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*Financial Report*

***St. Bernard Parish Government***  
***Department of Public Works***  
***Water and Sewer Division***  
***and the Districts***

*Chalmette, Louisiana*

*December 31, 1998*

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

Release Date 1-28-99

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December 31, 1998

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**FINANCIAL SECTION**

**COMBINED BALANCE SHEET**

**St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts**

December 31, 1999

**ASSETS**

<b>Current</b>	
Cash and cash equivalents	\$ 500,505
Customer receivables, net of allowance for doubtful accounts of \$44,846 (Note 3)	436,143
Unbilled charges	645,009
Inventory (Note 1)	134,664
Prepaid expenses	13,502
<b>Total current assets</b>	<b>1,730,134</b>
<b>Restricted Assets</b>	
Cash and cash equivalents	
Revenue bond debt service reserve	1,213,084
Revenue bond debt service account	499,279
Removal and replacement account	2,863,879
Utility debt service accounts	818,480
Customer meter deposits (Note 14)	345,712
All sales tax receivable	459,179
<b>Total restricted assets</b>	<b>5,218,515</b>
<b>Property, Plant and Equipment, Net of Accumulated Depreciation (Note 4)</b>	<b>40,564,374</b>
<b>Unamortized Debt Expense (Note 1)</b>	<b>303,866</b>
<b>Total assets</b>	<b>\$48,130,487</b>

See notes to combined financial statements.

## LIABILITIES

## Current

Payable from current assets:	
Accounts payable	\$ 216,948
Uninsured claims payable (Note 11)	15,777
Self-insurance claims payable (Note 12)	249,542
Liase payable	1,000
Salaries payable	48,885
Due to Dr. Howard Parish Self Insurance Fund	75,821
<b>Total current liabilities payable from current assets</b>	<b>594,943</b>

## Payable from restricted assets:

Bonds payable (Note 9)	1,178,000
Accrued interest payable	208,574
Customer deposits (Note 14)	1,451,634
Impairment deposit	11,800

**Total current liabilities payable from restricted assets** **2,849,908**

## Long-term liabilities:

Accrued vacation leave (Note 1)	398,862
Bonds payable (Note 8)	8,777,800

**Total long-term liabilities** **9,176,662**

**Total liabilities** **12,119,513**

## Contingencies (Notes 14 to 17)

## FUND EQUITY

<b>Contributed Capital</b>	<b>15,424,664</b>
<b>Retained Earnings</b>	
<b>Reserved (Note 9)</b>	
Capital renewal and replacement	9,390,398
Construction	1,625,835
Debt service	147,203
<b>Unreserved</b>	<b>9,562,274</b>
<b>Total retained earnings</b>	<b>20,625,810</b>
<b>Total fund equity</b>	<b>36,050,474</b>
<b>Total liabilities and fund equity</b>	<b>48,176,087</b>

## COMBINED STATEMENT OF REVENUES AND EXPENSES

St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts

For the year ended December 31, 1998

<b>Operating Revenues (Note 1)</b>	
User fees	\$9,695,111
Other operating revenues	194,080
Total operating revenues	9,889,191
<b>Operating Expenses (Note 1)</b>	
Personal services and related benefits	2,876,011
Utilities	921,308
Contractual services, supplies, and materials	1,379,545
Professional services	160,254
Insurance and claims expense	204,878
Depreciation and amortization (Notes 1 and 4)	2,382,213
Other	91,018
Total operating expenses	8,003,979
<b>Operating Income</b>	1,885,212
<b>Nonoperating Revenues (Expenses)</b>	
Ad valorem tax for debt retirement	596,463
Interest earnings:	
Construction	62,982
Other	132,988
Interest expense and bank fees	(539,384)
Deductions from ad valorem taxes for debt retirement	(18,464)
Total nonoperating revenues (expenses)	214,585
<b>Net Income</b>	\$2,099,801

See notes to combined financial statements.

## COMBINED STATEMENT OF CHANGES IN FUND EQUITY

St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts

For the year ended December 31, 1998

	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>Fund Equity Beginning of Year</b>	\$ 15,779,692	\$ 17,619,131	\$ 33,398,823
Net income	-	2,079,801	2,079,801
Other - donated lines	571,850	-	571,850
Depreciation of assets purchased with contributed capital	(926,938)	926,978	-
<b>Fund Equity End of Year</b>	<u>\$ 15,424,604</u>	<u>\$ 20,625,910</u>	<u>\$ 36,050,514</u>

See notes to combined financial statements.

## COMBINED STATEMENT OF CASH FLOWS

St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts

For the year ended December 31, 1998

<b>Cash Flows From Operating Activities</b>	
Operating income	\$ 1,868,212
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	2,382,515
(Increase) decrease in assets:	
Customer receivables	(188,116)
Unbilled charges	58,502
Increase in liabilities:	
Accounts payable and accruals	81,590
Total adjustments	2,412,497
Net cash provided by operating activities	4,273,709
<b>Cash Flows Used in Noncapital Financing Activities</b>	
Payment on St. Bernard Parish Self Insurance Fund loan	(648,799)
<b>Cash Flows From Capital Financing Activities</b>	
All valuations taxes - debt retirement	664,551
Purchase of capital assets	(1,299,501)
Payment on capital loans	(18,432)
Principal paid on bonds	(1,241,090)
Interest paid	(582,615)
Net cash used in capital financing activities	(2,449,415)
<b>Cash Flows From Investing Activities</b>	
Interest on cash management activities	195,970
<b>Net Increase in Cash and Cash Equivalents</b>	1,355,465
<b>Cash and Cash Equivalents</b>	
Beginning of year (Note 2)	3,901,745
End of year (Note 2)	\$ 5,257,210

See notes to combined financial statements.

**NOTES TO COMBINED FINANCIAL STATEMENTS****St. Bernard Parish Government  
Department Of Public Works  
Water and Sewer Division  
and the Districts**

December 31, 1998

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The St. Bernard Parish Water and Sewer Commission was created by an intergovernmental agreement dated November 13, 1985, as ratified, confirmed and approved by Louisiana Revised Statute 33:7802 which became effective July 2, 1989. The statute declared the Commission to be a body politic and political subdivision of the State of Louisiana. It also gave the Commission the power to sue, incur debt and issue bonds. The powers of the Commission were exercised within the boundaries of St. Bernard Parish. The Commission's major operation was to provide water and sewerage services for the parish of St. Bernard. The Commission was composed of seven members representing the participating entities and assumed control of operations and began providing services effective with the close of business on December 31, 1989. Prior to that time, such water and sewerage services had been provided by five separate entities: St. Bernard Water District No. 1, St. Bernard Water District No. 2, St. Bernard Sewer District No. 1, St. Bernard Sewer District No. 2, and St. Bernard Sewer District No. 1-2. On December 31, 1989, St. Bernard Sewer District No. 1-2, a contractual entity that had performed sewerage operations for St. Bernard Sewer Districts No. 1 and No. 2, was dissolved. The other water and sewerage districts had separate boards which served primarily as tax levying entities.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division has two water plants that are capable of pumping and treating on the average 12,000,000 to 13,000,000 gallons of water per day. The maximum capacity is 20,000,000 gallons of water per day. In addition, it monitors and maintains 110 sewer lift stations. It also operates four sewerage treatment plants, one sewerage collection pond and two sewerage treatment package plants. The Division has 101 employees as December 31, 1998, of which (95%) are covered by a collective bargaining agreement which expires in the year 2000.

