 17, 1999

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COMPONENT UNIT FINANCIAL STATEMENTS

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

December 31, 1998 and 1997

ASSETS	1998	1997
Current assets		
Cash	$	$
Share of pooled assets	3,658,953	2,687,135
Receivables		
Accounts	3,913,837	2,829,080
Ad valorem taxes	5,369,539	5,157,474
Due from other governments	162,814	8,134
Inventory, at average cost	2,184,439	2,417,133
Total current assets	15,289,582	13,098,956
Restricted assets		
Construction fund	24,595,737	24,123,369
Property, plant, and equipment		
Land	11,730,402	11,730,402
Plant and equipment	420,655,267	410,369,669
	432,385,669	422,100,071
Less accumulated depreciation	(90,190,357)	(82,032,376)
	342,195,312	340,067,695
Construction in progress	17,216,654	4,158,027
Total property, plant, and equipment	359,411,966	344,225,722
TOTAL ASSETS	$ 399,297,285	$ 381,448,047

[Continued]

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

December 31, 1998 and 1997

LIABILITIES AND FUND EQUITY	1998	1997
Current liabilities		
Accounts payable	$ 685,607	$ 461,961
Accrued payroll expenses	1,833,030	1,629,793
Deferred revenue	5,398,286	5,202,073
Total current liabilities	7,916,923	7,293,827
Current liabilities payable from restricted assets		
Contracts payable	1,099,254	578,202
Retainage payable	859,101	207,822
Total current liabilities payable from restricted assets	1,958,355	786,024
Total liabilities	9,875,278	8,079,851
Fund equity		
Contributed capital		
Parish	15,332,179	15,912,646
Subdividers	12,665,540	13,048,968
Citizens	3,030,967	3,108,621
Ad valorem tax bonds	8,049,928	8,281,057
Sales tax bonds	247,355,697	242,881,789
State	83,359	85,942
Federal government	59,249,811	49,788,432
Total contributed capital	345,767,481	333,107,455
Retained earnings		
Reserved for construction	12,037,407	23,338,011
Unreserved	31,617,119	16,922,730
Total retained earnings	43,654,526	40,260,741
Total fund equity	389,422,007	373,368,196
TOTAL LIABILITIES AND FUND EQUITY	$ 399,297,285	$ 381,448,047

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, 1998 and 1997

	1998	1997
Operating revenues		
Service charges	$ 13,900,642	$ 11,876,130
Delinquent charges	310,196	272,161
Sewer connection fees	74,895	96,488
Other service charges	167,560	309,374
Total operating revenues	14,453,293	12,554,153
Operating expenses		
Personal services - Salaries & wages	5,684,601	5,073,356
Personal services - Employee benefits	1,230,278	1,159,359
Supplies	2,601,384	1,569,145
Purchased Services - Professional and Technical	6,233,643	6,141,200
Purchased Services - Property	3,176,566	2,961,445
Purchased Services - Other	1,400,101	1,608,127
General	45,773	53,088
Depreciation	8,563,842	8,559,951
Total operating expenses	28,936,188	27,125,671
Operating income (loss)	(14,482,895)	(14,571,518)
Nonoperating revenues (expenses)		
Taxes	5,104,651	4,918,407
State revenue sharing	307,778	312,617
Intergovernmental revenues	159,263	2,312,516
Interest income	1,463,970	1,544,602
Insurance proceeds	66,709	-
Construction sewer availability fees	566,400	446,450
Loss on transfer of fixed assets	97,937	(1,955)
Nonoperating revenues (expenses)	7,766,708	9,532,637
Income (loss) before operating transfers	(6,716,187)	(5,038,881)
Operating transfers in	1,806,262	2,093,926
Net income (loss)	(4,909,925)	(2,944,955)
Add depreciation on property, plant, and equipment acquired by capital contributions that reduces contributed capital	8,303,710	8,413,287
Increase in retained earnings	3,393,785	5,468,332
Retained earnings, beginning of year	40,260,741	34,792,409
Retained earnings, end of year	$ 43,654,526	$ 40,260,741

