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ST. JAMES PARISH
GAS AND WATER DISTRIBUTION SYSTEM

STATE OF LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 1998 and 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or assigned, 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 SEP 20 1998

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Postlethwaite & Netterville

A PROFESSIONAL ACCOUNTING CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of St. James Parish Gas and Water Distribution System of the Parish of St. James, State of Louisiana as June 30, 1998 and 1997, and for the years then ended. These financial statements are the responsibility of the management of the Parish of St. James, State of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements present only St. James Parish Gas and Water Distribution System and are not intended to present fairly the financial position of the Parish of St. James, State of Louisiana and the results of its operations and cash flows of its proprietary fund types and nonproprietary trust funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. James Parish Gas and Water Distribution System of the Parish of St. James, State of Louisiana at June 30, 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 August 7, 1998 on our consideration of St. James Parish Gas and Water Distribution System's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

Postlethwaite & Netterville

Metairie, Louisiana
August 7, 1998



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

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

We have audited the financial statements of the St. James Parish Gas and Water Distribution System of the Parish of St. James, State of Louisiana, as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated August 7, 1998. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether St. James Gas and Water Distribution System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered St. James Parish Gas and Water Distribution System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Parsons Brinckerhoff & Mitchell

Metairie, Louisiana
August 7, 1998

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

BALANCE SHEETS
JUNE 30, 1998 AND 1997

ASSETS

	<u>1998</u>	<u>1997</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 145,991	\$ 180,300
Accounts receivable	324,374	298,881
Inventories	125,186	152,481
Prepaid insurance	44,616	61,438
Total current assets	<u>640,167</u>	<u>693,000</u>
<u>RESTRICTED ASSETS</u>	<u>1,087,670</u>	<u>848,629</u>
<u>UTILITY PLANT, PROPERTY AND EQUIPMENT, NET</u>	<u>8,793,674</u>	<u>8,858,481</u>
<u>OTHER ASSETS, NET</u>	<u>39,054</u>	<u>18,607</u>
<u>TOTAL ASSETS</u>	<u>\$ 11,580,565</u>	<u>\$ 10,428,717</u>

The accompanying notes are an integral part of these statements.



LIABILITIES AND EQUITY

	<u>1998</u>	<u>1997</u>
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 173,806	\$ 117,509
Due to St. James Parish Solid Waste Fund	212,146	177,073
Accrued expenses	<u>238,689</u>	<u>234,618</u>
Total current liabilities (payable from current assets)	<u>624,641</u>	<u>529,200</u>
CURRENT LIABILITIES (payable from restricted assets)	<u>442,519</u>	<u>349,662</u>
LONG-TERM DEBT, NET		
Deferred revenues	-	15,000
Long-term debt, net	<u>1,787,142</u>	<u>2,635,497</u>
Total long-term liabilities	<u>1,787,142</u>	<u>2,650,497</u>
Total liabilities	<u>3,854,302</u>	<u>4,529,359</u>
EQUITY		
Contributed capital	<u>4,866,345</u>	<u>4,623,113</u>
Retained earnings		
Reserved for revenue bond debt service	563,131	498,966
Unreserved	<u>2,324,548</u>	<u>2,343,629</u>
Total retained earnings	<u>2,887,679</u>	<u>2,842,595</u>
Total equity	<u>7,754,024</u>	<u>7,465,708</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 11,608,326</u>	<u>\$ 11,995,067</u>



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

**STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
OPERATING REVENUES		
Charges for services:		
Gas sales	\$ 1,521,131	\$ 1,387,493
Water sales	1,202,633	1,184,910
Fees	80,551	79,999
Miscellaneous	41,086	34,400
Total operating revenues	<u>2,845,320</u>	<u>2,686,802</u>
OPERATING EXPENSES		
Gas department:		
Gas purchases	712,524	887,807
Wages	281,189	269,838
Employee benefits	1,089	1,134
Retirement	15,588	15,568
Repairs and maintenance	62,177	56,138
Legal fees	3,028	(2,298)
Depreciation	44,899	44,864
	<u>1,020,214</u>	<u>1,311,232</u>
Water department:		
Chemicals	185,334	212,849
Wages	388,196	362,838
Employee benefits	1,587	1,813
Retirement	27,689	27,335
Utilities	70,784	72,518
Repairs and maintenance	62,143	47,134
Depreciation	281,861	364,144
	<u>897,594</u>	<u>892,861</u>

The accompanying notes are an integral part of these statements.



