

ST. JAMES PARISH
GAS AND WATER DISTRIBUTION SYSTEM

STATE OF LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 1999 AND 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 OCT 20 1999

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Reports	
Report on Financial Statements	1
Report on Compliance and on Internal Control over Financial Reporting	2 - 3
Balance Sheets	4 - 5
Statements of Revenues, Expenses and Changes in Retained Earnings	6 - 7
Statements of Cash Flows	8 - 9
Notes to Financial Statements	10 - 25
Independent Auditors' Report on Supplemental Information	26
Schedule of Revenues and Expenses - Budget and Actual June 30, 1999	27 - 28
Schedule of Revenues and Expenses - Budget and Actual June 30, 1998	29 - 30
Schedule of Changes in Assets Restricted for Revenue Bond Debt Service	31
Schedule of Gas and Water Unaccounted for and Utility Customers (Unaudited)	32
Insurance Coverage (Unaudited)	33 - 34
Year 2000 Issues (Unaudited)	35





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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of St. James Parish Gas and Water Distribution System of the St. James Parish Council, State of Louisiana at June 30, 1999 and 1998, and for the years then ended. These financial statements are the responsibility of the management of the St. James Parish Council, State of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. James Parish Gas and Water Distribution System of the St. James Parish Council, State of Louisiana at June 30, 1999 and 1998, 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 our report dated August 6, 1999 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, regulations and grants.

Postlethwaite & Netterville

Metairie, Louisiana
August 6, 1999





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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 President 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 St. James Parish Council, State of Louisiana, as of and for the years ended June 30, 1999 and 1998, and have issued our report thereon dated August 6, 1999. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of St. James Parish Gas and Water Distribution System of the St. James Parish Council, State of Louisiana, in a separate letter dated August 6, 1999.

This report is intended solely for the information and use of management, the St. James Parish Gas and Water Distribution System, St. James Parish Council and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Metairie, Louisiana
August 6, 1999

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

BALANCE SHEETS
JUNE 30, 1999 AND 1998

ASSETS

	<u>1999</u>	<u>1998</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 151,351	\$ 145,991
Accounts receivable	286,798	334,374
Inventories	137,324	156,186
Prepaid insurance	34,953	44,616
Total current assets	<u>610,426</u>	<u>681,167</u>
<u>RESTRICTED ASSETS</u>		
Cash and cash equivalents	549,605	478,604
Certificates of deposit	180,000	150,000
Investments	398,276	379,066
	<u>1,127,881</u>	<u>1,007,670</u>
<u>UTILITY PLANT, PROPERTY AND EQUIPMENT,</u>		
<u>NET</u>	<u>8,937,341</u>	<u>8,795,674</u>
<u>OTHER ASSETS, NET</u>	<u>16,042</u>	<u>19,054</u>
<u>TOTAL ASSETS</u>	<u>\$ 10,691,690</u>	<u>\$ 10,503,565</u>

The accompanying notes are an integral part of these statements.



LIABILITIES AND EQUITY

	<u>1999</u>	<u>1998</u>
<u>CURRENT LIABILITIES (payable from current assets)</u>		
Accounts payable	\$ 86,982	\$ 177,406
Due to St. James Parish Solid Waste Fund	217,264	212,146
Accrued expenses	240,721	238,693
Total current liabilities (payable from current assets)	<u>544,967</u>	<u>628,245</u>
<u>CURRENT LIABILITIES (payable from restricted assets)</u>	<u>444,397</u>	<u>442,519</u>
<u>LONG-TERM DEBT, NET</u>		
Long-term debt, net	1,537,138	1,767,155
Total liabilities	<u>2,526,502</u>	<u>2,837,919</u>
<u>EQUITY</u>		
Contributed capital	<u>5,343,064</u>	<u>4,866,345</u>
Retained earnings		
Reserved for revenue bond debt service	683,484	565,151
Unreserved	2,138,640	2,234,150
Total retained earnings	<u>2,822,124</u>	<u>2,799,301</u>
Total equity	<u>8,165,188</u>	<u>7,665,646</u>
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>\$ 10,691,690</u>	<u>\$ 10,503,565</u>

