

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

99500390
1527
48

**ST. JOHN THE BAPTIST PARISH
UTILITIES SYSTEM ENTERPRISE FUND
LAPLACE, LOUISIANA**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON**

Year Ended June 30, 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 DEC 9 1998

**ST. JOHN THE BAPTIST PARISH
UTILITIES SYSTEM ENTERPRISE FUND
LAPLACE, LOUISIANA**

**Financial Statements
As of and for the Year Ended June 30, 1998**

TABLE OF CONTENTS

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Retained Earnings - Budget (GAAP Basis) and Actual	5
Statement of Cash Flows	6
Notes to the Financial Statements	8

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	28
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	30
REVIEW OF PRIOR YEAR FINDINGS	33
CORRECTIVE ACTION PLAN	35

SUPPLEMENTAL INFORMATION

SCHEDULE OF INSURANCE	36
SCHEDULE OF UTILITY BOARD MEMBERS	37

FINANCIAL SECTION

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

3501 N. Causeway Blvd. • Suite 810 • P.O. Box 6952 • Metairie, LA 70009
Phone (504) 837-9116 • Fax (504) 837-0123 • E-mail rebowe@rebowe.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable President
and Members of the Council
St. John the Baptist Parish Council
LaPlace, Louisiana

We have audited the accompanying financial statements of St. John the Baptist Parish Utilities System Enterprise Fund, as of and for the year ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the management of St. John the Baptist Parish. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Because of the inadequacy of accounting records pertaining to property and equipment sold as part of the gas distribution system transaction described in Note 19, and certain other property and equipment, we were unable to form an opinion regarding the amounts at which property and equipment and accumulated depreciation are recorded in the accompanying balance sheet at June 30, 1998 (stated at \$36,159,248 and \$12,721,728, respectively), or the amount of depreciation expense for the year then ended (stated at \$877,000).

As discussed in Note 1, the financial statements present only St. John the Baptist Parish Utilities System Enterprise Fund, and are not intended to present fairly the financial position of the St. John the Baptist Parish Council, 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had records concerning property and equipment and related accumulated depreciation been adequate, the financial statements referred to above present fairly, in all material respects, the financial position of the St. John the Baptist Parish Utilities System Enterprise Fund as of June 30, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the St. John the Baptist Parish Utilities System Enterprise Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 1998, on our consideration of the St. John the Baptist Parish Utilities System Enterprise Fund's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Rebowe & Company

September 30, 1998

**St. John the Baptist Parish
Utilities System Enterprise Fund
LaPlace, Louisiana**

**Balance Sheet
June 30, 1998**

Assets

Current assets

Cash and cash equivalents	\$ 833,551
Receivables, net of allowance for doubtful accounts of \$13,463	1,158,076
Other receivables	81,286
Inventory	95,552

Total current assets 2,168,465

Restricted assets

Cash and cash equivalents	449,336
Investments	1,954,817

Total restricted assets 2,404,153

Property, plant, and equipment

Property, plant, and equipment	36,159,248
Accumulated depreciation	(12,668,728)

Net property, plant, and equipment 23,490,520

Other assets

Other assets	91,531
--------------	--------

Total other assets 91,531

Total Assets \$ 28,154,669

The accompanying notes are an integral part of this statement.

**St. John the Baptist Parish
Utilities System Enterprise Fund
LaPlace, Louisiana**

**Balance Sheet (continued)
June 30, 1998**

Liabilities and Fund Equity

Liabilities

Current liabilities payable from current assets	
Accounts and salaries payable	\$ 198,469
Due to other funds	824,002
Notes payable, current portion	
Other liabilities	166,500
Total current liabilities payable from current assets	1,188,971
Current liabilities payable from restricted assets	
Customer deposits	718,928
Bonds payable, current portion	-
Accrued interest payable	18,006
Total current liabilities payable from restricted assets	736,934
Long-term liabilities	
Bonds payable	5,844,600
Total long-term liabilities	5,844,600
Total liabilities	7,770,505
<u>Fund equity</u>	
Contributed capital	13,356,163
Retained earnings	
Reserved	1,067,864
Unreserved	5,960,137
Total fund balance	20,384,164
Total Liabilities and Fund Equity	\$ 28,154,669

The accompanying notes are an integral part of this statement.

**The St. John the Baptist Parish
Utilities System Enterprise Fund
LaPlace, Louisiana**

**Statement of Revenues, Expenses, and Changes in Retained Earnings
Budget (GAAP Basis) and Actual
For the Year Ended June 30, 1998**

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Water sales	\$ 3,938,215	\$ 3,545,910	\$ 392,305
Gas sales	135,654	136,604	(950)
Fees, charges, and commissions	233,251	201,000	32,251
Reimbursed indirect costs	217,734	200,000	17,734
Other income	170,157	50,000	120,157
Total Revenues	4,695,011	4,133,514	561,497
Operating Expenses			
Purchases	101,587	114,387	12,800
General administration	1,007,337	1,055,993	48,656
Purification	929,844	821,451	(108,393)
Distribution	1,005,887	990,633	(15,254)
Depreciation	824,000	845,000	21,000
Total Operating Expenses	3,868,655	3,827,464	(41,191)
Operating Income	826,356	306,050	520,306
Nonoperating Income (Expense)			
Interest income	155,316	112,000	43,316
Interest expense	(207,171)	(128,140)	(79,031)
Operating transfers in	185,000	185,000	-
Operating transfers out	(287,838)	(287,838)	-
Loss on bond defeasance	(13,930)	-	(13,930)
Gain on sale of gas system	383,844	-	383,844
Amortization of bond issuance expense	-	(11,500)	11,500
Net Nonoperating Income	215,221	(130,478)	345,699
Net Income	1,041,577	175,572	866,005
Amortization of contributed capital	520,020	500,000	20,020
Unreserved retained earnings, beginning of year	4,456,980	4,456,980	-
Increase in retained earnings reserved for debt service	(58,440)	-	(58,440)
Unreserved retained earnings, end of year	\$ 5,960,137	\$ 5,132,552	\$ 827,585

The accompanying notes are an integral part of this statement.