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

STATEMENTS OF REVENUES AND EXPENSES
YEARS ENDED JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
General and administrative		
Wages	180,537	171,848
Ted debts	3,537	1,193
Repairs and maintenance	40,795	47,477
Office	85,435	79,838
Insurance	56,178	58,548
Restroom	11,563	12,578
Employee benefits	137,189	168,657
Contracted services	45,424	42,317
Depreciation and amortization	<u>58,018</u>	<u>57,697</u>
	<u>678,095</u>	<u>671,139</u>
Total operating expenses	<u>2,620,721</u>	<u>2,578,218</u>
Operating income	<u>34,597</u>	<u>113,078</u>
NONOPERATING REVENUES (EXPENSES)		
Transfers from St. James Parish Council	-	83,093
Interest revenue	41,911	37,327
Interest expense	<u>(129,882)</u>	<u>(182,883)</u>
Total nonoperating revenues (expenses)	<u>(87,971)</u>	<u>103,603</u>
NET LOSS/INCOME	<u>\$ (53,374)</u>	<u>\$ 58,375</u>

The accompanying notes are an integral part of these statements.



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

STATEMENTS OF CHANGES IN RETAINED EARNINGS
YEARS ENDED JUNE 30, 1998 AND 1997

	Reserved for Revenue Bond Debt Service	Unreserved	Total Retained Earnings
Balance at July 1, 1996	\$ 397,289	\$ 2,284,921	\$ 2,682,210
Net income	-	90,379	90,379
Increase (decrease) in reserve for revenue bond debt service	<u>(8,352)</u>	<u>8,352</u>	<u>-</u>
Balance at June 30, 1997	488,966	2,383,629	2,872,595
Net loss	-	(89,284)	(89,284)
Increase (decrease) in reserve for revenue bond debt service	<u>89,182</u>	<u>(89,182)</u>	<u>-</u>
Balance at June 30, 1998	<u>\$ 578,148</u>	<u>\$ 2,294,445</u>	<u>\$ 2,872,593</u>

The accompanying notes are an integral part of these statements.



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

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 34,597	\$ 113,938
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	384,778	346,445
Provision for uncollectible accounts	3,840	7,334
Write off of uncollectible accounts	-	(18,714)
Loss on disposal of capital assets	-	35
Changes in assets and liabilities:		
Accounts receivable	(98,176)	93,364
Inventory	(5,782)	18,800
Prepaid insurance	65,823	13,579
Accounts payable	59,897	(124,362)
Due to St. James Parish Solid Waste Fund	35,089	54,544
Accrued expenses	4,873	14,387
Deferred revenue	(25,000)	(68,000)
Customers' deposits	29,608	23,822
Net cash provided by operating activities	<u>481,851</u>	<u>425,178</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(181,218)	(98,202)
Principal paid on revenue bond maturities	(189,949)	(188,315)
Interest paid on revenue bonds	(81,638)	(158,531)
Transfer to escrow agent for bond refunding	(72,055)	-
Transfer from St. James Parish Council	-	85,813
Grant from state government	180,000	-
Capital contributed by customers	35,988	38,746
Net cash used in capital and related financing activities	<u>(108,972)</u>	<u>(341,189)</u>

The accompanying notes are an integral part of these statements.



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

**STATEMENTS OF CASH FLOWS
YEARS ENDING JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturations of certificates of deposit	120,000	125,000
Purchases of certificates of deposit	(154,000)	(120,000)
Purchases of investments	(28,235)	(39,697)
Proceeds from sales of investments	28,400	30,500
Interest received	40,890	37,149
Net cash provided by investing activities	<u>16,955</u>	<u>33,052</u>
Net increase in cash and cash equivalents	300,750	86,473
Cash and cash equivalents - beginning of year	321,804	435,323
Cash and cash equivalents - end of year	<u>\$ 622,554</u>	<u>\$ 521,796</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW
INFORMATION:**

Noncash capital and related financing activities:

Utility plant, property and equipment contributed by subsidiaries	\$ (193,224)	\$ (98,224)
Bond issuance costs paid	(18,818)	-
Proceeds from bonds issued to refund capital debt	900,000	-

The accompanying notes are an integral part of these statements.



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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting entity

The St. James Parish Gas and Water Distribution System (System) was established June 2, 1954 by the St. James Parish Police Jury and later acknowledged by the St. James Parish Council.

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

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

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The System applies all applicable GASB pronouncements as well as any of the following pronouncements issued on or before November 30, 1989: 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 unless these pronouncements conflict with or contradict GASB pronouncements.