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

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
YEARS ENDED JUNE 30, 1999 AND 1998

	1999	1998
<u>OPERATING REVENUES</u>		
Charges for services		
Gas sales	\$ 1,162,224	\$ 1,321,131
Water sales	1,260,145	1,212,632
Penalties	74,279	80,551
Miscellaneous	45,381	41,006
Total operating revenues	2,542,029	2,655,320
 <u>OPERATING EXPENSES</u>		
Gas department		
Gas purchases	537,131	712,824
Wages	236,092	201,189
Employee benefits	35,753	1,099
Retirement	17,964	15,608
Repairs and maintenance	63,060	62,177
Legal fees	1,846	2,018
Depreciation	40,019	44,899
	931,865	1,039,814
Water department		
Chemicals	131,995	105,334
Wages	320,305	358,196
Employee benefits	48,545	1,867
Retirement	25,619	27,689
Utilities	71,129	70,784
Repairs and maintenance	78,460	62,145
Depreciation	269,655	281,861
	945,708	907,876

The accompanying notes are an integral part of these statement.



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

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
General and administrative		
Wages	185,660	180,837
Bad debts	4,610	3,637
Repairs and maintenance	40,747	49,736
Office	88,438	88,453
Insurance	78,262	96,178
Retirement	14,212	13,563
Employee benefits	32,677	137,186
Contracted services	48,535	45,425
Depreciation and amortization	43,220	58,018
	<u>536,361</u>	<u>673,033</u>
 Total operating expenses	 <u>2,413,934</u>	 <u>2,620,723</u>
 Operating income	 <u>128,095</u>	 <u>34,597</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest revenue	42,297	41,911
Interest expense	(147,569)	(129,802)
Total nonoperating revenues (expenses)	<u>(105,272)</u>	<u>(87,891)</u>
 <u>NET INCOME (LOSS)</u>	 22,823	 (53,294)
 <u>RETAINED EARNINGS, BEGINNING OF YEAR</u>	 <u>2,799,301</u>	 <u>2,852,595</u>
 <u>RETAINED EARNINGS, END OF YEAR</u>	 <u>\$ 2,822,124</u>	 <u>\$ 2,799,301</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, 1999 AND 1998

	1999	1998
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income	\$ 128,095	\$ 34,597
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	352,894	384,778
Provision for uncollectible accounts	4,650	3,843
Changes in assets and liabilities:		
Accounts receivable	42,740	(38,176)
Inventory	18,862	(3,705)
Prepaid insurance	9,663	16,823
Accounts payable	(90,424)	59,897
Due to St. James Parish Solid Waste Fund	5,118	35,069
Accrued expenses	2,028	4,075
Deferred revenue	-	(35,000)
Customers' deposits	24,569	29,630
Net cash provided by operating activities	498,195	491,831
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition and construction of capital assets	(216,596)	(191,218)
Principal paid on revenue bond maturities	(225,144)	(199,949)
Interest paid on revenue bonds	(175,133)	(81,638)
Transfer to escrow agent for bond refunding	-	(72,055)
Capital contributed by St. James Parish Council	56,654	-
Grant from state government	85,000	100,000
Capital contributed by customers	60,112	35,908
Net cash used in capital and related financing activities	(415,107)	(408,952)

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, 1999 AND 1998

	1999	1998
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Maturation of certificates of deposit	150,000	120,000
Purchase of certificates of deposit	(180,000)	(150,000)
Purchase of investments	(19,210)	(20,338)
Proceeds from sales of investments	-	28,400
Interest received	42,483	41,850
Net cash (used in) provided by investing activities	(6,727)	19,912
Net increase in cash and cash equivalents	76,361	102,791
Cash and cash equivalents - beginning of year	624,595	521,804
Cash and cash equivalents - end of year	\$ 700,956	\$ 624,595