**The St. John the Baptist Parish
Utilities System Enterprise Fund
LaPlace, Louisiana**

**Statement of Cash Flows
For the Year Ended June 30, 1998**

Cash flows from operating activities	
Operating income	\$ 826,356
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	824,000
Gain on sale of gas system	383,844
Loss on bond defeasance	(13,930)
Changes in assets and liabilities:	
Accounts receivable	(134,970)
Other receivables	17,426
Inventory	22,742
Accounts and salaries payable	(37,183)
Due to other funds	59,038
Other liabilities	156,500
Accrued expenses	(7,898)
Deposits payable	(73,896)
Other assets	45,394
	<hr/>
Net cash provided by operating activities	2,067,423
	<hr/>
Cash flows from non-capital financing activities	
Operating transfers in	185,000
Operating transfers out	(287,838)
	<hr/>
Net cash provided by noncapital financing activities	(102,838)
	<hr/>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(3,692,350)
Sale of capital assets	1,432,850
Increase in Contributed capital	51,000
Repayment of notes payable	(6,129)
Repayment of bonds payable	(2,970,726)
Bonds Payable	
Old bonds defeased	(5,031,000)
New bond issues	8,364,326
Interest payments	(207,171)
	<hr/>
Net cash used by capital and related financing activities	\$ (2,059,200)
	<hr/>

The accompanying notes are an integral part of this statement.

**The St. John the Baptist Parish
Utilities System Enterprise Fund
LaPlace, Louisiana**

**Statement of Cash Flows (continued)
For the Year Ended June 30, 1998**

Cash flows from investing activities	
Interest income	\$ 155,316
Sale of investment securities	8,562,405
Purchase of investment securities	<u>(8,198,475)</u>
Net cash used by investing activities	<u>519,246</u>
Net increase (decrease) in cash	424,631
Cash and cash equivalents, beginning of year	<u>858,256</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,282,887</u></u>
Reconciliation to Balance Sheet	
Unrestricted cash and cash equivalents	\$ 833,551
Restricted cash and cash equivalents	<u>449,336</u>
Total cash and cash equivalents	<u><u>\$ 1,282,887</u></u>

The accompanying notes are an integral part of this statement.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The financial statements of the St. John the Baptist Parish Utilities System Enterprise Fund (the Fund) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fund's accounting policies are described below.

A. Reporting Entity

Parish Government

The St. John the Baptist Parish Council (the Council) is the governing authority for the Parish of St. John the Baptist, a political subdivision of the State of Louisiana as authorized by the State Constitution. The Council consists of nine members, two of whom are elected from two divisions of the Parish consisting of 50% of the Parish's population and seven members elected to represent each of the seven districts. The Parish President, elected by the voters of the Parish, is the chief executive officer of the Parish and is responsible for carrying out the policies adopted by the Council and for the administration of all Parish departments, offices, agencies and special districts.

Louisiana Revised Statutes, at LSA-R.S. 33:1236 give the Council various powers in regulating and directing the affairs of the Parish and its inhabitants. The more notable of these are the power to make regulations for its own government; to regulate the construction and maintenance of roads, bridges, and its drainage system; to regulate the sale of alcoholic beverages; and to provide for the health and welfare of the poor, disadvantaged, and unemployed in the Parish. Funding to accomplish these tasks is provided by ad valorem taxes, sales taxes, beer and alcoholic beverage permits, state revenue sharing, and various state and federal grants.

St. John the Baptist Parish occupies 351 square miles with a population of approximately 40,000. Council offices are located in the parish office building at 1801 West Airline Highway, LaPlace.

As the governing authority of the Parish, for financial reporting purposes, the St. John the Baptist Parish Council is the reporting entity for St. John the Baptist Parish. The financial reporting entity consists of (a) the primary government (Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Government Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the St. John the Baptist Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth the following criteria to be considered in determining financial accountability:

1. Organizations for which the Council appoints a voting majority of the governing body, and:
 - a. The ability of the Council to impose its will on that organization or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Council.
2. Organizations for which the Council does not appoint a voting majority but which are fiscally dependent on the Council.
3. Organizations for which the reporting entity financial statements would be misleading if data for the organization is not included because of the nature or significance of the relationship.

Based on the above criteria, the Council has determined that the following component units are part of the reporting entity:

<u>Component Unit</u>	<u>Fiscal Year End</u>	<u>Criteria Used</u>
Council on Aging	June 30	2
Community Action Agency	June 30	1.a.b.
Library	June 30	1.a.b.
Public Housing Authority	September 30	1.a.
Assessor	December 31	2
Clerk of Court	June 30	2

The accompanying financial statements present only the financial position, results of operations, and cash flows of the St. John the Baptist Parish Utilities System Enterprise Fund, and do not present financial information for the Council or for any of the above-named component units of the Council. However, the Council and these component

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

units are required to submit annual financial statements to the State of Louisiana Legislative Auditor.