Fund accounting

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

Utility plant, property and equipment

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

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Utility plant, property and equipment (continued)

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

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

Bad debts

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

Inventories

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

Unbilled revenue

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

Capitalized interest

It is the System's policy to capitalize construction period interest, if any. For the years ended June 30, 1998 and 1999, no interest was capitalized.

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

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

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

Investments

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

Concentration of credit risk

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

Annual and sick leave

The System employees earn from 12 to 36 days of both annual and sick leave each year, depending upon length of service. Sick leave may be accumulated without limitation; however, annual leave may not be carried forward from one year to the next unless approved by the Parish President. Upon retirement, unused accumulated sick leave from 12 to 60 days depending on length of service shall be paid to the employee at the employee's current rate of pay. Any unused annual leave is paid to the employee upon retirement or termination.

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

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

NOTES TO FINANCIAL STATEMENTS

1. Cash

Cash and cash equivalents are as follows:

	<u>June 30</u>	
	<u>1998</u>	<u>1997</u>
Cash	\$ 148,691	\$ 180,203
Restricted assets		
Cash (including certificates of deposit of \$195,000 and \$128,000 as of June 30, 1998 and 1997, respectively)	<u>476,604</u>	<u>341,501</u>
	<u>\$ 625,295</u>	<u>\$ 521,704</u>

Cash and cash equivalents are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1998 the bank balance of the System's deposits (including certificates of deposit) at financial institutions was \$734,585 and the bank balance was \$832,231. Deposits are secured as follows:

	<u>Insured (FDIC)</u>	<u>Collateralized with securities held by the pledging financial institution's trust department</u>	<u>Total</u>
Cash	\$ 36,574	\$ 645,657	\$ 682,231
Certificates of deposit	-	<u>195,000</u>	<u>195,000</u>
	<u>\$ 36,574</u>	<u>\$ 840,657</u>	<u>\$ 877,231</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 28:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 30 days of being notified by the System that the fiscal agent has failed to pay deposited funds upon demand.

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

NOTES TO FINANCIAL STATEMENTS

3. Investments

Investments held at June 30, 1998 and 1997 include \$379,096 and \$347,128, respectively, in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification Section 890.185, the investment in LAMP at June 30, 1998, is not categorized in the three risk categories provided by GASB Codification Section 150.104 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1995. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local governments, the Government Finance Officers Association of Louisiana, and the Society of Louisiana Certified Public Accountants. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by these securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

4. Accounts Receivable

Accounts receivable consists of the following:

	June 30	
	1998	1997
Gas and water sales	\$ 350,137	\$ 311,252
Tapping fees receivable	(345)	1,279
Damages to utility property	11,539	10,480
Less allowance for doubtful accounts	<u>(27,260)</u>	<u>(23,429)</u>
	333,899	299,572
Accrued interest receivable	505	644
	<u>\$ 334,404</u>	<u>\$ 300,216</u>

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

NOTES TO FINANCIAL STATEMENTS

5. Restricted Assets

The 1973 Series, 1989 Refunding Series and 1997 Refunding Series Bond Resolutions established the following funds:

Sinking Fund

This fund was established to provide for the payments of bond principal and interest. Deposits to the fund of 1/40th of the next interest payment and 1/12th of the next principal payments are required monthly. At June 30, 1998 and 1997, the sinking fund has investments in excess of its required balance by \$6,808 and \$3,636, respectively.

Reserve Fund

This fund was established for the payments of bond principal and interest if the Sinking Fund is not capable of meeting the payments. The bond resolutions require monthly deposits to the reserve fund in an amount that will increase the total amount on deposit, within a period not exceeding five years, to a sum equal to the highest principal and interest requirements in any succeeding fiscal year on the 1973 Series, 1989 Refunding Series and the 1997 Refunding Series revenue bonds. The highest principal and interest amount that will fall due is \$362,973, occurring in the fiscal year ending June 30, 2000. At June 30, 1998 and 1997 the reserve fund has investments in excess of its required balance by \$35,683 and \$39,676, respectively.

Capital Additions and Contingencies Fund

This fund was established to provide for extensions, additions, improvements, renewals and replacement of the gas and water distribution system. It may also be used for bond maturity payments and interest payments if the Sinking Fund and Reserve Fund are not capable of meeting the payments. The 1973 Series, the 1989 Refunding Series and the 1997 Refunding Series revenue bonds require 5% of the gross revenue of the Distribution System collected be deposited to the fund after the required deposits to the Sinking Fund and Reserve Fund have been made.