The accounting policies of the Division conform to generally accepted accounting principles (GAAP) applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies.

a) Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14 has established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

The criteria includes:

- 1) Appointment of a voting majority of the governing board
  - a) The ability of the parish government to impose its will on the organization,
  - b) The potential of the organization to provide specific financial benefits to or impose specific financial burdens on the parish government.
- 2) Organizations which are fiscally dependent,
- 3) Organizations for which the reporting entity's financial statements would be misleading if data of the Organization is not included because of the nature or significance of the relationship.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Reporting Entity (Continued)**

Because the parish government is the governing board of the Districts, the Districts are determined to be component units of the St. Bernard Parish Government, the governing body of the parish and the governmental body with oversight responsibility. The accompanying combined financial statements present information only on the funds maintained by the Department of Public Works Water and Sewer Division including Districts and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

Annually, the St. Bernard Parish Government issues audited general purpose financial statements which include the activity contained in the accompanying combined financial statements.

**b) Basis of Presentation**

The accompanying combined financial statements include the St. Bernard Parish Government Department of Public Works Water and Sewer Division, a department of the St. Bernard Parish Government. The combined financial statements also include the Districts which are separate component units of the parish government. The Division is responsible for water and sewerage operations of the Parish and the Districts (St. Bernard Water District No. 1, St. Bernard Water District No. 2, St. Bernard Sewer District No. 1, and St. Bernard Sewer District No. 2). Ad valorem taxes are levied by the individual districts for the retirement of outstanding bonds.

**c) Fund Accounting**

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

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4) Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. The Division's accounts are reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

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

The Enterprise Fund uses the following practices in recording certain revenues and expenses:

**1) Revenues**

Customers are billed monthly and the accompanying combined financial statements provide for the accrual of charges billed but not collected, as well as for unbilled charges through the date of the combined balance sheet.

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

Substantially all other revenues are recorded when earned.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4) Basis Of Accounting (Continued)

2) Expenses

Salaries are paid biweekly and are accrued at year end.

Unamortized debt expense of the Division is comprised of costs associated with the 1991 and 1994 Revenue Bond Issues. The cost of issuance on the 1991 Revenue Bond Issue of \$58,707 is amortized, using the straight-line method over the 19-year life of the bond. The cost of issuance on the 1994 Revenue Bond Issue of \$266,855 is amortized using the straight-line method over the 18-year life of the bond. The remaining unamortized debt expense at December 31, 1998 is \$233,384.

Unamortized debt expense of Sewer District No. 1 is comprised of costs associated with the 1991 General Obligation Refunding Bond Issue. The cost of issuance of \$35,700 is amortized using the straight-line method over the 11 1/2 year life of the bond. The remaining unamortized debt expense at December 31, 1998 is \$13,257.

Unamortized debt expense of Sewer District No. 2 is comprised of costs associated with the 1991 General Obligation Refunding Bond Issue. The cost of issuance on the 1991 General Obligation Bond Issue of \$147,900 is amortized using the straight-line method over the 13 7/8 year life of the bond. The remaining unamortized debt expense at December 31, 1998 is \$67,285.

Amortization of debt expense for the year ended December 31, 1998 was \$32,013.

Depreciation expense on all exhaustible fixed assets is determined by the straight-line method using the estimated useful life and is recorded as an operating expense during the accounting period.

Substantially all other expenses are recognized at the time the liability is incurred.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Accounts Receivable

The Division has established an allowance for doubtful accounts for write-off of delinquent accounts. The allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at December 31, 1998 is \$44,346.

f) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g) Cash and Cash Equivalents

Cash includes amounts in petty cash, demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in certificates of deposit. Under state law, the Division may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

h) Inventory

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

i) Interfund Receivables and Payables

Interfund receivables and payables between the Division and Districts have been eliminated on the combined balance sheet at December 31, 1998.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Restricted Assets

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

k) Fixed Assets and Long-Term Liabilities

Fixed assets of the Division are included on the combined balance sheet of the funds. Interest costs incurred during construction are not capitalized. Depreciation of all depreciable fixed assets is charged as an expense against operations. Fixed assets, other than those donated, are recorded at cost. Donated fixed assets, primarily water and sewer lines constructed by independent contractors, are recorded at estimated fair market value as of the date donated. Fixed assets are reported on the balance sheet net of accumulated depreciation.

Depreciation is computed using the straight-line method, over the following useful lives, started in years:

	Water and Sewer Division	Water District Nos. 1	Water District Nos. 2	Sewer Districts
Pipeline systems	100	100	100	5 - 20
Buildings and improvements	50 - 100	50	33	25
Machinery and equipment	5 - 10	4 - 10	8 - 10	10 - 20
Water tanks	50 - 100	33	30	-
Meter basins	33 - 60	33	33	-

Long-term liabilities are recognized within the enterprise funds.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**0) Fund Equity**

**1) Contributed Capital**

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

**2) Reserves**

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

**3) GASB Pronouncements**

Governmental Accounting Standards Board (GASB) Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," provides that Proprietary Funds may apply all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) Opinions, and Accounting Research Bulletin (ARBs) of the Committee on Accounting Procedure. The Division has elected to apply only FASB, APB and ARB materials issued on or before November 30, 1989.

**4) Compensated Absences**

Employees earn two to five weeks of paid vacation each year, up to 50 days will be paid in cash at retirement or termination if proper notice is given. If proper notice is not given, up to 10 days may be subtracted from their accumulated vacation and the remainder is paid in cash. Employees earn 12 days of sick leave each year, which may accumulate to an unlimited number of days but does not vest. At December 31, 1998, the accrued vacation was \$258,042.

**Note 2 - DEPOSITS**

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

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

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

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

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

At year end the carrying amount and the bank balances of deposits of the Division and its Districts are as follows:

	Bank Balances Category			Book Balance
	1	2	3	
Cash	\$111,072	\$ -	\$3,796,709	\$4,157,240
Certificates of deposit	<u>189,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,189,000</u>
<b>Totals</b>	<b><u>\$300,072</u></b>	<b><u>\$ -</u></b>	<b><u>\$4,796,709</u></b>	<b><u>\$5,252,240</u></b>

**Note 2 - DEPOSITS (Continued)**

At December 31, 1996, cash and certificates of deposit in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the depositors. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 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 depositor that the financial agent has failed to pay deposited funds upon demand.

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

	<u>Beginning</u> <u>of Year</u>	<u>End of</u> <u>Year</u>
Cash and cash equivalents:		
Nonrestricted	\$ 686,814	\$ 590,816
Restricted	<u>3,215,831</u>	<u>4,756,794</u>
Total cash and cash equivalents	<u>\$3,901,745</u>	<u>\$5,257,210</u>
Supplemental cash flows information:		
Interest paid during the year	<u>\$581,840</u>	
Noncash capital financing activity donated lines	<u>\$571,950</u>	

**Note 3 - PROPERTY TAXES**

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Bernard Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 1996. Taxes are due and payable November 15 of each year and become delinquent December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which taxes have not been paid are sold.