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Noncash capital and related financing activities:

Utility plant, property and equipment contributed by subdividers	\$ (274,953)	\$ (103,324)
Bond issuance costs paid	-	(18,816)
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 Bulletins (ARBs) of the Committee on Accounting Procedure unless those 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 indebtedness 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	5-50 years
Office furniture, fixtures and equipment	3-15 years
Transportation equipment	5- 8 years

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

Bad debts

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

Inventories

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

Unbilled revenue

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

Capitalized interest

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

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

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

Investments

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

Concentrations 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 18 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 15 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 codification, is recognized as a current year expense.

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

NOTES TO FINANCIAL STATEMENTS

2. Cash and cash equivalents

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, 1999 the book balance of the System's deposits (including certificates of deposit) at financial institutions was \$880,756 and the bank balance was \$911,377. Deposits are secured as follows:

	Insured (FDIC)	Collateralized with securities held by the pledging financial institutions' trust department	Total
Cash	\$ 200,000	\$ 531,377	\$ 731,377
Certificates of deposit	-	180,000	180,000
	<u>\$ 200,000</u>	<u>\$ 711,377</u>	<u>\$ 911,377</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the System that the fiscal agent has failed to pay deposited funds upon demand.

3. Investments

Investments held at June 30, 1999 and 1998 include \$398,276 and \$379,066, 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 150.165, the investment in LAMP at June 30, 1998, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and



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

NOTES TO FINANCIAL STATEMENTS

3. Investments (continued)

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 those 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 consist of the following:

	June 30	
	1999	1998
Gas and water sales	\$ 300,704	\$ 350,137
Tapping fees receivable	2,061	(543)
Damages to utility property	15,628	11,539
Less allowance for doubtful accounts	(31,914)	(27,264)
	<u>286,479</u>	<u>333,869</u>
Accrued interest receivable	319	505
	<u>\$ 286,798</u>	<u>\$ 334,374</u>

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 1/6th of the next interest payment and 1/12th of the next principal payment are required monthly. At June 30, 1999 and 1998, the sinking fund has investments in excess of its required balance by \$10,787 and \$6,908, respectively.



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

NOTES TO FINANCIAL STATEMENTS

5. Restricted Assets (continued)

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 ordinances 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 \$362,975, occurring in the fiscal year ending June 30, 2000. At June 30, 1999 and 1998 the reserve fund has investments in excess of its required balance by \$37,932 and \$18,664, 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.

Restricted assets consist of the following:

	Interest Rate %	Maturity Date	June 30	
			1999	1998
<u>Sinking fund</u>				
Money market	2.89*	-	\$ 164,191	\$ 191,725
<u>Reserve fund</u>				
Money market	2.41*	-	2,631	2,573
LAMP	4.70*	-	398,276	379,066
			<u>400,907</u>	<u>381,639</u>
<u>Capital additions and contingencies fund</u>				
Money market	2.89*	-	371,567	268,023
Total restricted revenue bonds			<u>936,665</u>	<u>841,387</u>

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

NOTES TO FINANCIAL STATEMENTS

5. Restricted Assets (continued)

	Interest Rate %	Maturity Date	June 30	
			1999	1998
<u>Customers' deposits</u>				
Cash	1.90*	-	11,216	16,283
Certificate of deposit	4.15	12/4/99	180,000	150,000
			<u>191,216</u>	<u>166,283</u>
Total restricted assets			<u>\$ 1,127,881</u>	<u>\$ 1,007,670</u>

*Interest rate is a floating rate and interest rate given is current rate at June 30, 1999.