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

NOTES TO FINANCIAL STATEMENTS

8. Restricted Assets (continued)

Restricted assets consist of the following:

	Interest Rate %	Maturity Date	June 30	
			1998	1997
Sinking fund				
Money market	3.00*	-	\$ 151,773	\$ 152,373
Reserve fund				
Money market	2.50*	-	2,573	6,578
LAMP	5.40*	-	379,086	383,128
			<u>381,659</u>	<u>389,707</u>
Capital additions and contingencies fund				
Money market	3.00*	-	285,073	182,551
Total restricted revenue bonds			<u>841,387</u>	<u>711,683</u>
Customers' deposits				
Cash	2.20*	-	35,283	16,646
Certificate of deposit	4.50	12/4/98	180,080	120,000
			<u>186,283</u>	<u>186,646</u>
Total restricted assets			<u>\$ 1,807,673</u>	<u>\$ 948,629</u>

*Interest rate is a floating rate and interest rate given is current rate at June 30, 1998.

	June 30	
	1998	1997
Breakup of restricted assets		
Cash and cash equivalents:		
Cash	\$ 16,283	\$ 16,646
Money market accounts	<u>462,711</u>	<u>354,855</u>
Total cash and cash equivalents	478,994	341,501
Certificate of deposits	<u>150,080</u>	<u>120,000</u>
LAMP	<u>379,666</u>	<u>383,128</u>
\$ 1,807,673	<u>\$ 948,629</u>	

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

NOTES TO FINANCIAL STATEMENTS

6. Utility Plant, Property and Equipment

The activity in utility plant, property and equipment for the years ended June 30, 1998 and 1997 were as follows:

	Balance June 30, 1997	Additions	(Retirements)	Balance June 30, 1998
Gas distribution system	\$ 1,891,744	\$ 31,609	\$ -	\$ 1,923,353
Water distribution system	11,930,404	485,448	(3,971)	12,411,881
Office furniture, fixtures, and equipment	425,768	30,808	-	456,576
Transportation equipment	135,342	44,197	-	179,539
Construction in progress	294,282	92,550	(386,283)	5,549
	<u>14,717,540</u>	<u>\$ 680,612</u>	<u>\$ (386,283)</u>	<u>15,011,879</u>
Less accumulated depreciation	<u>5,811,079</u>			<u>6,312,457</u>
	<u>\$ 8,906,461</u>			<u>\$ 8,719,424</u>

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

NOTES TO FINANCIAL STATEMENTS

4. Utility Plant, Property and Equipment (continued)

	Balance June 30, 1996	Additions	(Retirements)	Balance June 30, 1997
Gas distribution systems	\$ 1,874,716	\$ 16,588	\$ (30)	\$ 1,891,274
Water distribution systems	11,850,854	74,385	(4,688)	11,920,451
Office furniture, fixtures, and equipment	420,877	80,586	(6,075)	425,788
Transportation equipment	128,719	45,011	(30,388)	143,342
Construction in progress	269,143	1,142	-	270,285
	<u>14,553,309</u>	<u>\$ 218,322</u>	<u>\$ (21,181)</u>	<u>14,777,960</u>
Less accumulated depreciation	5,529,477			5,651,070
	<u>\$ 9,023,832</u>			<u>\$ 9,126,890</u>

During the years ended June 30, 1996 and 1997, depreciation was charged to operating expenses as follows:

	Year Ended June 30	
	1996	1997
Gas department	\$ 44,889	\$ 44,684
Water department	281,461	264,184
General and administrative	85,589	83,620
	<u>\$ 365,349</u>	<u>\$ 342,728</u>

Construction on the oakbank water plant upgrade was completed during the year ended June 30, 1996. Total cost of the construction was \$386,780.

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

NOTES TO FINANCIAL STATEMENTS

7. Other Assets

Included in other assets are costs incurred in connection with the issuance of revenue bonds. Bond debt costs are amortized ratably in relation to the principal maturities of the underlying bonds. Bond debt costs amortized to general and administrative expenses for the years ended June 30, 1986 and 1987 were \$15,428 and \$3,717, respectively.

Other assets consist of the following:

	June 30	
	1986	1987
Bond debt costs	\$ 138,404	\$ 130,588
Less accumulated amortization	(128,985)	(124,168)
Contract deposits	243	243
	<u>\$ 19,662</u>	<u>\$ 19,662</u>

8. Employee Retirement System and Plan

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

All permanent employees working at least 28 hours per week who are paid wholly or in part from System funds are eligible to participate in the PERSL. Under Plan A, employees who retire at or after age 60 with at least 15 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1985, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1985. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The PERSL also provides death and disability benefits. Benefits are established by state statute.