**Note 3 - PROPERTY TAXES (Continued)**

The following is a summary of authorized and levied ad valorem taxes for debt service for the year ended December 31, 1998:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Sewer District No. 1	Variable	3.00
Sewer District No. 2	Variable	3.75

**Note 4 - CHANGE IN PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of the changes of the Division's fixed assets for the year ended December 31, 1998.

	<u>Balance January, 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 1998</u>
Land	\$ 141,569	\$ -	\$ -	\$ 141,569
Pipeline systems	49,781,315	1,378,400	-	51,160,315
Plant, machinery, and equipment	<u>33,250,323</u>	<u>693,451</u>	-	<u>34,243,774</u>
Total property, plant, and equipment	85,673,807	<u>\$1,871,851</u>	<u>\$-</u>	85,545,658
Less accumulated depreciation	<u>(42,289,282)</u>			<u>(44,639,884)</u>
Net property, plant, and equipment	<u>\$ 41,384,525</u>			<u>\$ 40,905,774</u>

**Note 4 - CHANGE IN PROPERTY, PLANT AND EQUIPMENT (Continued)**

The composition of property, plant and equipment at December 31, 1998 by entity, is as follows:

Division	\$ 35,299,272
Water District No. 1	20,774,000
Water District No. 2	3,128,277
Sewer District No. 1	9,775,700
Sewer District No. 2	<u>17,568,282</u>
Total property, plant, and equipment	<u>585,345,658</u>

Depreciation expense totaled \$2,350,502 for the year ended December 31, 1998.

**Note 5 - DEFINED BENEFIT PENSION PLAN**

Employees of the Division are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost sharing), public-employee retirement system (PERS). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Division are members of Plan A. For the year ended December 31, 1998, the total payroll for employees covered by the System under Plan A was \$2,183,603.

**Plan Description** - The Water and Sewer Division contributes to Plan A of the Parochial Employees' Retirement System of Louisiana (the System), cost-sharing multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 305 of the 1952 Louisiana Legislature Session established the plan.

The System is governed by Louisiana Revised Statutes 11:1901 through 11:2015, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-0619.

**Note 5 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Funding Policy** - Plan members are required to contribute 9.5% of their annual-covered salary and the Water and Sewer Division is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual payroll. The contribution requirements of plan members and the Water and Sewer Division are established and may be amended by state statute. The Water and Sewer Division's contributions to the Systems for the years ended December 31, 1998, 1997 and 1996 were \$163,509, \$161,264 and \$156,860, respectively, equal to the required contributions for each year.

**Note 6 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

In addition to the pension benefits described in Note 5, the Division provides post retirement health care benefits, in accordance with the Division's personnel policy, to all employees who retire either: 1) on or after attaining age 60 with at least 10 years of service, or 2) on or after attaining age 55 with at least 25 years of service, or 3) on or after attaining any age with at least 20 years of service. As of the year end, 18 retirees have met these eligibility requirements. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the Division. Retirees and active employees, however, are responsible for dependent coverage costs. The Division reimburses the first \$20,000 of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees and their dependents. Expenses for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the Division. During the year, expenses of approximately \$51,668 were recognized for post-retirement health care.

**Note 7 - OPERATING LEASES**

The Division receives lease income from a right-of-way agreement. The annual rental income is \$2,500 and is payable for ten years beginning September 1, 1995. At the end of the lease period the agreement may be renegotiated at no less than \$2,500 a year for ten additional years.

The Division also receives lease income from six different tower lease agreements. The first lease is \$5,000 per year for a period of five years beginning August 9, 1995. The lease can be renewed for four additional five-year periods. The second lease is for \$6,000

**Note 7 - OPERATING LEASES (Continued)**

per year. The lease commenced June 28, 1996 and is for a period of five years. The agreement can be renewed for four additional five-year periods. The third lease is for \$12,000 per year. The lease commenced August 23, 1996 and is for a period of five years. The lease agreement can be renewed for four additional five-year periods. The fourth lease is for \$13,200 per year for a period of five years beginning November 19, 1996. The lease can be renewed for four additional three-year periods. The fifth lease is for \$12,500 per year for a period of five years beginning July 28, 1998. The lease can be renewed for four additional three-year periods. The sixth lease is for \$9,000 per year for a period of five years beginning December 23, 1998. The lease can be renewed for four additional three-year periods.

The Division also granted the St. Bernard Parish School Board the use of property at St. Bernard Highway and Palmetto Boulevard free of rent for a period of thirty years.

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

Year Ending December 31,	
1999	\$ 60,800
2000	55,800
2001	57,800
2002	57,800
2003	2,500
Thereafter	<u>2,300</u>
<b>Total</b>	<b><u>\$197,200</u></b>

Rental income for the year ended December 31, 1998 was \$42,481.

**Note B - LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities and the current portion due at December 31, 1998:

	<u>Water and Sewer Division</u>	<u>Senior District</u>		<u>Total</u>
		<u>No. 1</u>	<u>No. 2</u>	
Public improvements general obligation and revenue bonds payable	\$7,465,000	\$385,000	\$2,033,000	\$9,883,000
Capital lease payable	<u>1,000</u>	-	-	<u>1,000</u>
<b>Totals</b>	<b>7,466,000</b>	<b>385,000</b>	<b>2,033,000</b>	<b>9,884,000</b>
Less current portion:				
Public improvement and revenue bonds payable	725,000	65,000	336,000	1,126,000
Capital lease payable	<u>1,000</u>	-	-	<u>1,000</u>
<b>Long-term portion</b>	<b><u>\$6,740,000</u></b>	<b><u>\$320,000</u></b>	<b><u>\$1,697,000</u></b>	<b><u>\$8,757,000</u></b>

Public improvement bonds general obligation, and water revenue comprised of the following individual issues:

**a) Public Improvement And General Obligation Bonds**

Public improvement and general obligation bonds are secured by the full faith and credit of the various Districts and are financed through the levy and collection of ad valorem taxes.