	June 30	
	1999	1998
Recap of restricted assets		
Cash and cash equivalents:		
Cash	\$ 11,216	\$ 16,283
Money market accounts	538,389	462,321
Total cash and cash equivalents	<u>549,605</u>	<u>478,604</u>
Certificates of deposit	180,000	150,000
LAMP	398,276	379,066
	<u>\$ 1,127,881</u>	<u>\$ 1,007,670</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 year ended June 30, 1999 was as follows:

	<u>Balance</u> <u>June 30, 1998</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance</u> <u>June 30, 1999</u>
Gas distribution system	\$ 1,923,413	\$ 50,170	\$ -	\$ 1,973,583
Water distribution system	12,432,881	413,732	(5,368)	12,841,245
Office furniture, fixtures, and equipment	446,596	4,331	-	450,927
Transportation equipment	199,699	16,250	(10,854)	205,095
Construction in progress	5,542	94,542	(87,476)	12,608
	<u>15,008,131</u>	<u>\$ 579,025</u>	<u>\$ (103,698)</u>	<u>15,483,458</u>
Less accumulated depreciation	6,212,457			6,546,117
	<u>\$ 8,795,674</u>			<u>\$ 8,937,341</u>

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

NOTES TO FINANCIAL STATEMENTS

6. Utility Plant, Property and Equipment (continued)

The activity in utility plant, property and equipment for the year ended June 30, 1998 was as follows:

	<u>Balance</u> <u>June 30, 1997</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance</u> <u>June 30, 1998</u>
Gas distribution system	\$ 1,891,744	\$ 31,669	\$ -	\$ 1,923,413
Water distribution system	11,950,404	486,448	(3,971)	12,432,881
Office furniture, fixtures, and equipment	425,788	20,808	-	446,596
Transportation equipment	155,342	44,357	-	199,699
Construction in progress	294,282	97,550	(386,290)	5,542
	<u>14,717,560</u>	<u>\$ 680,832</u>	<u>\$ (390,261)</u>	<u>15,008,131</u>
Less accumulated depreciation	5,851,079			6,212,457
	<u>\$ 8,866,481</u>			<u>\$ 8,795,674</u>

During the years ended June 30, 1999 and 1998, depreciation was charged to operating expenses as follows:

	<u>Year Ended June 30</u>	
	<u>1999</u>	<u>1998</u>
Gas department	\$ 40,019	\$ 44,899
Water department	269,655	281,861
General and administrative	40,208	38,589
	<u>\$ 349,882</u>	<u>\$ 365,349</u>

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, 1999 and 1998 were \$3,012 and \$19,429, respectively.

Other assets consist of the following:

	June 30	
	1999	1998
Bond debt costs	\$ 139,404	\$ 139,404
Less accumulated amortization	(123,607)	(120,595)
Contract deposits	245	245
	\$ 16,042	\$ 19,054

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 (PERS), controlled and administered by a separate board of trustees. The PERSL is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the System are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from System funds are eligible to participate in the PERSL. Under Plan A, employees who retire at or after age 60 with at least 10 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, 1980, 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, 1980. 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 Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

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 7.75 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 proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the System are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, 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, 1999, 1998, and 1997, were \$117,016, \$122,714, and \$126,668, 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.

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

NOTES TO FINANCIAL STATEMENTS

10. Current Liabilities (Payable from Restricted Assets)

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

	June 30	
	1999	1998
Current maturities of Revenue Bonds		
1973 Series	\$ 175,000	\$ 165,000
1989 Series	-	50,144
1997 Series	70,000	10,000
	245,000	225,144
Accrued interest on Revenue Bonds	10,538	53,085
Customers' deposits	188,859	164,290
	\$ 444,397	\$ 442,519

Restricted asset sinking funds have been established to meet the restricted liabilities for the maturities of the revenue bonds. At June 30, 1999 and 1998, the restricted liabilities for the current maturities of the revenue bonds exceeded the assets in the sinking funds by \$91,347 and \$86,504, respectively.