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

NOTES TO FINANCIAL STATEMENTS

8. Employee Retirement System and Plan (continued)

PERSL issues an annual publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parishial Employees' Retirement System, Post Office Box 14600, Baton Rouge, Louisiana 70809-4600, or by calling (504) 938-1361.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the System is required to contribute at an actuarially determined rate. The current rate is 3.35 percent of annual covered payroll. Contributions to the PERSL include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionally on the salaries of the active members of each plan. The contribution requirements of plan members and the System are established and may be amended by state statute. As provided by Louisiana Revised Statutes 11:155, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The System's contributions to PERSL under Plan A for the years ending June 30, 1995, 1997, and 1998, were \$232,716, \$126,668, and \$120,100, respectively, equal to the required contributions for each year.

9. Deferred Compensation Plan

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

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

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

NOTES TO FINANCIAL STATEMENTS

9. Deferred Compensation Plan (continued)

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

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

At June 30, 1998 and 1997, the assets in the plan for St. James Parish Council (including the System) were valued at \$1,512,135 and \$1,306,408, respectively.

10. Current Liabilities (Payable from Restricted Assets)

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

	<u>June 30</u>	
	<u>1998</u>	<u>1997</u>
Current maturities of Revenue Bonds		
1973 Series	\$ 185,000	\$ 155,000
1989 Series	90,144	44,949
1997 Series	30,000	-
	<u>225,144</u>	<u>199,949</u>
Accrued interest on Revenue Bonds	33,083	33,033
Customers' deposits	164,290	124,560
	<u>\$ 422,517</u>	<u>\$ 347,542</u>

Restricted asset sinking funds have been established to meet the restricted liabilities for the maturities of the revenue bonds. At June 30, 1998 and 1997, the restricted liabilities for the current maturities of the revenue bonds exceeded the assets in the sinking funds by \$86,560 and \$76,671, respectively.

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

NOTES TO FINANCIAL STATEMENTS

11. Deferred Revenues

During the year ended June 30, 1995 the System negotiated with Eagle Asphalt Products, to construct a 6-inch high pressure gas line from the DMC-Agrico existing station to Eagle Asphalt Products, located on the westbank along Highway 35. In order to finance the construction of the gas line, Eagle Asphalt Products advanced the System \$150,000 to begin construction. Starting August, 1995 Eagle Asphalt began using the gas line and receiving a monthly credit of \$5,000 on its gas utility bill for a period of thirty months. If the credit is not utilized in the current month, it is not carried forward. As of June 30, 1998 the deferred revenue credit has been fully utilized. The balance in deferred revenue at June 30, 1997 was \$35,000.

12. Long-Term Debt

Revenue bonds payable consist of the following:

	June 30	
	1998	1997
\$3,000,000, 1970 Serial bonds due in annual installments of \$165,000 to \$220,000 through December, 2003, at 6% interest	\$ 1,150,000	\$ 1,300,000
\$1,000,000, 1989 Refunding Serial bonds due in annual installments of \$50,144 in December, 1998, at 11% interest	50,144	500,000
\$900,000, 1997 Refunding Serial Bonds due in annual installments of \$18,000 to \$140,000 through December, 2007, at 7.5% interest	900,000	-
	2,000,144	2,250,000
Less deferred amount on refunding	500,845	-
Less current maturities included in restricted liabilities (see note 10)	219,344	199,948
	\$ 1,269,955	\$ 2,050,052

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

NOTES TO FINANCIAL STATEMENTS

12. Long-Term Debt (continued)

On October 31, 1997 the Parish of St. James, State of Louisiana, issued \$900,000 in Revenue Refunding Bonds with an interest rate of 7.5 percent to advance refund \$805,569 of outstanding Water and Gas Utility Revenue Refunding Bonds, dated April 6, 1989 with an interest rate of 11 percent. The net proceeds of \$681,184 (after payment of \$18,816 in issuance costs) plus an additional \$34,283 of 1989 Refunding Series sinking fund monies, \$32,500 of 1989 Refunding Series reserve fund monies, and \$1,360 of the System's funds were used to purchase U.S. government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments which mature December 1, 1999 through December 1, 2007, inclusive of the 1989 Series Refunding Bonds. As a result, the 1989 Series Revenue Refunding bonds consisting of the principal installments which mature December 1, 1999 through December 1, 2007, inclusive are considered to be defeased and the liability for those bonds has been removed from long-term debt on the balance sheet.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$117,978. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2003 using the effective-interest method. The Distribution System completed the advance refunding to reduce its total debt service payments over the next ten years by \$87,658 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$50,962.