The bonds were issued to construct improvements and extensions to the water-works and sewerage systems. Public improvement and general obligation bonds are comprised of the following individual issues:

Note E - LONG-TERM LIABILITIES (Continued)

a) Public Improvement And General Obligation Bonds (Continued)

- 1) \$2,500,000 Public Improvement Bonds of the Water District No. 1 issue of September 1, 1973, due in annual installments of \$155,000 bearing an interest rate of 5.70% through March 1, 1998. The last payment of \$155,000 was made during 1998.
- 2) \$875,000 General Obligation Refunding Bonds of the Sewer District No. 1 issue of September 1, 1991, due in annual installments of \$90,000 to \$90,000 bearing interest rates of 6.0% to 5.5% through March 1, 2003. Amount outstanding - \$385,000.
- 3) \$240,000 Public Improvement Bonds of the Sewer District No. 2 issue of June 1, 1971, due in annual installments of \$1,000, bearing an interest rate of 8.00% through February 1, 2000. Amount outstanding - \$3,000.
- 4) \$3,295,000 General Obligation Refunding Bonds of the Sewer District No. 2 issue of September 1, 1991, due in annual installments of \$170,000 to \$340,000 bearing interest rates of 6.0% to 6.85% through March 1, 2005. Amount outstanding - \$2,830,000.

b) Revenue Bonds

On April 1, 1994, \$7,195,000 of the 1986 Revenue Bond was defeased. The bonds had interest rates ranging from 7.50% to 8% and debt service payments from \$400,000 to \$990,000. As a result of the defeasance \$7,550,000 Series 1994 Revenue Refunding Bonds were issued. The interest rate on the new bonds ranges from 4.2% to 5.2% and the bonds mature on August 1, 2006 with debt service payments due in annual principal installments ranging from \$645,000 to \$940,000. The balance outstanding at December 31, 1998 is \$6,369,000. The 1991 Revenue Bonds are due in annual principal installments of \$50,000 to \$135,000, bearing interest rates of 6.15% to 7.10% through August 1, 2001. The balance outstanding at December 31, 1998 is \$1,078,000.

Note B - LONG-TERM LIABILITIES (Continued)

b) Revenue Bonds (Continued)

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

Pursuant to a resolution, the Water and Sewer Division has agreed in each bond year to fix, establish, and collect such rates and collect such fees, rentals, or other charges for all services, after making due allowance for delinquencies in collection and after providing for the payment of the reasonable and necessary expenses of operating and maintaining the system, to produce net revenues (1) that are sufficient to pay debt service on all outstanding bonds and to maintain the funds and accounts established in the resolution and (2) that result in each fiscal year in the greater of (a) the sum of debt service payable on the bonds in the ensuing fiscal year plus any required deposit to the Debt Service Reserve Fund or (b) a ratio of net revenues to average annual debt service of not less than 1.35 to 1. The ratio of net revenues to average annual debt service for the year ended December 31, 1998, is 3.03 to 1. The ratio is more than the minimum requirements of the bond indenture. The bond agreement requires the Water and Sewer Divisions to establish and maintain the following accounts:

1. A debt service reserve account with the sum equal to the maximum annual debt service on the bonds.
2. A debt service account with monthly deposits of one-twelfth of the annual principal and interest payment to pay promptly and fully the principal and interest on the loan as it becomes due and payable.

Note E - LONG-TERM LIABILITIES (Continued)

b) Revenue Bonds (Continued)

7. A renewal and replacement account with monthly deposits of 5% of the prior month's operating expenses, which will be used to pay for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system.

The Division has established and maintained these accounts, and at December 31, 1998, the cash and cash equivalent balances in the debt service reserve account, the debt service account, and the renewal and replacement account are \$1,223,056, \$485,279, and \$2,163,879, respectively. The account balances in the debt service reserve, debt service and renewal and replacement accounts exceed the minimum requirements of the bond indenture.

The following is a summary of the bonds payable transactions for the year ended December 31, 1998:

	Water and Sewer Division	Water District No. 1	Sewer District		Total
			No. 1	No. 2	
Outstanding at January 1, 1998	\$8,668,080	\$255,080	\$445,080	\$2,354,800	\$11,723,040
Payments	—895,080	—355,080	—68,080	—251,800	—1,510,040
Outstanding at December 31, 1998	\$7,773,000	\$—	\$377,000	\$2,103,000	\$10,253,000

**Note 8 - LONG-TERM LIABILITIES (Continued)**

**b) Revenue Bonds (Continued)**

The annual requirements to amortize all bonds outstanding at December 31, 1998, including interest are as follows:

Year Ending December 31,	Principal	Interest	Total
1999	\$1,126,000	\$ 523,298	\$ 1,649,298
2000	1,166,000	485,995	1,651,995
2001	1,201,000	405,304	1,606,304
2002	1,255,000	341,008	1,596,008
2003	1,000,000	273,383	1,273,383
2004 - 2011	<u>3,835,000</u>	<u>587,528</u>	<u>4,422,528</u>
Totals	<u>\$9,883,000</u>	<u>\$2,586,516</u>	<u>\$12,469,516</u>

**Note 9 - RESERVED RETAINED EARNINGS**

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

- a) Reserve for capital renewal and replacement - accumulates monies to cover the extensions, additions, improvements renewals, and replacements necessary to properly operate the sewerage system. Such monies will also be available to pay the principal and interest on outstanding bonds in the event funds are not sufficient in the debt service and debt service reserve accounts. (Minimum deposits are made monthly to the reserve account from revenues in an amount equal to 3% of the prior month's operating expenses.) In addition, net assets acquired with the Water and Sewer Division's funds are included in the reserve per board resolution. The reserved retained earnings are \$9,200,398 at December 31, 1998.

Note 9 - RESERVED RETAINED EARNINGS (Continued)

- b) Reserve for construction - established in accordance with bond requirements and the Water and Sewer Division's resolution. The reserved funds pay for construction projects required by the United States Environmental Protection Agency. The Division also irrevocably pledges money held in this reserve to the bond holders as additional security for the bonds. Upon completion of the projects, any remaining funds will be reserved for debt service to satisfy any deficiency in funds needed to pay principal and interest on the \$1,350,000 bond issue dated December 1, 1991 and principal and interest on the \$7,950,000 bond issue dated April 1, 1994. In addition, the construction projects are capitalized when completed and included in the reserve and certain portions of the 1991 and 1994 revenue bonds payable to reduce the reserve per bond resolution. The reserved retained earnings are \$1,625,925 at December 31, 1998.
  
- c) Reserve for debt service - this reserve consists of two accounts. 1) The debt service account accumulates money from the net utilities revenues for the payment of interest and principal on the 1991 and 1994 revenue bonds. 2) The debt service reserve account accumulates interest on the \$1,111,165 of bond proceeds set aside for the benefit of bond holders. In addition, the related 1991 and 1994 bond principal and interest reduces the reserve. As of December 31, 1998, the reserved retained earnings was \$147,303.