11. Long-Term Debt

Revenue bonds payable consist of the following:

	June 30	
	1999	1998
\$3,000,000, 1973 Serial bonds due in annual installments of \$175,000 to \$220,000 through December, 2003, at 6% interest	\$ 985,000	\$ 1,150,000
\$1,091,838, 1989 Refunding Serial bonds due in annual installments through December, 1998, at 11% interest	-	50,144
\$900,000, 1997 Refunding Serial Bonds due in annual installments of \$70,000 to \$140,000 through December, 2007, at 7.5% interest	890,000	900,000
	1,875,000	2,100,144
Less deferred amount on refunding	92,862	107,845
Less current maturities included in restricted liabilities (see note 10)	245,000	225,144
	\$ 1,537,138	\$ 1,767,155

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

NOTES TO FINANCIAL STATEMENTS

11. Long-Term Debt (continued)

On October 21, 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 \$835,263 of outstanding Water and Gas Utility Revenue Refunding Bonds, dated April 6, 1989 with an interest rate of 11 percent. The net proceeds of \$881,184 (after payment of \$18,816 in issuance costs) plus an additional \$38,283 of 1989 Refunding Series sinking fund monies, \$32,512 of 1989 Refunding Series reserve fund monies, and \$1,260 of the System's funds were used to purchase U.S. government securities. Those 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. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2007 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 \$87,858 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$50,302.

Bond Redemption Provisions

1973 Series revenue bonds maturing on or after December 1, 1984 may be called for redemption in inverse order at 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, 2002, 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

11. Long-Term Debt (continued)

The annual retirements to amortize all debt outstanding as of June 30, 1999, including interest payments of \$494,025, are as follows:

Fiscal Year Ending June 30	Totals
2000	\$ 362,975
2001	361,737
2002	359,525
2003	361,188
2004	361,538
2005-2008	562,062
	\$ 2,369,025

12. Contributed Capital

During the years ended June 30, 1999 and 1998, the Distribution System received the following contributed capital:

	Year Ended June 30	
	1999	1998
Contractors and customers	\$ 335,065	\$ 123,364
St. James Parish Council	56,654	15,868
State of Louisiana Office of Rural Development	85,000	100,000
Beginning balance	4,866,345	4,627,113
Ending balance	\$ 5,343,064	\$ 4,866,345

13. Accumulated Unpaid Vacation and Sick Pay

Unpaid vacation and sick pay are accrued when incurred. At June 30, 1999 and 1998, accumulated accrued unpaid vacation and sick pay was \$170,019 and \$165,260, respectively.

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

NOTES TO FINANCIAL STATEMENTS

14. 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 catastrophe losses. Under the program, the Fund provides coverage for up to a maximum of \$45,000 for each employee's health claims. The Council purchases insurance for claims in excess of coverage provided by the Fund.

15. 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.

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

NOTES TO FINANCIAL STATEMENTS

16. 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 6% collection fee on total amounts billed. For the years ended June 30, 1999 and 1998, total billings were \$235,096 and \$223,732, respectively and collection fees earned were \$14,106 and \$13,424, 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, 1999 and 1998 were \$215,872 and \$175,239, respectively. The balance owed to the St. James Parish Solid Waste Fund at June 30, 1999 and 1998 was \$217,264 and \$212,146, respectively.

SUPPLEMENTAL INFORMATION





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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 St. James Parish Council, State of Louisiana at June 30, 1999 and 1998, and for the years then ended. The financial information on pages 28 to 35 is presented for the purposes of additional analysis and is not a required part of the financial statements of St. James Parish Gas and Water Distribution System of the St. James Parish Council, 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.

The year 2000 supplementary information on page 36 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that St. James Parish Gas and Water Distribution System is or will become year 2000 compliant, that St. James Parish Gas and Water Distribution System's year 2000 remediation efforts will be successful in whole or in part, or that parties with which St. James Parish Gas and Water Distribution System does business are or will become year 2000 compliant.