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, 1998 and 1997

	1998	1997
Cash flows from operating activities		
Operating income (loss)	$ (14,482,895)	$ (14,571,518)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	8,563,842	8,559,951
Changes in assets and liabilities		
(Increase) decrease in receivables	(1,084,757)	639,747
(Increase) decrease in inventory	232,694	(905,939)
(Increase) decrease in prepaid expenses	-	10,000
Increase (decrease) in payables	352,105	560,563
Increase (decrease) in accrued liabilities	203,237	71,887
Total adjustments	8,267,121	8,936,209
Net cash provided by (used for) operating activities	(6,215,774)	(5,635,309)
Cash flows from noncapital financing activities		
Taxes	5,093,381	4,878,858
State revenue sharing	307,778	312,617
Intergovernmental revenues	-	2,312,516
Insurance proceeds	66,709	-
Operating transfers from other Jefferson Parish funds	1,806,262	2,093,926
Net cash provided by (used for) noncapital financing activities	7,274,130	9,597,917
Cash flows from capital and related financing activities		
Acquisition of fixed assets	(236,024)	(392,849)
Additions to construction in progress	(12,014,755)	(4,158,027)
Additions from Lien Ordinances	6,265	-
Construction sewer availability fees	566,400	446,450
Contributed capital from federal government	6,207,086	-
Net cash provided by (used for) capital and related financing activities	(5,471,028)	(4,104,426)

[Continued]

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

For the Years Ended December 31, 1998 and 1997

	1998	1997
Cash flows from investing activities		
Interest on investments	$ 1,463,970	$ 1,544,602
Net cash provided by (used for) investing activities	1,463,970	1,544,602
Net increase (decrease) in cash and cash equivalents	(2,948,702)	1,402,784
Cash and cash equivalents, January 1	26,810,504	25,407,720
Cash and cash equivalents, December 31	$ 23,861,802	$ 26,810,504
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Contributions of capital	$ 10,444,660	$ 6,349,971
Acquisitions of fixed assets with capital contributions	(10,444,660)	(6,349,971)
Change in estimate of accrued claims payable	-	-
Effect on net income for change in estimate of accrued claims payable	-	-
	$ -	$ -
Cash and cash equivalents at December 31 consists of:		
Current assets:		
Cash	$	$
Share of pooled assets	3,658,953	2,687,135
	3,658,953	2,687,135
Restricted assets:		
Share of pooled assets	20,202,849	24,123,369
Total	$ 23,861,802	$ 26,810,504

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 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.

CONSOLIDATED SEWERAGE DISTRICT NO. 1
Jefferson Parish, Louisiana
Notes to Financial Statements (Continued)
December 31, 1998 and 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH, INVESTMENTS AND SHARE OF POOLED ASSETS (Continued)
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.

All of the District's deposits, including cash and certificates of deposit, are carried at cost.

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

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS
The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Uncorrectable amounts are recognized as bad debts at the time information become 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.

CONSOLIDATED SEWERAGE DISTRICT NO. 1
Jefferson Parish, Louisiana
Notes to Financial Statements (Continued)
December 31, 1998 and 1997

NOTE B - RECEIVABLES

Receivables consist of the following at December 31:

	1998	1997
Accounts	$3,913,837	$2,829,080
Ad Valorem Taxes	5,369,539	5,157,474
Due from Other Governments	162,814	8,134
	$9,446,190	$7,994,688

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. The unbilled receivable at December 31, 1998 and 1997 is $1,982,332 and $1,469,119, respectively.

The District had the following receivables due from other governments as of December 31, 1998:

	1998	1997
Due from State of Louisiana	$ 950	$ 950
Due from Jefferson Parish Sheriff's Department	2,602	7,184
	$ 3,552	$ 8,134

NOTE C - RESTRICTED ASSETS

Restricted assets are comprised of the following at December 31, 1998:

	1998	1997
	CONSTRUCTION FUNDS	CONSTRUCTION FUNDS
Share of pooled assets	$ 20,202,849	$ 24,423,369
Due from other governments	4,392,888	-
	$ 24,595,737	$ 24,423,369

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, 1998 follows:

	BALANCE DECEMBER 31, 1997	ADDITIONS	NET TRANSFERS (TO) FROM OTHER FUNDS	BALANCE DECEMBER 31, 1998
Buildings	$ 6,056,415	$ 1,077,485	$ -	$ 7,133,900
Collection and distribution system	264,269,651	7,183,942	-	271,453,593
Sewer treatment plants	131,588,661	2,112,259	-	133,700,920
Improvements	838,034	-	-	838,034
Furniture & fixtures	612,985	-	-	612,985
Equipment	3,098,783	93,745	(249,507)	2,943,021
Vehicles	3,905,140	285,517	(217,843)	3,972,814
	410,369,669	10,752,948	(467,350)	420,655,267
Land	11,730,402		-	11,730,402
	$ 422,100,071	$ 10,752,948	$ (467,350)	$ 432,385,669