Utility Fund

Upon the completion of the sale of the Parish's natural gas distribution system to Citizens Utilities, which is more fully described in Note 19, the name of the Gas and Water Enterprise Fund of the St. John the Baptist Parish Council was changed to the St. John the Baptist Parish Utilities System Enterprise Fund.

The St. John the Baptist Parish Utilities Board is comprised of eleven (11) appointed members. Each of the seven (7) councilmen have one (1) appointment and each of the two (2) councilmen-at-large have two (2) appointments. The board members serve a term of four (4) years and meet twice a month to discuss utility-related issues. This Board reports directly to the Parish Council. The Board is an advisory board and does not have the authority to change rates, institute or eliminate charges, or modify the budget of the Fund.

GASB Statement 14 provides for the issuance of individual fund statements that are separate from those of the reporting entity. However, these individual fund financial statements are not a substitute for the reporting entity's financial statements. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to government units. These financial statements are not intended to and do not report on the reporting entity but rather are intended to reflect only the financial statements of the St. John the Baptist Parish Utilities System Enterprise Fund.

B. Fund Accounting

Governmental entities use funds and account groups to report their financial position and the results of their operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. In turn, each category is divided into separate fund types. The St. John the Baptist Parish Utilities System Enterprise Fund is classified in the proprietary fund category and the enterprise fund-type described below:

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

As a proprietary fund, the St. John the Baptist Parish Utilities System Enterprise Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The St. John the Baptist Parish Utilities System Enterprise Fund is maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, a portion of the liability equal to the amount of deferred revenue earned during the period is removed from the balance sheet and revenue is recognized. Unbilled enterprise fund service receivables are recorded as fund assets at year end. Interest on revenue bonds, proceeds of which are used in financing the construction of Fund assets, is capitalized during the construction period.

D. Budgetary Accounting

The Fund's budget is prepared and reported on the same basis of accounting as the financial statements. An accrual-basis budget is legally adopted by the Council prior to the start of each fiscal year.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

All unexpended budgetary appropriations lapse at year end. The Fund does not utilize encumbrance accounting.

Additional details on the budgetary process may be found at Note 2.

E. Cash and Cash Equivalents and Investments

Cash includes cash on hand, demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. For purposes of the statement of cash flows, the Fund considers these same items to be cash.

Louisiana Revised Statutes, at LSA-R.S. 33:2955, authorize the Council to invest in (1) direct obligations of the United States Treasury, the principal and interest of which are fully guaranteed by the federal government; (2) bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. Government instrumentalities; (3) direct security repurchase agreements of any federal book-entry-only securities; (4) time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana, savings accounts or shares of savings and loan associations; (5) in mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. Government or its agencies; or (6) guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program approved by the State Bond Commission.

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 or exceed the amount on deposit with the bank.

Investments consist of U.S. Treasury Bills with original maturities of one year or less, and are stated at amortized cost.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

F. Receivables

Receivables consist primarily of amounts billed to customers for services provided by the St. John the Baptist Parish Utilities System Enterprise Fund and certain other enterprise funds of the St. John the Baptist Parish Council. Management provides an allowance for doubtful accounts based on a review of the current status of existing receivables and management's evaluation of the aged accounts receivable.

G. Inventories

Inventories consist of parts and equipment and are stated at the lower of cost or market, determined by the first-in, first-out method.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by the governing bond covenants. Additionally, customer deposits held by the St. John the Baptist Parish Utilities System Enterprise Fund are restricted for use in paying outstanding bills when customers discontinue service.

J. Fixed Assets

Fixed assets used in the Fund's operations are included on the balance sheet of the Fund at cost where historical records are available and at estimated historical cost where no historical records exist, net of accumulated depreciation. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the useful lives of the assets ranging from 5 to 40 years.

Interest expense incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. No interest cost was capitalized during the year ended June 30, 1998.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

The costs of maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Improvements that add to the value of assets are capitalized and depreciated over the remaining useful lives of the fixed assets.

Fixed assets acquired through capital contributions are capitalized. Depreciation expense applicable to these contributed assets is closed out to the related contributed capital accounts rather than retained earnings.

K. Bond Issue Costs

Bond issuance expense and bond discounts incurred as a result of the issuance of revenue bonds are amortized in proportion to the debt service on the revenue bonds.

L. Compensated Absences

The Council has the following policies relating to vacation and sick leave, which apply to employees of the St. John the Baptist Parish Utilities System Enterprise Fund:

Employees earn from 5 to 20 days of vacation leave each year, depending on their length of service. Vacation leave must be taken in the year earned and cannot be accumulated. Also, employees earn 6 to 18 days of sick leave per year which can be accumulated and is paid only upon retirement. The accumulation of sick leave is nominal at June 30, 1998, therefore, a liability for compensated absences due employees has not been included in the financial statements.

Leave privileges associated with employees of the Fund are recorded as a fund liability and operating expenses.

M. Long-Term Obligations

Long-term obligations expected to be financed from the Fund's operations are accounted for in the Fund.