**Note 9 - RESERVED RETAINED EARNINGS (Continued)**

The components of the reserve accounts are as follows:

	Reserve For Capital Renewal and Replacement	Reserve For Construction	Reserve For Debt Service
<b>Assets</b>			
Cash and cash equivalents	\$2,163,879	\$ -	\$1,718,333
Property, plant and equipment and bond insurance cost - net	<u>7,127,519</u>	<u>16,733,769</u>	<u>-</u>
<b>Total assets</b>	<u>9,291,398</u>	<u>16,733,769</u>	<u>1,718,333</u>
<b>Liabilities</b>			
Current portion of bonds payable	-	422,917	302,883
Accrued interest payable	-	-	137,782
Lease payable	1,800	-	-
Long-term 1991 and 1994 revenue bonds payable	<u>-</u>	<u>5,628,825</u>	<u>1,111,165</u>
<b>Total liabilities</b>	<u>1,800</u>	<u>6,051,752</u>	<u>1,551,830</u>
<b>Contributed Capital</b>	<u>-</u>	<u>9,856,082</u>	<u>-</u>
<b>Reserved Retained Earnings</b>	<u>\$9,290,598</u>	<u>\$1,625,925</u>	<u>\$ 147,303</u>

Note 10 - PROPRIETARY FUNDS (SEGMENT INFORMATION)

Segment information for the Water and Sewer Division's enterprise funds is as follows:

	Water and Sewer Division	Water District		Sewer District		Total
		No. 1	No. 2	No. 1	No. 2	
Operating revenues	\$ 9,889,191	\$ -	\$ -	\$ -	\$ -	\$ 9,889,191
Operating expenses:						
Depreciation and amortization	1,384,738	372,646	38,589	214,959	413,613	2,382,515
All other	5,641,043	99	108	108	108	5,641,464
Operating income (loss)	2,863,412	(372,743)	(28,677)	(279,087)	(413,721)	1,865,212
Tax revenues	-	280	-	100,819	493,568	996,467
Net income (loss)	2,625,089	(272,733)	(28,677)	(194,994)	(42,397)	2,879,891
Property, plant and equipment additions	1,299,000	-	-	-	-	1,299,001
Deceased item	571,950	-	-	-	-	571,950
Bonds payable:						
Payable from operating revenue	7,465,000	-	-	-	-	7,465,000
Payable from other sources	-	-	-	343,000	2,033,000	2,418,000
Net working capital (deficiencies)	1,583,718	-	-	(21)	(28,490)	1,155,228
Total assets	29,719,442	10,897,397	843,713	2,941,474	3,998,456	48,170,487
Contributed capital	9,096,052	3,682,837	-	1,256,867	1,428,878	15,424,664
Total fund equity	20,697,211	10,897,397	843,713	2,548,348	1,843,925	36,093,574

**Note 11 - CUSTOMER DEPOSITS**

The Division has used funds from Customer Meter Deposit cash account to pay operating expenses and capital improvements. At December 31, 1998, the customer meter deposits cash account had a balance of \$245,772 and the customer meter deposits liability was \$1,161,654.

**Note 12 - DEFERRED COMPENSATION PLAN**

Due to the enactment of the Small Business Job Protection Act of 1996 (the Act), the Division is not required to report the assets of its Internal Revenue Code Section 457 plan. Prior to the Act, Section 457 allowed the deferral of taxes on deferred compensation plans only if the plan assets were solely the property of the government employer and subject to the employer's general creditors. The Act now requires that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the Division or its creditors.

**Note 13 - COMPENSATION PAID TO COUNCIL MEMBERS**

The Division did not pay any compensation to the members of the St. Bernard Parish Council.

**Note 14 - CONTINGENCIES**

The Division is involved in various claims for alleged negligence. The exposure to the Division is estimated to be approximately \$13,757. The estimated claims liability is computed based on information received from the insurance company. The claims liability at December 31, 1998 is presented at current value and has not been discounted.

Note 15 - SELF INSURANCE/RISK MANAGEMENT

The Division is exposed to various risks of loss related to general liability, auto liability, workers' compensation, unemployment compensation, property and group health benefits. Various suits and claims arising from personal injury and property damage, some for substantial amounts, are pending against the Division, its insurers and others. In accordance with Statement of Financial Accounting Standards No. 5, the Division has provided for, in its financial statements, estimated losses from the aforementioned pending suits and claims based on the estimated ultimate cost of settling the claims, considering the effects of inflation, recent claim settlement trends and other social and economic factors, including the effect of specific incremental claim adjustment expenses, savings and subrogation. The Division believes the ultimate settlement costs will not materially exceed the amounts provided for the claims.

The Division is self insured for group health claims up to approximately \$20,000 per employee or an aggregate of approximately \$20,884 claims per year. The excess is insured under an insurance policy. The fund is administered by an independent insurance service company.

The estimated claims liability is computed based on information received from the administrator of the plan. The following represents a reconciliation of total claims liability:

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Claims liability at beginning of year	\$ 60,104	\$ 40,587	\$ 41,634
Plus provision for incurred claims	259,947	276,359	405,511
Less claims paid	(258,982)	(256,842)	(406,558)
Claims liability at end of year	<u>\$ 60,969</u>	<u>\$ 60,104</u>	<u>\$ 40,587</u>

The claims liability at December 31, 1998 is presented at current value and has not been discounted.

**Note 15 - SELF INSURANCE/RISK MANAGEMENT (Continued)**

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

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

The following represents a reconciliation of total claims liability:

	<u>1998</u>	<u>1997</u>
Claims liability at beginning of year	\$ 23,326	\$ -
Plus provision for incurred claims	218,451	80,858
Less claims paid	<u>(53,001)</u>	<u>(60,552)</u>
Claims liability at end of year	<u>\$188,776</u>	<u>\$23,326</u>

The claims liability at December 31, 1998 is presented at current value and has not been discounted.

**Note 16 - ADMINISTRATIVE ORDER**

During 1996, the Division received an administrative order from the United States Environmental Protection Agency (EPA). The order stated that the Division has violated its National Pollutant Discharge Permit and the Clean Water Act. The EPA has allowed the Division a reasonable period to take corrective action to eliminate and prevent recurrence of the non-compliant discharges cited in the findings or to submit a comprehensive plan to eliminate and prevent recurrence of violations cited in the findings.

**Note 16 - ADMINISTRATIVE ORDER (Continued)**

The Division has filed a response to the deficiencies cited in the order and has implemented a plan to improve and expand the treatment plant. The EPA issued another order stating that construction and compliance must be completed by December 1, 2001. The Division can be assessed up to \$27,500 per day in penalties for noncompliance to the order. There have been no assessments by the EPA or penalties assessed in these financial statements.

**Note 17 - FEDERAL INVESTIGATION**

During 1997, the Division has come under investigation by a federal agency concerning its waste water disposal from its facilities. The investigation is in its initial stage. Presently, it is not possible to determine the effect of this investigation on the financial statements, if any.

**Note 18 - SUBSEQUENT EVENT**

On November 3, 1998, the citizens of St. Bernard Parish, by a special election, approved a 1/2% sales tax, commencing January 1, 1999. The proceeds of this tax are dedicated for improvements to the sewer and water system of the Division, including authority to fund the tax into bonds, provided that at least 25% of the annual revenues of the sales must be expended to correct inflow and infiltration in sewerage collection lines, or to repair damage caused thereby, unless required for debt service on bonds or otherwise approved by at least two-thirds of the Council.