Postlethwaite & Netterville

Metairie, Louisiana
August 6, 1999



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

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>			
Gas sales	\$ 1,271,100	\$ 1,162,224	\$ (108,876)
Water sales	1,231,000	1,260,145	29,145
Penalties	70,000	74,279	4,279
Miscellaneous	29,500	45,381	15,881
Total operating revenues	<u>2,601,600</u>	<u>2,542,029</u>	<u>(59,571)</u>
<u>OPERATING EXPENSES</u>			
Gas department			
Gas purchases	656,500	537,131	119,369
Wages	216,000	236,092	(20,092)
Employee benefits	32,700	35,753	(3,053)
Retirement	18,000	17,964	36
Repairs and maintenance	57,900	63,060	(5,160)
Legal fees	2,500	1,846	654
Depreciation	45,000	40,019	4,981
	<u>1,028,600</u>	<u>931,865</u>	<u>96,735</u>
Water department			
Chemicals	115,800	131,995	(16,195)
Wages	337,500	320,305	17,195
Employee benefits	47,200	48,545	(1,345)
Retirement	28,000	25,619	2,381
Utilities	69,000	71,129	(2,129)
Repairs and maintenance	63,100	78,460	(15,360)
Depreciation	265,000	269,655	(4,655)
	<u>925,600</u>	<u>945,708</u>	<u>(20,108)</u>



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

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 1999**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General and administrative			
Wages	180,800	185,660	(4,860)
Bad debts	4,000	4,610	(610)
Repairs and maintenance	45,500	40,747	4,753
Office	138,900	88,438	50,462
Insurance	102,000	78,262	23,738
Retirement	15,000	14,212	788
Employee benefits	42,600	32,677	9,923
Contracted services	35,000	48,535	(13,535)
Depreciation and amortization	60,000	43,220	16,780
	<u>623,800</u>	<u>536,361</u>	<u>87,439</u>
 Total operating expenses	 <u>2,578,000</u>	 <u>2,413,934</u>	 <u>164,066</u>
 Operating income	 <u>23,600</u>	 <u>128,095</u>	 <u>104,495</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>			
State grant	3,000	-	(3,000)
Interest revenue	40,000	42,297	2,297
Contribution from St. James Parish Council	82,100	-	(82,100)
Interest expenses	(144,000)	(147,569)	(3,569)
Total nonoperating revenues (expenses)	<u>(18,900)</u>	<u>(105,272)</u>	<u>(86,372)</u>
 <u>NET INCOME</u>	 <u>\$ 4,700</u>	 <u>\$ 22,823</u>	 <u>\$ 18,123</u>



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

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>OPERATING REVENUES</u>			
Gas sales	\$ 1,430,300	\$ 1,321,131	\$ (109,169)
Water sales	1,244,500	1,212,632	(31,868)
Penalties	85,000	80,551	(4,449)
Miscellaneous	27,000	41,006	14,006
Total operating revenues	<u>2,786,800</u>	<u>2,655,320</u>	<u>(131,480)</u>
<u>OPERATING EXPENSES</u>			
Gas department			
Gas purchases	755,900	712,824	43,076
Wages	196,500	201,189	(4,689)
Employee benefits	1,100	1,099	1
Retirement	15,800	15,608	192
Repairs and maintenance	52,500	62,177	(9,677)
Legal fees	2,500	2,018	482
Depreciation	45,000	44,899	101
	<u>1,069,300</u>	<u>1,039,814</u>	<u>29,486</u>
Water department			
Chemicals	122,500	105,334	17,166
Wages	353,000	358,196	(5,196)
Employee benefits	1,900	1,867	33
Retirement	28,600	27,689	911
Utilities	73,500	70,784	2,716
Repairs and maintenance	47,200	62,145	(14,945)
Depreciation	265,000	281,861	(16,861)
	<u>891,700</u>	<u>907,876</u>	<u>(16,176)</u>