	ACCUMULATED DEPRECIATION DECEMBER 31, 1997	1998 DEPRECIATION	NET TRANSFERS (TO) FROM OTHER FUNDS	ACCUMULATED DEPRECIATION DECEMBER 31, 1998
Buildings	$ 259,279	$ 119,769	$ -	$ 379,048
Collection and distribution system	49,251,274	5,357,232	-	54,608,506
Sewer treatment plants	25,827,905	2,653,288	-	28,481,193
Improvements	459,600	83,803	-	543,403
Furniture & fixtures	571,318	-	-	571,318
Equipment	2,213,258	172,830	(188,018)	2,198,070
Vehicles	3,449,742	176,920	(217,843)	3,408,819
	$ 82,032,376	$ 8,563,842	$ (405,861)	$ 90,190,357

Construction in progress is comprised of the following at December 31, 1998:

	PROJECT AUTHORIZATION	EXPENDED TO DECEMBER 31, 1998	COMMITTED	REQUIRED FUTURE FINANCING
Plant and line improvements	$ 21,049,367	$ 17,216,654	$ 3,832,713	NONE

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, 1997 follows:

	BALANCE DECEMBER 31, 1996	ADDITIONS	NET TRANSFERS (TO) FROM OTHER FUNDS	BALANCE DECEMBER 31, 1997
Buildings	$ 5,913,676	$ 142,739	$ -	$ 6,056,415
Collection and distribution system	258,390,643	5,879,008	-	264,269,651
Sewer treatment plants	131,375,575	213,086	-	131,588,661
Improvements	838,034	-	-	838,034
Furniture & fixtures	612,985	-	-	612,985
Equipment	3,019,507	169,012	(89,736)	3,098,783
Vehicles	3,861,576	349,737	(306,173)	3,905,140
	404,011,996	6,753,582	(395,909)	410,369,669
Land	11,710,202	20,200	-	11,730,402
	$ 415,722,198	$ 6,773,782	$ (395,909)	$ 422,100,071

	ACCUMULATED DEPRECIATION DECEMBER 31, 1996	1997 DEPRECIATION	NET TRANSFERS (TO) FROM OTHER FUNDS	ACCUMULATED DEPRECIATION DECEMBER 31, 1997
Buildings	$ 153,140	$ 106,139	$ -	$ 259,279
Collection and distribution system	44,024,671	5,226,603	-	49,251,274
Sewer treatment plants	23,197,871	2,630,034	-	25,827,905
Improvements	375,798	83,802	-	459,600
Furniture & fixtures	537,265	34,053	-	571,318
Equipment	2,040,316	231,598	(58,656)	2,213,258
Vehicles	3,506,359	247,722	(304,339)	3,449,742
	$ 73,835,420	$ 8,559,951	$ (362,995)	$ 82,032,376

Construction in progress is comprised of the following at December 31, 1997:

	PROJECT AUTHORIZATION	EXPENDED TO DECEMBER 31, 1997	COMMITTED	REQUIRED FUTURE FINANCING
Plant and line improvements	$ 17,435,962	$ 4,158,027	$ 13,277,935	NONE

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

Increases of $10,444,660 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 totaling $877,146 of the former Helois Treatment Plant were transferred to the General Fixed Assets Account Group of the Parish of Jefferson.

Total cost paid by the Sewer Capital Construction Fund for the purchase of and improvements to the Rheem building located on Jefferson Highway prior to 1998 were $6,166,512. The Consolidated Sewerage District capitalized these costs. Several parish departments use this facility and a reimbursement program was established in 1998 to recover $4,733,878 in costs that were attributed to the other departments. In 1998 a total of $943,248 was reimbursed to the Sewer Capital Construction Fund. Total costs incurred and capitalized in the Phase 2 of the property renovation was $967,388, in 1998. These costs are attributed directly to the Consolidated Sewerage Districts portion of the property.

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

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 proceeding the year in which reimbursement is to be made. At December 31, 1998 and 1997 the accrued annual and sick leave, and salary-related costs was $1,630,270 and to $1,453,830 , respectively.

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, 1998 and 1997 in accordance with GASB Statement #16 for those employees hired after April 1, 1986.