**SUPPLEMENTARY INFORMATION SECTION**

**COMBINED BALANCE SHEET**

**St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the District**

December 31, 1998

ASSETS	Water and Sewer Division	Water District		Sewerage District		Total
		Mo. 1	Mo. 2	Mo. 1	Mo. 2	
<b>Current</b>						
Cash and cash equivalents	\$ 588,816	\$ -	\$ -	\$ -	\$ -	\$ 588,816
Customer receivables, net of allowance for doubtful accounts of \$44,846	476,145	-	-	-	-	476,145
Inventories	645,819	-	-	-	-	645,819
Inventory	174,664	-	-	-	-	174,664
Prepaid expenses	15,552	-	-	-	-	15,552
<b>Total current assets</b>	<b>1,700,996</b>					<b>1,700,996</b>
<b>Restricted Assets</b>						
Cash and cash equivalents						
Revenue bond debt service reserve	1,223,894	-	-	-	-	1,223,894
Revenue bond debt service account	495,279	-	-	-	-	495,279
Revenue and replacement account	2,140,879	-	-	-	-	2,140,879
Other debt service accounts	-	5,689	888,626	111,945	488,158	624,418
Customer water deposits	285,972	-	-	-	-	285,972
All other cash (non-receivable)	-	-	-	79,684	378,118	457,802
<b>Total restricted assets</b>	<b>4,145,924</b>	<b>5,689</b>	<b>888,626</b>	<b>281,629</b>	<b>776,276</b>	<b>5,117,145</b>
<b>Property, Plant, and Equipment, Net of Accumulated Depreciation</b>	<b>2,842,983</b>	<b>15,681,328</b>	<b>79,689</b>	<b>2,777,179</b>	<b>3,124,986</b>	<b>4,027,144</b>
<b>Unamortized Debt Expense</b>	<b>233,384</b>			<b>13,287</b>	<b>87,283</b>	<b>313,954</b>
<b>Total assets</b>	<b>\$7,723,393</b>	<b>\$18,687,327</b>	<b>\$,867,713</b>	<b>\$2,791,176</b>	<b>\$4,268,436</b>	<b>\$26,137,045</b>

	Water and Sewer Utilities		Water District		Sewerage District		Total
	No. 1	No. 2	No. 1	No. 2	No. 1	No. 2	
<b>LIABILITIES</b>							
<b>Current</b>							
Payable from current assets:							
Accounts payable	\$ 216,988	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,988
Interest on notes payable	15,252	-	-	-	-	-	15,252
Self-insurance claims payable	289,582	-	-	-	-	-	289,582
Leases payable	1,000	-	-	-	-	-	1,000
Salaries payable	88,895	-	-	-	-	-	88,895
Due to (from) other funds	(29,487)	-	-	14	-	29,488	-
Due to St. Bernard Parish	-	-	-	-	-	-	-
Self Insurance Fund	75,401	-	-	-	-	-	75,401
Total current liabilities payable from current assets	566,428	-	-	14	-	29,488	595,930
Payable from restricted assets:							
Bonds payable	123,888	-	-	45,888	156,000	-	1,125,000
Accrued interest payable	171,783	-	-	8,387	41,684	-	288,854
Customer deposits	1,561,834	-	-	-	-	-	1,561,834
Inspection deposits	13,500	-	-	-	-	-	13,500
Total current liabilities payable from restricted assets	1,870,103	-	-	54,275	197,684	-	1,586,888
<b>Long-term liabilities:</b>							
Accrued vacation fund	178,062	-	-	-	-	-	288,860
Bonds payable	4,798,000	-	-	238,888	1,491,000	-	8,757,888
Total long-term liabilities	4,976,062	-	-	238,888	1,491,000	-	9,046,748
Total liabilities	9,012,144	-	-	293,128	1,491,554	-	10,118,860
<b>Fund Equity</b>							
Contributed Capital	9296,082	3,682,897	-	1,736,867	1,426,878	-	15,442,824
<b>Retained Earnings</b>							
Retained:							
Capital received and replacement	9,296,082	-	-	-	-	-	9,296,082
Contributions	1,625,513	-	-	-	-	-	1,625,513
Gifts in lieu	141,308	-	-	-	-	-	141,308
(Unreserved deficit)	(21,505)	7,804,568	845,715	1,391,481	433,687	-	9,565,256
Unreserved earnings	11,041,139	7,804,568	845,715	1,391,481	433,687	-	20,407,614
Total fund equity	20,097,221	10,487,465	845,715	2,182,348	1,865,364	-	30,898,123
Total liabilities and fund equity	\$ 17,571,144	\$ 18,487,465	\$ 845,715	\$ 2,563,476	\$ 1,865,364	\$ -	\$ 31,018,860

## COMBINED STATEMENT OF REVENUES AND EXPENSES

St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts

For the year ended December 31, 1998

	Water and Sewer Division	Water Districts		Sewerage Districts		Total
		No. 1	No. 2	No. 1	No. 2	
<b>Operating Revenues</b>						
Use fees	\$19,072,111	\$ -	\$ -	\$ -	\$ -	\$19,072,111
Other operating revenues	194,088	-	-	-	-	194,088
<b>Total operating revenues</b>	<b>19,266,199</b>					<b>19,266,199</b>
<b>Operating Expenses</b>						
Personnel services and related benefits	2,874,081	-	-	-	-	2,874,081
Utilities	821,788	-	-	-	-	821,788
Contracted services, supplies, and materials	1,379,142	99	108	108	808	1,379,557
Professional services	800,294	-	-	-	-	800,294
Inventory and claims expense	214,878	-	-	-	-	214,878
Depreciation and amortization	1,554,238	273,648	35,589	274,099	403,643	2,582,918
Other	91,848	-	-	-	-	91,848
<b>Total operating expenses</b>	<b>7,605,789</b>	<b>273,747</b>	<b>35,677</b>	<b>274,097</b>	<b>403,723</b>	<b>8,005,579</b>
<b>Operating Income (Loss)</b>	<b>11,660,410</b>	<b>(273,749)</b>	<b>(35,677)</b>	<b>(274,097)</b>	<b>(403,723)</b>	<b>11,660,211</b>
<b>Nonoperating Revenues (Expenses)</b>						
Ad valorem tax for debt retirement	-	148	-	186,618	189,368	376,134
Interest earnings:						
Construction	62,982	-	-	-	-	62,982
Other	188,278	1,542	2,689	3,499	18,264	193,988
Interest expense and bond fees	(299,693)	(1,612)	-	(24,916)	(1,500,808)	(299,693)
Indefinite term (a) repayment taxes for debt retirement	-	-	-	(3,119)	(15,345)	(18,464)
<b>Total nonoperating revenues (expenses)</b>	<b>(134,433)</b>	<b>18</b>	<b>2,689</b>	<b>86,082</b>	<b>166,325</b>	<b>214,589</b>
<b>Net Income (Loss)</b>	<b>\$ 11,525,977</b>	<b>\$ (273,731)</b>	<b>\$ (32,988)</b>	<b>\$ (188,015)</b>	<b>\$ (237,398)</b>	<b>\$ 11,525,977</b>