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

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
General and administrative			
Wages	196,900	180,837	16,063
Bad debts	4,000	3,637	363
Repairs and maintenance	55,000	49,736	5,264
Office	126,400	88,453	37,947
Insurance	101,000	96,178	4,822
Retirement	13,600	13,563	37
Employee benefits	155,600	137,186	18,414
Contracted services	35,000	45,425	(10,425)
Depreciation and amortization	48,500	58,018	(9,518)
	<u>736,000</u>	<u>673,033</u>	<u>62,967</u>
 Total operating expenses	 <u>2,697,000</u>	 <u>2,620,723</u>	 <u>76,277</u>
 Operating income	 <u>89,800</u>	 <u>34,597</u>	 <u>(55,203)</u>
 <u>NONOPERATING REVENUES (EXPENSES)</u>			
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	(972,100)	-	972,100
Interest expenses	(127,900)	(129,802)	(1,902)
Loss on refunding bonds	(45,900)	-	45,900
Total nonoperating revenues (expenses)	<u>(105,900)</u>	<u>(87,891)</u>	<u>18,009</u>
 NET LOSS	 <u>\$ (16,100)</u>	 <u>\$ (53,294)</u>	 <u>\$ (37,194)</u>

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

**SCHEDULE OF CHANGES IN ASSETS RESTRICTED
FOR REVENUE BOND DEBT SERVICE
YEAR ENDED JUNE 30, 1999**

	<u>Sinking Funds</u>	<u>Reserve Funds</u>	<u>Capital Additions and Contingencies Funds</u>	<u>Total</u>
RESTRICTED ASSETS, JULY 1, 1998	\$ 191,725	\$ 381,639	\$ 268,023	\$ 841,387
RECEIPTS				
Interest on investments	4,183	19,268	8,619	32,070
Transfers from:				
St. James Parish Council	-	-	56,654	56,654
Operating account	369,312	-	142,031	511,343
Total receipts	<u>373,495</u>	<u>19,268</u>	<u>207,304</u>	<u>600,067</u>
Total available	<u>565,220</u>	<u>400,907</u>	<u>475,327</u>	<u>1,441,454</u>
DISBURSEMENTS				
Bond principal	225,144	-	-	225,144
Bond interest	175,133	-	-	175,133
Capital expenditures and repairs	-	-	103,760	103,760
Miscellaneous expenses	752	-	-	752
Total disbursements	<u>401,029</u>	<u>-</u>	<u>103,760</u>	<u>504,789</u>
RESTRICTED ASSETS, JUNE 30, 1999	\$ 164,191	\$ 400,907	\$ 371,567	\$ 936,665



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

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

	Year Ended June 30	
	1999	1998
Gas purchased	170,937	208,867
Gas used	165,605	194,023
Gas unaccounted for	5,332	14,844
Percentage unaccounted for	3.12%	7.11%

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

	Year Ended June 30	
	1999	1998
Metered water leaving plant	781,047	746,882
Water billed to customers	623,392	597,495
Backwash water used	11,268	11,205
Total water accounted for	634,660	608,700
Water unaccounted for	146,387	138,182
Percentage unaccounted for	18.74%	18.50%

**UTILITY CUSTOMERS
(UNAUDITED)**

	Year Ended June 30	
	1999	1998
Water	4,977	4,938
Gas	2,966	3,046
Total	7,943	7,984