Bond Redemption Provisions

1977 Series revenue bonds maturing on or after December 1, 1994 may be called for redemption in inverse order as interest payment dates with redemption prices ranging from 101% to 104% of par value.

1997 Refunding Series revenue bonds maturing December 1, 2003 and thereafter will be callable for redemption in inverse order at any time on or after December 1, 2001, at the principal amount and accrued interest to the date fixed for redemption.



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

NOTES TO FINANCIAL STATEMENTS

12. Long-Term Debt (continued)

The annual retirements to amortize all debt outstanding as of June 30, 1998, including interest payments of \$668,208, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Yield</u>
1998	\$ 400,327
2000	362,915
2001	361,737
2002	359,525
2003	361,188
2004-2008	<u>923,680</u>
	<u>\$ 3,769,352</u>

13. Contributed Capital

During the years ended June 30, 1998 and 1997, the Distribution System received the following contributed capital:

	<u>Year Ended June 30</u>	
	<u>1998</u>	<u>1997</u>
Contractors and customers	\$ 173,364	\$ 88,960
St. James Parish Council	15,868	-
State of Louisiana Office of Rural Development	100,000	-
Beginning balance	<u>4,677,112</u>	<u>4,938,044</u>
Ending balance	<u>\$ 4,886,342</u>	<u>\$ 4,677,112</u>

14. Accumulated Unpaid Vacation and Sick Pay

Unpaid vacation and sick pay are accrued when incurred. As June 30, 1998 and 1997, accumulated accrued unpaid vacation and sick pay was \$165,260 and \$156,258, respectively.



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

NOTES TO FINANCIAL STATEMENTS

15. Risk Management

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

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

16. Commitments

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

17. Related Party Transactions

St. James Parish Gas and Water Distribution Systems bills and collects payments for sewerage services to the customers of St. James Parish. These collections are then remitted to the St. James Parish Solid Waste Fund (a special revenue fund of the St. James Parish Council). The System earns a 5% collection fee on total amounts billed. For the years ended June 30, 1998 and 1997, total billings were \$223,732 and \$225,894, respectively and collection fees earned were \$13,434 and \$13,332, respectively. This income is included in miscellaneous income on the statement of revenues and expenses. Amounts remitted to St. James Parish Solid Waste Fund during the years ended June 30, 1998 and 1997 were \$179,298 and \$137,566, respectively. The balance owed to the St. James Parish Solid Waste Fund at June 30, 1998 and 1997 was \$203,146 and \$177,071, respectively.

SUPPLEMENTAL INFORMATION





Postlethwaite & Netterville

a Public Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

Our audit was made for the purpose of forming an opinion on the financial statements of St. James Gas and Water Distribution System of the Parish of St. James, State of Louisiana at June 30, 1998 and 1997, and for the years then ended. The financial information on pages 28 to 35 is presented for the purpose of additional analysis and is not a required part of the financial statements of St. James Parish Gas and Water Distribution System of the Parish of St. James, State of Louisiana. Such information, except for that portion marked "Unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
August 7, 1998

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

**STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1988**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <i>(Unfavorable)</i>
OPERATING REVENUES			
Gas sales	\$ 1,410,300	\$ 1,321,191	\$ (89,109)
Water sales	1,244,500	1,203,633	(40,867)
Fees/fin.	85,800	80,521	(5,279)
Miscellaneous	27,800	41,086	14,086
Total operating revenues	<u>2,768,400</u>	<u>2,646,431</u>	<u>(121,969)</u>
OPERATING EXPENSES			
Gas department			
Gas purchases	555,900	702,824	146,924
Wages	396,900	381,189	(15,711)
Employee benefits	1,100	1,099	(1)
Retirement	15,800	15,685	(115)
Repairs and maintenance	32,900	62,121	29,221
Legal fees	2,900	2,008	(892)
Depreciation	45,800	44,392	(1,408)
	<u>1,059,300</u>	<u>1,029,314</u>	<u>29,986</u>
Water department			
Chemicals	122,500	185,324	62,824
Wages	310,800	308,196	(2,604)
Employee benefits	1,900	1,887	(13)
Retirement	28,600	27,689	(911)
Utilities	79,800	70,784	(9,016)
Repairs and maintenance	47,200	82,145	34,945
Depreciation	305,800	281,861	(23,939)
	<u>891,300</u>	<u>987,876</u>	<u>(96,576)</u>