N. Fund Equity

Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds when such resources are restricted for

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

N. Fund Equity

the acquisition or construction of capital assets. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired or constructed from such resources.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use. Unreserved retained earnings represent net assets available for future operations. Reserved retained earnings represent net assets that have been legally restricted for specific purposes.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget

The procedures used by the Parish in establishing the budgetary data reflected in the financial statements are as follows:

- (1). At least sixty (60) days before the beginning of the fiscal year, the President submits a line item operating budget and a capital budget in accordance with accepted accounting procedure in a format established by the Parish Council. The budget submitted shall be balanced. The President submits with the budget a message containing recommendations concerning the fiscal policy of the Parish, a description of the important features of the budget, and an explanation of all major increases or decreases in budget recommendations as compared with expenditures of the prior year.
- (2). The Parish Council publishes the proposed budget in the official journal two (2) weeks before the meeting at which the budget is to be adopted. The budget as adopted constitutes an appropriation of funds for all purposes contained therein. A budget ordinance becomes effective the first day of the fiscal year, unless otherwise provided therein.
- (3). The Parish Council may amend the budgets before adoption except that no items for debt service may be reduced below the amount certified by the President as necessary. In no event may the Parish Council cause the total expenditures to exceed anticipated revenue. If the Parish Council fails to act on either budget within the time limit as provided in the Section herein, it shall be adopted as submitted by the President.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 1998, the Fund has cash and cash equivalents (book balances) totaling \$1,282,887 of which \$833,551 is unrestricted and \$449,336 is restricted. Restricted cash is included with restricted assets on the balance sheet and included with total cash in the statement of cash flows.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in joint custody in a federal reserve bank.

At June 30, 1998, The St. John the Baptist Parish Utilities System Enterprise Fund has \$1,335,532 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,235,532 of pledged securities held by the federal reserve bank in the name of the fiscal agent bank and the Parish (GASB Category 1).

NOTE 4 - INVESTMENTS

Investments at year-end are categorized below to give an indication of the level of risk assumed by the St. John the Baptist Parish Utilities System Enterprise Fund. The categories of credit risk are as follows:

Category 1 - Insured or registered, or securities held by the Parish or its agent in the Parish's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Parish's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Parish's name.

At year end, the Fund's investment balances were as follows:

	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Market Value</u>
United States Treasury Bills	<u>\$ 1,954,817</u>	<u>\$ 1,954,817</u>	<u>\$ 1,954,817</u>

All investments are restricted for customer deposits or debt service.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 5 - RECEIVABLES

The St. John the Baptist Parish Utilities System Enterprise Fund bills and collects user charges for water usage, provides billing and collection services for the St. John the Baptist Consolidated Sewerage District 1B, and collects fees for mosquito control, refuse collection, and ambulance service for the St. John the Baptist Parish Council.

At June 30, 1998, accounts receivable consist of the following:

Amounts due for the Utilities System Enterprise Fund	\$ 703,397
Amounts due for:	
Ambulance District Special Revenue Fund	22,603
Solid Waste Enterprise Fund	171,476
Mosquito Abatement Enterprise Fund	28,699
Sewer District 1B Enterprise Fund	232,119
Sales taxes	<u>13,245</u>
 Total accounts receivable	 <u>\$1,171,539</u>
 Total receivables	 \$1,171,539
 Less allowance for uncollectibles	 <u>13,463</u>
 Net accounts receivable	 <u>\$1,158,076</u>

The allowance for estimated uncollectible receivables is based on historical collection experience and other relevant circumstances. The allowance for estimated uncollectibles consists of the following amount:

Utilities System Enterprise Fund	\$ <u>13,463</u>
 Total allowance for uncollectibles	 \$ <u>13,463</u>

The aging of accounts receivable balances at June 30, 1998, was as follows:

	Total	0-30 Days	31-60 Days	61-90 Days	Over 90 Days
Accounts receivable	<u>\$1,171,539</u>	<u>\$902,085</u>	<u>\$ 70,292</u>	<u>\$ 23,431</u>	<u>\$175,731</u>

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 6 - FIXED ASSETS

A summary of property, plant, and equipment activity for the year ended June 30, 1998, follows:

	<u>Balance</u> <u>July 1, 1997</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 1998</u>
Land and rights of way	\$ 49,753	\$ -	\$ -	\$ 49,753
Gas distribution system	2,282,255	-	2,253,384	28,871
Water distribution system	30,703,029	882,697	-	31,585,726
Office furniture and equipment	344,767	91,673	-	436,440
Transportation equipment	414,345	80,009	-	494,354
Tools and work equipment	293,871	2,960	-	296,831
Communications equipment	56,259	2,386	-	58,645
Building improvements	253,404	4,851	-	258,255
Construction in progress	<u>312,618</u>	<u>3,477,969</u>	<u>840,214</u>	<u>2,950,373</u>
Subtotal	\$34,710,301	\$4,542,245	\$3,093,598	\$36,159,248
Less: Accumulated Depreciation	<u>12,655,280</u>	<u>824,000</u>	<u>810,552</u>	<u>12,668,728</u>
Net Property, Plant, and Equipment	<u>\$22,055,021</u>	<u>\$3,718,545</u>	<u>\$2,283,046</u>	<u>\$23,490,520</u>

Depreciation expense for the year ended June 30, 1998, totaled \$824,000.