CONSOLIDATED SEWERAGE DISTRICT NO. 1
JEFFERSON PARISH, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 1998 and 1997

NOTE F - CHANGES IN CONTRIBUTED CAPITAL

A summary of changes in the District's contributed capital accounts for the year ended December 31,1998 and 1997 are as follows:

December 31, 1998

	Beginning Balance	Transfer in of fixed assets at cost constructed with funds provided by Parish Sales Tax Bonds	Additions from Closed out Lien Ordinances/ Federal Government	Transfer of fixed assets to other Jefferson Parish Funds	Depreciation expense for the year	Total
Parish	$ 15,912,646	$ -	$ 6,265	$ (102,024)	$ (484,708)	$ 15,332,179
Subdividers	13,048,968	-	-	-	(383,428)	12,665,540
Citizens	3,108,621	-	-	-	(77,654)	3,030,967
Ad valorem tax bonds	8,281,057	-	-	-	(231,129)	8,049,928
Parish sales tax bonds	242,881,789	10,444,660	-	-	(5,970,752)	247,355,697
State	85,942	-	-	-	(2,583)	83,359
Federal government	49,788,432	-	10,599,974	-	(1,138,595)	59,249,811
	$ 333,107,455	$ 10,444,660	$ 10,606,239	$ (102,024)	$ (8,288,849)	$ 345,767,481

December 31, 1997

	Beginning Balance	Transfer in of fixed assets at cost constructed with funds provided by Parish Sales Tax Bonds	Additions from Closed out Lien Ordinances/ Federal Government	Transfer of fixed assets to other Jefferson Parish Funds	Depreciation expense for the year	Total
Parish	$ 16,440,587	$ -	$ -	$ (18,188)	$ (509,753)	$ 15,912,646
Subdividers	13,432,396	-	-	-	(383,428)	13,048,968
Citizens	3,186,276	-	-	-	(77,655)	3,108,621
Ad valorem tax bonds	8,512,186	-	-	-	(231,129)	8,281,057
Parish sales tax bonds	242,583,773	6,368,160	-	-	(6,070,144)	242,881,789
State	88,525	-	-	-	(2,583)	85,942
Federal government	50,927,028	-	-	-	(1,138,596)	49,788,432
	$ 335,170,771	$ 6,368,160	$ -	$ (18,188)	$ (8,413,288)	$ 333,107,455

NOTE G - RETAINED EARNINGS RESERVES

Retained earnings reserved for construction are as follows:

	1998	1997
Balance, Beginning	$ 23,338,010	$ 23,407,377
Plant Investment Fees	566,400	46,950
Interest Earned	1,191,624	1,329,694
Construction Cost Incurred	(13,058,627)	(4,158,027)
Intergovernmental Revenue	-	2,312,516
Balance, Ending	$ 12,037,407	$ 23,338,010

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	16.22
8	25.72
10	35.15
11	41.15

BI - 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 mileage 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 1997 property tax which was levied to finance the budget for 1998 was recorded as revenue for the year 1998. The 1998 property tax which was levied to finance the budget for 1999 is recorded as deferred revenue at December 31, 1998.

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

PURPOSE	MILLAGE 1998	1997
Maintenance and operations:		
Consolidated Sewerage District No. 1	4.66	4.66

NOTE J - INTEREST COST

No interest cost was capitalized during the years ended December 31, 1998 and 1997.

NOTE K - OPERATING TRANSFERS

The District had the following operating transfers:

FUND TRANSFERRED TO OR FROM	1998 OPERATING TRANSFERS IN/OUT	1997 OPERATING TRANSFERS IN/OUT
Drainage Capital Program	$ 12,788	$ -
Sewer Capital Program	1,793,474	2,109,426
Electronic Information Services	-	(15,500)
	$ 1,806,262	$ 2,093,926

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 $497,181 and $863,793 for 1998 and 1997, respectively.

At December 31, 1998, the total outstanding claims liability of the General Liability Fund was $20,041,039 , which includes an estimated liability for incurred but not reported claims of $5,683,734. 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 $413,447 and $510,009 for 1998 and 1997, 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 1996 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 $2,111,787 and $2,060,600 for 1998 and 1997, respectively.

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, 1998. The District's "reasonably possible" loss contingencies at December 31, 1998, 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. The pension expense recorded by the District for contributions to the retirement systems for the year ended December 31, 1998 and 1997 were $496,443 and $365,707, respectively.

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.

THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH (The Parish Plan)

Plan Description

The Employees' Retirement System of Jefferson Parish Board of Trustees (The Board) administers The Employees' Retirement System of Jefferson Parish (the Parish Plan), a single-employer defined benefit pension plan created by Jefferson Parish Ordinance 11027. The Parish Plan covers employees who were hired prior to December 15, 1979. As of that date, the Parish Plan became a closed plan and was merged with the Parochial Employees' Retirement System of Louisiana (The State Plan) whereby members of the Parish Plan continued to be members of the State Plan.