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

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General and administrative			
Wages	190,500	188,837	16,663
Rent debts	4,000	3,637	363
Repairs and maintenance	59,000	49,738	9,262
Office	126,400	88,459	37,941
Insurance	101,000	96,178	4,822
Retirement	13,000	13,960	77
Employer benefits	155,000	157,388	18,414
Contracted services	35,000	45,415	(10,415)
Depreciation and amortization	68,500	58,218	10,282
	<u>788,000</u>	<u>672,832</u>	<u>115,168</u>
Total operating expenses	<u>788,000</u>	<u>672,832</u>	<u>115,168</u>
Operating income	<u>80,800</u>	<u>34,997</u>	<u>(45,803)</u>
NONOPERATING REVENUES (EXPENSES)			
Proceeds of refunding bonds	900,000	-	(900,000)
State grant	100,000	-	(100,000)
Interest revenue	40,000	41,911	1,911
Payment to refunded bond escrow agent	(973,100)	-	973,100
Interest expenses	(127,990)	(129,800)	11,810
Loss on refunding bonds	(45,500)	-	45,500
Total nonoperating revenues (expenses)	<u>(105,990)</u>	<u>(87,889)</u>	<u>18,101</u>
NET LOSS	<u>\$ (16,180)</u>	<u>\$ (52,894)</u>	<u>\$ (37,184)</u>

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
OPERATING REVENUES			
Gas sales	\$ 1,458,300	\$ 1,387,499	\$ (70,801)
Water sales	1,503,680	1,196,910	(306,770)
Fees	79,800	79,399	(401)
Miscellaneous	48,547	35,401	(13,146)
Total operating revenues	<u>2,180,327</u>	<u>2,699,199</u>	<u>(518,768)</u>
OPERATING EXPENSES			
Gas department:			
Gas purchases	671,000	689,000	(18,000)
Wages	309,000	309,836	(836)
Employee benefits	1,300	1,134	166
Retirement	15,000	15,560	(560)
Repairs and maintenance	61,300	56,138	5,170
Legal fees	(2,300)	(2,298)	2
Depreciation	44,300	44,654	(354)
	<u>992,400</u>	<u>1,411,212</u>	<u>(580,812)</u>
Water department:			
Chemicals	128,500	113,949	14,551
Wages	359,000	369,836	(10,836)
Employee benefits	3,000	1,923	1,077
Retirement	21,400	22,325	(89)
Utilities	77,000	73,539	3,461
Repairs and maintenance	38,200	47,134	(7,934)
Depreciation	159,000	164,344	(5,344)
	<u>896,100</u>	<u>899,801</u>	<u>(3,701)</u>

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

**STATEMENTS OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1992**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General and administrative			
Wages	174,000	173,848	(1,152)
Bul debts	4,000	7,350	(3,350)
Repairs and maintenance	48,800	47,477	1,323
Office	85,400	78,858	6,542
Insurance	101,000	99,958	1,042
Retirement	12,000	12,978	(978)
Employee benefits	150,000	148,687	1,313
Contractual services	50,000	49,917	(83)
Depreciation and amortization	30,000	31,857	(1,857)
	<u>645,000</u>	<u>671,315</u>	<u>(26,315)</u>
 Total operating expenses	 <u>2,374,900</u>	 <u>2,379,219</u>	 <u>(4,319)</u>
 Operating income	 <u>263,447</u>	 <u>313,978</u>	 <u>(50,531)</u>
 NONOPERATING REVENUES (EXPENSES)			
Transfers from St. James Parish Council	85,850	85,850	-
Interest revenue	56,900	57,237	337
Interest expenses	(199,000)	(199,850)	850
Total nonoperating revenues (expenses)	<u>(71,690)</u>	<u>(53,850)</u>	<u>17,840</u>
 NET INCOME	 <u>\$ 181,400</u>	 <u>\$ 207,775</u>	 <u>\$ (26,375)</u>