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>
Zurick-American Insurance Company; provides coverage on all of Parish property	Fire, lightning and extended coverage (90% co-insurance)		12/31/99
	Water Plant No. 1		
	Building and machinery	\$ 450,000	
	Contents	\$ 540,000	
	Water Plant No. 2		
	Building and machinery	\$ 1,260,000	
	Contents	\$ 540,000	
	Water Towers		
	Convent, LA	\$ 72,000	
	Union, LA	\$ 72,000	
	South Vacherie, LA		
	Large Tower	\$ 90,000	
	Small Tower	\$ 67,500	
	North Vacherie, LA	\$ 67,500	
	Welcome, LA	\$ 67,500	
	Booster station, Convent, LA		
	Building	\$ 3,000	
	Contents	\$ 10,000	
	Warehouse		
	Building	\$ 27,000	
Contents	\$ 70,000		
Office, Vacherie, LA			
Building	\$ 90,000		
Contents	\$ 70,000		
Parish Government Risk Management Agency	Workmen's Compensation Employer's Liability	Statutory \$ 100,000	12/31/99



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

INSURANCE COVERAGE
JUNE 30, 1999
(UNAUDITED)

<u>Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Expiration Date</u>
Zurick-American Insurance Company	Comprehensive automobile		3/1/00
	Bodily injury/property damage Comprehensive (\$1,000 deductible)	\$ 1,000,000	
	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	6/14/00
Ranger Insurance Company	Excess Liability	\$ 2,000,000	6/14/00
Zurick-American Insurance Company	Contractors equipment 1% of value deductible	\$ 52,567	7/6/99



ST. JAMES PARISH GAS AND WATER DISTRIBUTION SYSTEM
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY DISCLOSURE - UNAUDITED
JUNE 30, 1999

YEAR 2000 ISSUES

The year 2000 issue consists of two shortcomings that make computer-processing systems unable to read year-date data beyond the year 1999. The first shortcoming is many computer programs contain abbreviated dates that eliminate the first two digits of the year. Therefore, some computer programs may recognize January 1, 2000 as January 1, 1900 and process data incorrectly or stop processing altogether. The second shortcoming is some computers will be unable to detect the year 2000 as a leap year and may not register the additional day and data calculations may be incorrect.

There are four necessary stages to complete in order to identify and address the year 2000 issue: Awareness Stage, Assessment Stage, Remediation Stage and Validation/Testing Stage. The System has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are critical to conducting the operations of the System. The following is a list of the stages of work in process as of June 30, 1999, for the computer systems or electronic equipment deemed critical to the System's operations:

Remediation Stage

<u>System</u>	<u>Action Taken</u>
Financial Management System	New software and hardware has been installed by an outside vendor.
Utility Billing System	New hardware has been purchased and installed by an outside vendor; a contract has been entered to purchase new software from an outside vendor. The new software is expected to be installed by September, 1999.

As of June 30, 1999, the System has expended \$16,293 to address the year 2000 issue. After the completion of all these stages, there is no guarantee that the systems and other electronic equipment will be year 2000 compliant, that the remediation efforts will be successful in whole or in part, or that parties with which the St. James Parish Gas and Water Distribution System does business will be year 2000 compliant.

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ST. JAMES PARISH
GAS AND WATER DISTRIBUTION SYSTEM

STATE OF LOUISIANA
MANAGEMENT LETTER

JUNE 30, 1999

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 _____

68-111-21
JUN 30 1999
10:21 AM



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August 6, 1999

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

Re: St. James Parish Gas and Water Distribution System

Gentlemen:

In planning and performing our audit of the financial statements of St. James Parish Gas and Water Distribution System for the year ended June 30, 1999, 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.

Separation of Duties

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

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



We previously reported on the System's internal control in our report dated August 6, 1999. This letter does not affect our report dated August 6, 1999 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.

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Dale J. Hymel, Jr.
Parish President

September 22, 1999

Subject: St. James Parish Gas & Water Distribution System
Management Letter dated June 30, 1999

Findings: Separation of Duties

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Management's Response:

The suggestions regarding further separation of duties between employees will be addressed. The administrative personnel of the system will be re-organized so that no one employee has access to all phases of a transaction regarding cash receipts and accounts receivable. A planned renovation the system's office will allow employees other than the bookkeeper to receive walk-in payments when employees are busy or absent.

Dale J. Hymel, Jr.
Parish President

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Director of
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