The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Parish Plan. The financial report for year ended December 31, 1998 may be obtained by writing to: The Employees' Retirement System of Jefferson Parish, 1331 Metairie Road, Metairie, LA 70002 or by calling 504-831-4040.

Employees who are members of the Parish Plan only receive benefits equal to one percent of the highest three-year average annual compensation plus two percent of the first $1,200 of average compensation for each year of service. The benefits for employees who are members of the Parish Plan only, with less than 20 years of service, are reduced by three percent per year for each year participants receive benefits below the age of 62. Parish Plan participants who are also members of the State Plan receive benefits equal to three 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 plans may not exceed 100 percent of the member's final average compensation. Retirement benefits are payable monthly for the life of the retiree. Under certain conditions, upon the retiree's death, benefits are payable by the Parish Plan to the retiree's surviving spouse and minor children.

NOTE N - PENSION PLANS (Continued)

Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of the Parish Plan are prepared using the accrual basis of accounting. Contributions from employees are recognized as revenue in the period in which employees provide services. Contributions made by Jefferson Parish, the employer, are recognized when due and the employer has made a formal commitment to provide the contributions. Pension benefits and refunds of employee contributions are recognized when due and payable in accordance with the terms of the Parish Plan. Investment income is recognized as earned by the Parish Plan.

Method Used to Value Investments – All investments of the Parish Plan are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

Concentrations of Credit Risk – The Parish Plan had 48.9% of plan net assets invested in one mutual fund. Other than this mutual fund, no investment in any one organization, other than the U. S. Government, represented 5% or more of plan net assets.

Funding Policy – The Parish Council requires that the Parish Plan be funded on an actuarially sound basis. The funding policy provides for contributions from employee and employer which are actuarially determined. In 1998 employees made contributions of 6.05% of gross earnings and employer contributions were 7.48% of annual covered payroll.

Annual Pension Cost – The annual pension cost of the Parish Plan for the current year was $1,450,326 and the employer contributions were $1,320,401. The annual required contribution for the current year was determined as part of the December 31, 1998 actuarial valuation using the Entry Age Normal Cost Method with Unfunded Actuarial Accrued Liability.

This method compares the theoretical reserve for service prior to the valuation date to plan assets. With this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over both the earnings and service of the individual between entry age (date of membership in the system) and assumed exit age.

Significant actuarial assumptions used in the valuation include: 1) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually; 2) projected salary increases of 6.0% per year compounded annually, attributable to inflation of 3.25% and merit of 2.75%. The actuarial value of assets is set equal to market value of assets adjusted to defer one half of all realized and unrealized capital gains (losses) accrued during the year for one year. This technique smoothes the volatility of market values for investments. The unfunded actuarial accrued liability is being amortized over a 40 year period beginning on January 1, 1980 using a level dollar amortization method on an open basis.

Annual Pension Cost and Net Pension Obligation:

Annual required contribution	$1,470,763
Adjustments to annual required contribution	(20,437)
Annual pension cost	$1,450,326
Contribution made	(1,372,201)
Increase in net pension obligation	78,125
Net pension obligation beginning of year	5,294,368
Net pension obligation end of year	$5,372,493

This liability amount is not available by individual fund.

Schedule of Employer Contributions

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
12/31/98	$1,450,326	94.61%
12/31/97	1,444,467	77.86%
12/31/96	1,510,620	69.73%

NOTE N - PENSION PLANS (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio Percentage	Covered Payroll	UAAL as % of Covered Payroll
1998	$21,623,582	$33,508,491	$11,884,909	64.53%	$20,617,755	57.64%
1997	20,043,556	32,946,135	12,902,579	60.84%	21,170,519	60.95%
1996	18,405,917	32,488,152	14,082,235	56.65%	21,476,026	65.57%

PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA (The State Plan)

Plan Description

The Parochial Employees' Retirement System Board of Trustees (The Board) administers the Parochial Employees' Retirement System (the State Plan), a cost-sharing multiple-employer defined benefit plan established by the Louisiana legislature as of January 1, 1953, by Act 205 of 1952. The State Plan was revised by Act No. 765 of 1979, effective January 1, 1980, to create the Plan A and Plan B fund to replace the "regular plan" and the "supplemental plan". Plan B Fund replaced the "regular plan". The State Plan is operating pursuant to LSA-R.S. 11:1901 through 11:2015. The State Plan covers employees who were hired subsequent to December 15, 1979.