Construction in progress consists of the following:

	<u>Expended to</u> <u>June 30, 1998</u>
Transmission Line	<u>2,950,373</u>
Total	<u>\$2,959,373</u>

NOTE 7 - RESTRICTED ASSETS

The St. John the Baptist Parish Utilities System Enterprise Fund maintains assets that are restricted to use for specified purposes.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 7 - RESTRICTED ASSETS (Continued)

A. Customer Deposits

Customer deposits are held in cash and investments at June 30, 1998, as follows:

Investments	\$ 610,201
Cash	<u>123,757</u>
Total restricted for customer deposits	<u>\$ 733,958</u>
Liability for deposits	<u>\$ 718,928</u>

B. Revenue Bond Sinking and Reserve Funds

As more fully described in Note 11, under the terms of the covenants signed in connection with its various bond issues, the Fund is required to maintain specified amounts of cash and investments in reserve funds, and to periodically make deposits to sinking funds. The assets in these accounts at year end are restricted for the payment of bond principal and interest as follows:

Sinking funds cash	\$ 117,670
Reserve funds	
Cash	51,912
Investments	<u>610,201</u>
Reserve funds total	<u>662,113</u>
Total restricted for debt service	<u>\$ 779,783</u>

C. Transferred Bond Proceeds

Cash totaling \$48,552 at June 30, 1998, and representing bond proceeds transferred from the General Fund of the Parish Council, is reserved for use on capital improvements.

D. Capital Additions and Contingency Fund

Certain bond covenants of the Fund require that an amount equal to five percent of the cash collections of the Fund each month shall be deposited into a Capital Additions and Contingencies Fund, if such an amount is available after debt service and certain expenses.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 7 - RESTRICTED ASSETS (Continued)

The cash and investments in this account are restricted to use for additions, improvements, and replacements necessary for proper operation of the St. John the Baptist Parish Utilities System Enterprise Fund, and are further restricted for use in paying principal and interest on the Fund's revenue bonds should the sinking or reserve funds contain inadequate resources. The covenants require a minimum balance of \$5,000 in this account.

At June 30, 1998, this account was funded as follows:

Investments	\$ 180,635
Cash overdraft	<u>107,414</u>
Total restricted for capital additions and contingencies	<u>\$ 288,049</u>

E. System Fund

Certain bond covenants of the Fund require that the Fund set aside out of its revenues an amount sufficient to cover operating expenses of the Fund. These funds are restricted for operation of the system, and may not be transferred out of the St. John the Baptist Parish Utilities System Enterprise Fund. At June 30, 1998, the Fund contained investments totaling \$553,780.

Restricted cash and investments are summarized below:

Restricted for:	
Customer deposits	\$ 733,958
Bond sinking and reserve funds	779,783
Transferred bond proceeds	48,552
Capital additions and contingencies	288,049
System fund	<u>553,780</u>
Total restricted cash and investments	<u>\$2,404,122</u>

NOTE 8 - BOND ISSUANCE COSTS

Bond issuance costs are capitalized and amortized over the lives of the underlying bond issues at a rate corresponding to the percentage of current year debt service to total debt service. At June 30, 1998, the Fund had \$91,531 of unamortized bond issuance costs. Amortization expense for the year ended June 30, 1998, totaled \$136,925.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 9 - ACCOUNTS, SALARIES, AND OTHER PAYABLES

The following is a summary of accounts, salaries, and other payables as of June 30, 1998:

Accounts payable	\$ 57,087
Salaries and withholdings	84,864
Sales taxes payable	<u>22,868</u>
 Total	 <u>\$ 164,819</u>

NOTE 10 - DUE TO OTHER FUNDS

As discussed in Note 5, the St. John the Baptist Parish Utilities System Enterprise Fund provides billing and collection services for several other funds of the St. John the Baptist Parish Council, and receives a commission for these services. At June 30, 1998, the Fund reported accounts receivable for amounts billed but not yet collected on behalf of these funds as illustrated in Note 5, and a related liability for the amounts due to these funds as follows:

Amounts due to:	
Ambulance District Special Revenue Fund	\$ 41,261
Solid Waste Enterprise Fund	307,212
Mosquito Abatement Enterprise Fund	51,827
Sewer District 1B Enterprise Fund	<u>423,702</u>
 Total due to other funds	 <u>\$ 824,002</u>

NOTE 11 - LONG-TERM OBLIGATIONS

Bonds, certificates, and notes payable are comprised of the following issues at June 30, 1998:

Bond Type	Date of Issuance	Authorized and Issued	Interest Rate %	Maturity Date	Principal Outstanding	Interest to Maturity
<u>Revenue Bonds</u>						
Water and Gas, Series 1990 Serial Bonds	02/01/90	375,000	6.70-7.80	12/01/14	30,000	60,369
Water Revenue Refunding Series 1997A						
Tax-exempt bonds	10/01/97	\$ 356,000	5.75	12/01/14	\$ 356,000	\$ 203,320
Water Revenue Refunding Series 1997B						
Taxable bonds	10/01/97	\$ 2,445,000	8.00	12/01/11	2,445,000	\$ 1,613,000
Water Revenue Utility Bonds Series 1998	6/1/98	\$ 3,500,000	5.125	6/1/28	<u>2,823,600</u>	<u>\$ 2,765,542</u>
 Total Revenue Bonds					 <u>\$5,654,600</u>	 <u>\$ 4,642,231</u>