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

**STATEMENT OF CHANGES IN ASSETS RESTRICTED
FOR REVENUE BOND DEBT SERVICE
YEAR ENDED JUNE 30, 1998**

	<u>Sinking Funds</u>	<u>Reserve Funds</u>	<u>Capital Additions and Contingencies Funds</u>	<u>Total</u>
RESTRICTED ASSETS, JULY 1, 1997	\$ 139,325	\$ 389,707	\$ 182,951	\$ 711,983
RECEIPTS				
Interest on investments	4,448	29,444	6,381	31,274
Transfers from:				
Operating account	372,735	-	141,640	514,375
Total receipts	<u>377,183</u>	<u>29,444</u>	<u>148,021</u>	<u>554,648</u>
Total available	<u>516,508</u>	<u>419,151</u>	<u>330,972</u>	<u>1,266,631</u>
DISBURSEMENTS				
Bond principal	199,949	-	-	199,949
Bond interest	81,638	-	-	81,638
Capital expenditures and repairs	-	-	62,849	62,849
Transfers to:				
Escrow agent in bond refinancing	38,289	32,312	-	70,601
Miscellaneous expenses	934	-	-	934
Total disbursements	<u>320,804</u>	<u>32,312</u>	<u>62,849</u>	<u>415,965</u>
RESTRICTED ASSETS, JUNE 30, 1998	\$ 191,725	\$ 386,839	\$ 268,123	\$ 846,687

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

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

	Year Ended June 30	
	1998	1997
Gas purchased	348,940	343,368
Gas used	346,089	325,899
Gas unaccounted for	<u>14,854</u>	<u>17,475</u>
Percentage unaccounted for	<u>4.31%</u>	<u>5.08%</u>

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

	Year Ended June 30	
	1998	1997
Metered water leaving plant	746,882	713,323
Water billed to customers	597,493	588,518
Backwash water used	11,203	8,806
Total water accounted for	<u>628,786</u>	<u>598,354</u>
Water unaccounted for	<u>128,152</u>	<u>128,893</u>
Percentage unaccounted for	<u>18.90%</u>	<u>17.68%</u>

**UTILITY CUSTOMERS
(UNAUDITED)**

	Year Ended June 30	
	1998	1997
Water	4,908	4,851
Gas	3,046	3,056
Total	<u>7,954</u>	<u>7,907</u>



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

**INSURANCE COVERAGE
JUNE 30, 1999
(UNAUDITED)**

<u>Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Zurich-American Insurance Company, provides coverage on all of Parish property	Fire, lightning and extended coverage (99% co-insurance)		12/31/98
	Water Plant No. 1		
	Building and machinery	\$ 450,000	
	Contents	\$ 340,000	
	Water Plant No. 2		
	Building and machinery	\$ 1,250,000	
	Contents	\$ 340,000	
	Water Towers		
	Convent, LA	\$ 70,000	
	Union, LA	\$ 70,000	
	South Vidette, LA		
	Large Tower	\$ 60,000	
	Small Tower	\$ 60,000	
	North Vidette, LA	\$ 60,000	
	Wetmore, LA	\$ 60,000	
	Booster station, Convent, LA		
	Building	\$ 3,000	
	Contents	\$ 10,000	
	Warehouse		
	Building	\$ 20,000	
	Contents	\$ 70,000	
	Office, Vidette, LA		
	Building	\$ 60,000	
	Contents	\$ 70,000	
Parish Government Risk Management Agency	Workman's Compensation Employer's Liability	Statutory \$ 100,000	12/31/98



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

**INSURANCE COVERAGE
JUNE 30, 1999
(\$ IN MILLIONS)**

<u>Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Zurich-American Insurance Company	Comprehensive automobile		3/1/00
	bodily injury/property damage Comprehensive (\$1,000 deductible)	\$ 1,000,000 Actual value	
	Uninsured motorist	\$ 1,000,000	
	Collision (\$1,000 deductible)	Actual value	
Ranger Insurance Company	Comprehensive general liability coverage including completed operations and explosion	\$ 3,000,000	6/30/00
Ranger Insurance Company	Excess Liability	\$ 2,000,000	6/30/00
Zurich-American Insurance Company	Contractors equipment 1% of value deductible	\$ 52,367	7/31/00





Postlethwaite & Netterville

A PROFESSIONAL ACCOUNTING CORPORATION
GEORGE B. FURFEL ACCOUNTANTS

4004 DE WITT DRIVE • SUITE 4 • METairie, LOUISIANA 70001-1977 • TELEPHONE (504) 833-0000 • FAX (504) 834-1900

August 7, 1998

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

Re: St. James Parish Gas and Water Distribution System

Opinion:

In planning and performing our audit of the financial statements of St. James Parish Gas and Water Distribution System for the year ended June 30, 1998, we considered the System's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

Suggestion of Duties

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

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

We previously reported on the System's internal control in our report dated August 7, 1998. This letter does not affect our report dated August 7, 1998 on the financial statements of St. James Parish Gas and Water Distribution System.

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

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

Pattethwaite & Mattewill