**COMBINED STATEMENT OF CHANGES IN FUND EQUITY  
(RETAINED EARNINGS AND CONTRIBUTED CAPITAL)**

**St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts**

For the year ended December 31, 1998

	Water and Sewer Division	Water District		Sewerage District		Total
		No. 1	No. 2	No. 1	No. 2	
<b>Contributed Capital</b>						
Beginning of Year	\$ 9,844,349	\$ 3,716,353	\$ -	\$ 1,381,884	\$ 1,276,740	\$ 15,219,226
Other - donated fees	571,058	-	-	-	-	571,058
Depreciation of assets purchased with contributed capital	(860,297)	(83,914)	-	(118,837)	(143,868)	(936,916)
<b>Contributed Capital, End of Year</b>	<b>9,555,110</b>	<b>3,632,439</b>	<b>-</b>	<b>1,263,047</b>	<b>1,132,872</b>	<b>15,423,468</b>
<b>Retained Earnings, Beginning of Year</b>	<b>2,831,883</b>	<b>1,180,319</b>	<b>879,783</b>	<b>1,368,538</b>	<b>302,556</b>	<b>17,673,131</b>
Net income (loss)	2,628,889	(772,115)	(36,872)	(194,884)	(48,797)	2,876,829
Depreciation of assets purchased with contributed capital	860,297	83,914	-	118,837	143,868	936,916
<b>Retained Earnings, End of Year</b>	<b>11,941,079</b>	<b>1,284,109</b>	<b>842,911</b>	<b>1,173,654</b>	<b>405,017</b>	<b>20,625,918</b>
<b>Fund Equity, End of Year</b>	<b>\$ 20,496,211</b>	<b>\$ 4,916,548</b>	<b>\$ 842,911</b>	<b>\$ 2,436,701</b>	<b>\$ 1,537,889</b>	<b>\$ 29,890,294</b>

## COMBINING STATEMENT OF CASH FLOWS

St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts

For the year ended December 31, 1998

	Water and Sewer Division	Water District		Sewerage District		Total
		No. 1	No. 2	No. 1	No. 2	
<b>Cash Flows From Operating Activities</b>						
Operating income/loss	\$ 3,885,627	\$ (771,745)	\$ (284,673)	\$ (275,063)	\$ (411,539)	\$ 3,003,712
Adjustments to reconcile operating income/loss to net cash provided by (used in) operating activities:						
(Increase) decrease in cash provided by (used in) operating activities:						
Depreciation and amortization	1,964,556	551,646	78,565	276,889	411,633	2,983,515
(Increase) decrease in accounts receivable	1,086,034	-	-	-	-	1,086,034
Increase in liabilities	76,587	-	-	-	-	76,587
Increase in payables	81,596	-	-	-	-	81,596
Total adjustments	1,414,733	200,646	38,565	276,889	411,633	2,412,497
Net cash provided by (used in) operating activities	4,299,360	(571,099)	(246,108)	(98,174)	(69,906)	4,213,060
<b>Cash Flows From/Noncapital Financing Activities</b>						
Transfer from loan sales funds	171,880	(7,284)	71,438	(1,776)	6,634	-
Payments on St. Bernard Parish Self Issued Bonds	(548,799)	-	-	-	-	(548,799)
Net cash provided by (used in) noncapital financing activities	(376,919)	(7,284)	71,438	(1,776)	6,634	(306,931)
<b>Cash Flows From Capital Financing Activities</b>						
Additional loans - debt conversion	-	88,617	-	111,983	105,051	405,651
Face issue of capital assets	(1,299,985)	-	-	-	-	(1,299,985)
Payments on capital issues	(204,323)	-	-	-	-	(204,323)
Principal portion bonds	(875,000)	(155,888)	-	(68,888)	(18,000)	(1,217,776)
Interest paid	(911,132)	(4,757)	-	(26,884)	(109,784)	(1,052,557)
Net cash provided by (used in) capital financing activities	(2,281,440)	(127,928)	-	(25,787)	67,541	(2,477,614)
<b>Cash Flows From Investing Activities</b>						
Interest on cash management activities	144,345	1,792	1,485	1,485	19,264	171,371
<b>Net Increase in Cash and Cash Equivalents</b>	1,293,005	(174,909)	25,333	31,688	90,529	1,315,646
<b>Cash and Cash Equivalents</b>						
Beginning of year	3,529,613	351,889	32,369	93,002	586,491	3,933,374
End of year	\$ 4,822,618	\$ 176,980	\$ 57,702	\$ 124,690	\$ 677,020	\$ 5,254,020

**SCHEDULE OF ANNUAL DEBT SERVICE REQUIREMENTS**

**St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts**

December 31, 1998

Years	Water and Sewer Division 1991 and 1994 Revenue Bonds		
	Principal	Interest	Total
1999	\$ 725,000	\$ 383,998	\$ 1,108,998
2000	760,000	348,510	1,108,510
2001	790,000	314,360	1,104,360
2002	830,000	276,608	1,106,608
2003	875,000	236,165	1,111,165
2004	915,000	193,025	1,108,025
2005	965,000	148,975	1,113,975
2006	1,010,000	95,430	1,105,430
2007	105,000	41,650	146,650
2008	110,000	34,300	144,300
2009	120,000	28,600	148,600
2010	125,000	18,300	143,300
2011	135,000	9,450	144,450
<b>Total debt service requirements</b>	<b>\$ 7,485,000</b>	<b>\$ 2,123,271</b>	<b>\$ 9,608,271</b>

Sewer Districts Nos. 1 and 2 Public Improvement Bonds			Total	Total	Total
Principal	Interest	Total	Principal	Interest	Total
\$ 401,000	\$ 141,390	\$ 542,390	\$ 1,124,000	\$ 523,298	\$ 1,647,298
406,000	116,485	522,485	1,166,000	465,995	1,631,995
411,000	90,934	501,934	1,200,000	405,314	1,605,314
425,000	64,410	489,410	1,255,000	341,618	1,596,618
425,000	36,998	461,998	1,300,000	273,163	1,573,163
180,000	17,243	197,243	1,095,000	210,270	1,305,270
170,000	5,683	175,683	1,135,000	151,628	1,286,628
-	-	-	1,010,000	95,430	1,105,430
-	-	-	105,000	41,650	146,650
-	-	-	110,000	34,300	144,300
-	-	-	120,000	26,600	146,600
-	-	-	125,000	18,200	143,200
-	-	-	135,000	9,450	144,450
\$ 2,418,000	\$ 473,045	\$ 2,891,045	\$ 9,883,000	\$ 2,996,316	\$ 12,879,316

**SCHEDULE OF COMPUTATION OF THE RATIO OF  
NET REVENUES (EXCLUDING WATER AND SEWER DISTRICTS)  
TO AVERAGE ANNUAL DEBT SERVICE**

**St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts**

For the year ended December 31, 1998

Division operating revenues	\$ 9,889,191
Add nonoperating revenues - interest earned on other than construction funds	100,278
Total revenues available	9,991,609
Division operating expenses	7,025,769
Less depreciation and amortization	1,384,728
Total adjusted expenses	5,641,041
Net revenues	\$ 4,350,428
Average annual debt service requirement	\$ 1,108,254
Ratio of net revenues to average annual debt service requirement	3.93 to 1

SCHEDULE OF METERED CUSTOMERS

**St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts**

December 31, 1998

(Unaudited)

At December 31, 1998, the St. Bernard Parish Government Department of Public Works Water and Sewer Division had 24,243 metered customers.

**GASB REQUIRED SUPPLEMENTARY INFORMATION SECTIONS**

## **YEAR 2000 SUPPLEMENTARY INFORMATION**

### **St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts**

December 31, 1998

(Unaudited)

The year 2000 issue is the result of shortcomings in many data processing systems and other electronic equipment that may adversely affect the Division's operations as early as fiscal year 1999.