Under the State Plan, a member is eligible for normal retirement if the participant 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 three 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 the member's final compensation. Retirement benefits are payable monthly for the life of the retiree. Under certain conditions, upon the retiree's death, benefits are payable to the retiree's surviving spouse and minor children.

The State Plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial report for the year ended December 31, 1997 may be obtained by writing to: The Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, La 70898.

Summary of Significant Accounting Policies

Basis of Accounting – The financial statements are prepared on the accrual basis of accounting. Contributions from employers and employees are recognized as revenue in the period in which employees provide services to the employers benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates.

Concentrations of Credit Risk – No investment in any one organization represents 5% or more of the net assets available for pension benefits.

Funding Policy – Member contributions, established by Statute at 9.5% of total compensation for Plan A and 2% of total compensation less $100 per month for Plan B, are deducted from the members salary and remitted by the participating employers. Employer contributions are actuarially determined every fiscal year according to statutory process. The unfunded actuarial accrued liability is being amortized over a 30 year period under a frozen unfunded accrued liability method, assuming an investment rate of return of 8% and projected salary increases of 5.5%. Written notice of these rates is provided to employers annually. In 1997, these employer rates were 7.75% for Plan A and 2.50% for Plan B.

NOTE N - PENSION PLANS (Continued)

Schedule of Employer Contributions

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
1997	$22,284,111	100%
1996	20,399,933	100%
1995	21,496,466	100%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio Percentage	Covered Payroll	UAAL as % of Covered Payroll
1997 Plan A	$874,023,941	$881,981,793	$ 7,957,852	99.10%	$291,212,401	2.73%
1997 Plan B	60,674,072	45,929,455	(14,744,617)	132.10%	34,092,285	(43.25)%

NOTE O - DEFERRED COMPENSATION PLAN

The Parish offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Parish employees, 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.

In 1996, the U. S. Congress passed the Small Business Job Protection Act of 1996, which requires that employer governments place all amounts deferred under IRC Section 457 into a trust for the exclusive benefit of participants and their beneficiaries. This change was allowed as early as January 1, 1997, but must be done by January 1, 1999. In prior years, these assets were solely the property of the Parish and subject to claims of general creditors, and were reported in the Jefferson Parish financial statements. *During the year ended December 31, 1998, the Parish amended its Plan* to comply with the requirements of the Act. Thus, the Parish no longer has ownership of the Plan assets and they are no longer reported in the financial statements

NOTE P - 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.

NOTE Q – REQUIRED SUPPLEMENTAL SCHEDULE

Information in the required supplemental schedule is designed to provide information about the Year 2000 issue.

SUPPLEMENTARY INFORMATION

CONSOLIDATED SEWERAGE DISTRICT NO. 1
Jefferson Parish, Louisiana

YEAR 2000 ISSUE (UNAUDITED)

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the operations of the Parish.

As of December 31, 1998, the Parish completed the awareness stage and began the assessment stage necessary to implement a Year 2000-compliant system. These stages include establishing a project plan to address the Year 2000 issues and identifying systems and individual system components that may be affected by the Year 2000 and that are necessary to conducting the Parish operations.

During 1999 the Parish will begin the remediation of validation/testing states. The Parish plans to utilize both internal and external resources to reprogram or replace affected computer hardware and software to ensure that they are Year 2000 compliant. Testing and validation of the systems will need to be completed after the hardware and software are installed. The Parish is expecting to complete Year 2000 compliance for all major systems including testing of these systems by September 30, 1999.

The Parish has also initiated formal communications with a substantial majority of its significant suppliers to determine their plans to address the Year 2000 issue. While the Parish expects a successful resolution of all issues, there can be no guarantee that the systems of other companies on which the Parish relies will be converted by a supplier or that a failure to convert by a supplier would not have a material adverse effect on the Parish.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the Parish is or will be Year 2000 ready, that the Parish remediation efforts will be successful in whole or in part, or that parties with whom the parish does business will be year 2000 ready.

SPECIAL REPORTS OF CERTIFIED
PUBLIC ACCOUNTANTS

LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

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

We have audited the general purpose financial statements of Consolidated Sewerage District No.1 of the Parish of Jefferson, State of Louisiana (the District), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated June 17, 1999. 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.

Compliance

As part of obtaining reasonable assurance about whether the District'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 audit, we considered the District'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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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This report is intended solely for the information and 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 & Company

Luther C. Speight & Company
June 17, 1999