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 11 - LONG-TERM OBLIGATIONS (continued)

Bonds, certificates, and notes payable are comprised of the following issues at June 30, 1998:

Bond Type	Date of Issuance	Authorized and Issued	Interest Rate %	Maturity Date	Principal Outstanding	Interest to Maturity
<u>Certificates of Indebtedness</u> Water and Gas, Series 1995	08/23/95	\$ 250,000	6.50	04/01/05	<u>\$ 190,000</u>	<u>\$ 53,300</u>
Totals					<u><u>\$5,844,600</u></u>	<u><u>\$ 4,695,531</u></u>

The following is a summary of bonds and other long-term debt transactions of the St. John the Baptist Parish Utilities System Enterprise Fund for the year ended June 30, 1998:

Long-term obligations payable at July 1, 1997	\$5,488,129
Additions	8,364,326
Principal payments	(2,976,855)
Defeasance payments	<u>(5,031,000)</u>
Long-term obligations payable at June 30, 1998	<u><u>\$5,844,600</u></u>

In December 1997, the Council defeased \$875,000 of Water and Gas Series 1971 Serial Bonds, \$70,000 of Water and Gas Series 1973 Serial Bonds, \$12,000 of Water and Gas Series 1978 Serial Bonds, and \$3,980,000 of Water and Gas Series 1993 Serial Bonds by placing the proceeds from the sale of the natural gas system along with a portion of the proceeds from the issuance of St. John Utility Revenue Bonds Series 1997A and 1997B in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utilities System's financial statements.

In December 1997, the Council partially defeased \$305,000 of the outstanding \$335,000 Water and Gas Series 1990 Serial Bonds by placing the proceeds from the sale of the natural gas system along with a portion of the proceeds from the issuance of St. John Utility Revenue Bonds Series 1997A and 1997B in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Utilities System's financial statements.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 11 - LONG-TERM OBLIGATIONS (continued)

According to the terms of the bond indenture agreements, the St. John the Baptist Parish Utilities System Enterprise Fund must provide net revenues in each year equal to at least 130 percent of the bond principal and interest payments in that year. For the fiscal year ended June 30, 1998, the bond debt service coverage factor was met.

All of the Fund's outstanding revenue bonds are subject to early redemption provisions.

The annual requirements to amortize Utilities System Enterprise Fund debt outstanding as of June 30, 1998, including interest payments of \$4,695,531, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
1999	\$ 577,042
2000	581,888
2001	568,166
2002	534,416
2003	546,701
2004 and thereafter	<u>7,731,918</u>
	<u>\$10,540,131</u>

NOTE 12 - OPERATING TRANSFERS IN/OUT

The following is a summary of operating transfers made during the year ended June 30, 1998:

Intergovernment transfer in	<u>\$ 185,000</u>
Transfers to Capital Improvement	<u>\$ (185,000)</u>
Transfers out to General Fund	<u>\$ (102,838)</u>

NOTE 13 - PENSION PLAN

Plan Description. Substantially all employees of the St. John the Baptist Council, including the employees of the St. John the Baptist Parish Utilities System Enterprise Fund, are members of the Parochial Employees' Retirement System of Louisiana (the System), a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Council are members of Plan A.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 13 - PENSION PLAN (continued)

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the system. Under Plan A, employees who retire at or after 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 per cent 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 per cent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980, plus 3 per cent of final-average salary for each year of service credited after the revision date. 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 System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. 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 (504) 928-1361.

Funding Policy. Under Plan A, Members are required by statute to contribute 9.5 percent of their annual covered salary and the St. John the Baptist Parish Council is required to contribute at an actuarially determined rate. The current rate is 7.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one per cent 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 St. John the Baptist Parish Council 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 of the prior fiscal year. The St. John the Baptist Parish Utilities System Enterprise Fund's contributions to the System under Plan A for the year ending June 30, 1998 totaled \$87,755, which is equal to the required contribution for the year. The covered payroll totaled \$1,132,324, which included substantially all of the salaries of the St. John the Baptist Parish Utilities System Enterprise Fund.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS

The St. John the Baptist Parish Council provides certain continuing health care and life insurance benefits for its employees. Substantially all of the Council's employees become eligible for these benefits if they reach normal retirement age while working for the Council. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the Council. Benefits for active employees are paid in full by the Council. The Council recognizes the cost of providing these benefits as an expenditure when paid during the year. The cost recognized by the St. John the Baptist Parish Utilities System Enterprise Fund for the year ended June 30, 1998, is included in General and Administrative Expenses.

NOTE 15 - COMPENSATED ABSENCES

Only full time regular employees with a minimum of six months of employment service are eligible for sick pay. At retirement, all accumulated, unused, and unpaid sick leave days are forwarded to the retirement system for conversion upon application for normal retirement. At June 30, 1998, the Fund's employees had no accumulated or vested employee leave benefits that would materially affect the financial statements.

NOTE 16 - DEFERRED COMPENSATION PLAN

The Parish offers its employees, including the employees of the St. John the Baptist Parish Utilities System Enterprise Fund, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Parish employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

It is the opinion of the Parish's legal counsel 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.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 16 - DEFERRED COMPENSATION PLAN (continued)

The Parish believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

In 1997, the U.S. Congress passes legislation requiring the amendment of IRC Section 457 Plans by January 1, 1999. The amendment, when adopted by the Council, will place all assets of the Plan into a trust for the exclusive benefit of participants and their beneficiaries.