The Division has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting Division operations. The Division currently has completed assessing the need for system changes. Some remediation has occurred for the system and additional remediation is anticipated. Testing and validation will occur after remediation of the system is completed. The District will be upgrading all computer systems during the year ending December 31, 1999. The NT Windows based network which is year 2000 compliant will be purchased to upgrade the financial system currently used by the Division. Updated software and new computer workstations will also be acquired to comply with the year 2000 issue. The Division has designated approximately \$25,000 for purchasing, from outside vendors, hardware and software upgrades believed to be year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, its efforts and the success of related remediation efforts will not be determinable until the year 2000 and thereafter. However, management is dedicated to assuring that all matters within their control are resolved prior to the year 2000, but cannot prevent noncompliance problems caused by outside sources.

**SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**



**BERNARDINI BERNARDI**

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

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

We have audited the combined financial statements of the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the District (the Division), as of and for the year ended December 31, 1998, and have issued our report thereon dated April 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Division's combined 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 Division's internal control over combined financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Division's combined financial statements and not to provide assurance

on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Division's ability to record, process, summarize, and report financial data consistent with the assertions of management in the combined financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-1.

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 combined financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Division in a separate letter dated April 30, 1999.

This report is intended solely for the information of the Administration of St. Bernard Parish Government, the St. Bernard Parish Council, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

*Bourgeois Bennett, LLC.*

Certified Public Accountants.

New Orleans, La.,  
April 28, 1999.

## SCHEDULE OF FINDINGS

### **St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts**

For the year ended December 31, 1998

#### **Section I Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?     yes  no

##### **b) Federal Awards**

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts did not receive federal awards during the year ended December 31, 1998.

#### **Section II Financial Statement Findings**

##### **Internal Control**

**98-1 Criteria** - The water deposit payable general ledger account should be reconciled to the subsidiary ledger on a monthly basis.

**Condition** - Currently the Division does not prepare a reconciliation of the water deposit general ledger control account and the subsidiary ledger.

## Section II Financial Statement Findings (Continued)

### 98-1 (Continued)

**Questioned Cost - None**

**Context - Not applicable.**

**Effect -** At December 31, 1998, there is a difference between the general ledger control and subsidiary ledger account balances. The subsidiary ledger account balance exceeded the general ledger account balance in the amount of \$65,799.

**Cause -** Management oversight.

**Recommendation -** The Division should investigate and correct the difference between the meter deposit subsidiary and general ledger. Also, reconciliations should be prepared on a monthly basis.

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

### Compliance

No compliance findings material to the combined financial statements were noted during the audit for the year ended December 31, 1998.

## Section III Federal Award Findings and Questioned Cost

Not applicable.

**REPORTS BY MANAGEMENT**

## SCHEDULE OF PRIOR YEAR FINDINGS

**St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts**

For the year ended December 31, 1998

### **Section I Internal Control and Compliance Material to the Combined Financial Statements**

#### **Internal Control**

- 97-1 Recommendation** - The meter deposit payable general ledger account should be reconciled to the subsidiary ledger on a monthly basis.

**Management's Response** - Unresolved, see finding 98-1 in the accompanying Schedule of Findings and Questioned Costs.

- 97-2 Recommendation** - The accounts receivable general ledger account should be reconciled to the subsidiary ledger on a monthly basis.

**Management's Response** - Resolved.

#### **Compliance**

- 97-3 Recommendation** - The Division is required to make monthly deposits into the cash debt service sinking fund account on or before the 25<sup>th</sup> day of the month. The required monthly deposits for fiscal year 1998 was \$92,489.

**Management's Response** - Resolved.

**Section I Internal Control and Compliance Material to the Combined Financial Statements  
(Continued)**

**Compliance (Continued)**

- 97-4 **Recommendation** - The bond indenture requires the Division to deposit into the reserve and replacement account an amount equal to or greater than 5% of the prior month's operating expenditures for repairs and maintenance cost.

**Management's Response** - Resolved.

**Section II Internal Control and Compliance Material To Federal Awards**

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts did not receive federal awards during the year ended December 31, 1997.

**Section III Management Letter**

- 97-5 **Recommendation** - There should be a formal documented review of the collateralization of cash accounts on a monthly basis.

**Management's Response** - Resolved.

- 97-6 **Recommendation** - The Division should implement a program to fund the meter deposit cash account to an amount equal to the meter deposit liability.

**Management's Response** - Unresolved, see finding 98-2 in the accompanying Management Corrective Action Plan.

## MANAGEMENT'S CORRECTIVE ACTION PLAN

**St. Bernard Parish Government  
Department of Public Works  
Water and Sewer Division  
and the Districts**

For the year ended December 31, 1998

### **Section I Internal Control and Compliance Material to the Combined Financial Statements**

#### **Internal Control**

**98-1 Recommendation** - The Division should investigate and correct the difference between the meter deposit subsidiary and general ledgers. Also, reconciliations should be prepared on a monthly basis.

**Management's Corrective Action** - A technical problem with the computer system creates the difference between the meter deposit subsidiary and general ledgers. The Division is working to correct the problem with the financial software. Once the problem is eliminated, a monthly reconciliation will be performed to assure the accounts are in balance.

#### **Compliance**

No compliance findings material to the combined financial statements were noted during the audit for the year ended December 31, 1998.

### **Section II Internal Control and Compliance Material To Federal Awards**

St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts did not receive federal awards during the year ended December 31, 1998.

### Section III Management Letter

- 98-2 Recommendation** - The Division should implement a program to fund the meter deposit cash account to an amount equal to the meter deposit liability.

**Management's Corrective Action** - The Administration does fully reserve all current meter deposits. The lack of funds in the meter deposit account results from the use of the funds in operations by the previous management of the Water and Sewer Division. The current Administration continues to address the deficit and has made progress in funding the meter deposit account.

- 98-3 Recommendation** - The Division should upgrade its fixed asset accounting system, which is a spreadsheet application, to software that would maintain detail records of fixed assets and depreciation.

**Management's Corrective Action** - The Division is evaluating various fixed asset software programs that should correct the problem within the accounting system.



**Bourgeois Bennett**

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

We have audited the combined financial statements of the St. Bernard Parish Government, Department of Public Works Water and Sewer Division and the Districts, (the Division), component units of the St. Bernard Parish Government, State of Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated April 28, 1999. In planning and performing our audit we considered the Division's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the combined financial statements and not to provide assurance on internal control.

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

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

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

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, La.,  
April 28, 1999.

**Meter Deposit Cash Account**

- 1) The Meter Deposit Cash Account of the Division is approximately 21% of the meter deposit liability at December 31, 1998. The Division should implement a program to fund the meter deposit cash account to equal the meter deposit liability.

**Fixed Asset Records**

- 2) The fixed asset records are not complete. The donated items are omitted and therefore the depreciation was not being recorded. Also, there are inconsistencies with the lives of the assets. The spreadsheet program that is currently being used is limited in detail and we recommend that the Parish use a fixed asset computer program to track the assets.