NOTE 17 - RISK MANAGEMENT

The Fund 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 Parish purchases commercial insurance to manage the risk of loss, and the policies covering the St. John the Baptist Parish Utilities System Enterprise Fund are included in the Council's insurance portfolio. The more significant insurance coverages include gas commercial general liability, gas officers' and directors' liability, workers' compensation, business auto, and commercial property. No settlements in excess of insurance coverages were made during the year ended June 30, 1998.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Litigation

The St. John the Baptist Parish Utilities System Enterprise Fund of the St. John the Baptist Parish Council is not a separate legal entity, and therefore cannot be sued without recourse to the Parish Council. Accordingly, any contingencies or disclosures related to litigation may be found in the general purpose financial statements of the Council.

NOTE 19 - GAS SYSTEM SALE

In October 1997, the Parish completed the sale of its natural gas distribution system to Citizens Utilities, Inc. for \$2.1 million. At the closing of the sale, the Parish defeased substantially all of its outstanding gas and water revenue bonds through the issue of \$356,000 Water Revenue Refunding Bonds, Series 1997A, and \$2,445,000 of Taxable Water Revenue Refunding Bonds, Series 1997B. This transaction had no effect on any fund other than the Utilities System Enterprise Fund.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

NOTE 20 - RESERVED RETAINED EARNINGS

The nature and purpose of the reserves of retained earnings are as follows:

Retained earnings reserved for debt service Fund balance available to pay the principal balances of the Fund's long term obligations.	\$ 779,814
Retained earnings reserved for capital additions and contingencies Unexpended funds dedicated for capital projects or emergency repairs to be performed in future years.	<u>\$ 288,049</u>
Total reserved retained earnings	<u>\$1,067,863</u>

**REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

3501 N. Causeway Blvd. • Suite 810 • P.O. Box 6952 • Metairie, LA 70009
Phone (504) 837-9116 • Fax (504) 837-0123 • E-mail rebowe@rebowe.com

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

To the Honorable President
and Members of the Council
St. John the Baptist Parish Council
LaPlace, Louisiana

We have audited the financial statements of the St. John the Baptist Parish Utilities System Enterprise Fund, (the Fund) as of and for the year ended June 30, 1998, and have issued our report thereon dated September 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fund'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The finding is described in the accompanying Schedule of Findings and Questioned Costs as Item 98-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. John the Baptist Parish Utilities System Enterprise Fund of the St. John the Baptist Parish Council'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve

matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the St. John the Baptist Parish Utilities System Enterprise Fund of the St. John the Baptist Parish Council's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1 and 2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted a reportable condition that we consider to be a material weaknesses as described in the accompanying schedule of findings and questioned costs as item 98-3.

This report is intended for the information of the Council, management of the Parish, the State of Louisiana Legislative Auditor, and officials of applicable federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

Rebowe & Company

September 30, 1998

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses a qualified opinion on the financial statements of the St. John the Baptist Parish Utilities System Enterprise Fund.
2. Reportable conditions in internal control relating to the audit of the financial statements are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. These items are described in Sections B.(1) and B.(2) below as items 98-1, 98-2, and 98-3. Item 98-3 is considered to be a material weakness.
3. A reportable instance of noncompliance with laws and regulations material to the financial statements is reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. This instance of noncompliance is reported in Section B.(2) below as item 98-3.

B. FINDINGS REQUIRED TO BE REPORTED – FINANCIAL STATEMENT AUDIT

1. REPORTABLE CONDITIONS

FINDING 98-1 – WRITE-OFF OF ACCOUNTS RECEIVABLE

Condition:

The Utilities System did not perform the write off function at year end in order to accurately reflect amounts due from customers. Furthermore, the write off function was not performed throughout the year. Also, aged accounts receivable and write-offs are not being monitored by someone independent of the write off function.

Criteria:

Generally accepted accounting principles require that accounts receivable be stated at net realizable value. To ensure proper valuation of receivables, the Fund's allowance for uncollectible accounts should be updated periodically and any accounts which are potentially uncollectible should be written off.

Effect:

Accounts receivable and write-off amounts may not be accurately reflected at year end.

**THE ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 1998**

FINDING 98-1 – WRITE-OFF OF ACCOUNTS RECEIVABLE (CONTINUED)

Cause:

The Parish has no internal controls in place that require a periodic evaluation of the adequacy of the Fund's allowance for doubtful accounts or a review of the allowance by supervisory personnel.

FINDING 98-2 – METER DEPOSIT LIABILITY

Condition:

We noted that the Utilities System Enterprise Fund does not maintain adequate supporting documentation for the meter deposit liability. Furthermore, the Fund has no system in place that requires a subsidiary ledger of customer deposits to be maintained and reconciled to the general ledger on a regular basis.

Criteria:

Generally accepted accounting principles require that general ledger account balances be supported by adequate documentation.

Effect:

Failure to maintain sufficient supporting documentation for meter deposit liability limits the Fund's ability to safeguard customer deposits from loss.

Cause:

The Fund has no internal controls in place that require maintenance of a listing of meter deposits held by the Fund on behalf of Utility customers.

2. MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE WITH LAWS AND REGULATIONS

FINDING 98-3 -- FIXED ASSET RECORDS

Condition:

As in the prior year, we noted that the Parish does not maintain adequate, detailed accounting records of fixed assets or fixed asset additions and deletions for assets

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 1998

Condition (continued):

included in its Utilities Enterprise Fund. Fixed assets are shown on the accompanying balance sheet at \$36,159,248.

Criteria:

Generally accepted accounting principles and Louisiana law, at LSA-R.S. 24:545(B)(1) require government agencies to maintain accurate, detailed accounting records of fixed assets.

Effect:

Failure to maintain current and accurate records of fixed assets severely limits the Parish's ability to safeguard those assets against loss from theft or misappropriation, and limits the ability of the Parish to prepare financial statements for the Utility Fund in accordance with generally accepted accounting principles.

Cause:

In prior years the Parish relied on its former external auditors to maintain this listing, but did not periodically review the listing to verify its accuracy. Further, the Parish has not performed a physical inventory of its fixed assets since prior to 1994. With the sale of the natural gas distribution system in October 1997, the Fund disposed of a substantial portion of its fixed assets. Due to inadequately detailed records, Parish personnel were unable to identify the specific assets sold in connection with this transaction. As a result, balances in fixed asset and related accumulated depreciation accounts may be materially misstated at June 30, 1998.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA

REVIEW OF PRIOR YEAR FINDINGS
Year Ended June 30, 1998

REPORTABLE CONDITIONS

1. Accounts Receivable Reconciliations

Condition:

We noted that the Parish does not regularly reconcile its accounts receivable subledger to the general ledger receivables accounts. As a result, material adjustments were required at year-end to reconcile these accounts.

Current Status:

As of June 30, 1998, there were no material differences between the Parish's accounts receivable subledger and the general ledger.

2. Bank Reconciliations

Condition:

We noted that certain bank accounts in the Gas and Water Enterprise Fund were not properly reconciled to the supporting bank statements and the general ledger during the course of the year. As a result, material adjustments were required at year-end to reconcile these accounts.

Current Status:

As of June 30, 1998, all bank accounts were properly reconciled to the supporting bank statements and the general ledger.

MATERIAL WEAKNESSES

3. Cash Deposit and Posting Procedures

Condition:

We noted that the Parish does not require the daily deposit of amounts collected by the cashiers at its service center and other locations, and that no effective measures have been taken to supervise the activities of these individuals. As a result, we noted that several deposits were made as late as three weeks after cash was collected from customers. Additionally, an employee discovered one months-old, undeposited cash receipt during the conduct of our audit procedures.

We also noted that the cash receipts discussed above were credited to the customer accounts on the Parish's computer system without a validated deposit slip supporting the receipts. As

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA

REVIEW OF PRIOR YEAR FINDINGS (Continued)
Year Ended June 30, 1998

3. Cash Deposit and Posting Procedures (Continued)

a result, the receipts were posted to the customer accounts, but no cash was deposited by the Parish.

Current Status:

As of June 30, 1998, employees receiving cash are now required to make cash receipts on a daily basis. No credit entries may be made to individual customer accounts without a validated cash receipt or approval of the Director of Utilities.

4. Property, Plant, and Equipment

Condition:

We noted that the Parish does not maintain adequate, detailed accounting records of fixed assets or fixed asset additions for assets included in its Gas and Water Enterprise Fund.

Current Status:

As of June 30, 1998, the Fund continues to maintain inadequate accounting records of fixed assets or fixed asset additions and deletions. As in the prior year, this finding is included in the Schedule of Findings and Questioned Costs as a material weakness.

**ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LA PLACE, LOUISIANA**

**CORRECTIVE ACTION PLAN
Year Ended June 30, 1998**

	<u>Page number</u>
Finding 98 – 1 - Write off of accounts receivable	36
Finding 98 – 2 - Meter deposit liability	36
Finding 98 – 3 - Fixed asset records	36



St. John The Baptist Parish

1801 West Airline Hwy.
LaPlace, Louisiana 70068
email: econdev@stjohnla.org

State of Louisiana
Parish President
ARNOLD J. LABAT

(504) 652-9569
(504) 536-4274

November 16, 1998

Mr. Joe Gardemal
Rebowe & Company
P.O. Box 6952
Metairie, LA 70009

Dear Mr. Gardemal:

This letter is in response to your report, St. John Parish Utilities System Enterprise Fund Financial Highlights, FYE June 30, 1998.

A. Internal Control Findings/Reportable Conditions:

1. Write off of customer accounts receivable -

Write offs were not performed because there were no accounts outstanding or inactive for the one year period. Writeoffs will be done as deemed necessary.

2. Schedule of meter deposit liability not maintained.

Supporting documentation for meter deposits are maintained by deposit cards. All deposits are on cards and are maintained.

B. Compliance Finding/Material Weakness:

- Property and equipment records -

The Council is in the process of hiring a professional firm, American Appraisal to do fixed assets.

If you have any questions concerning this information, please feel free to call me.
As always, I remain

Sincerely,

Claudette Raphael
Finance Director

SUPPLEMENTAL INFORMATION

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF INSURANCE
Year Ended June 30, 1998

<u>Policy Number</u>	<u>Limits of Liability/Coverage</u>	<u>Insurer</u>	<u>Term</u>
43CENQH2056	WATER AND SEWERAGE LIABILITY \$2,000,000 General aggregate \$1,000,000 Each occurrence \$1,000,000 Personal and advertising \$1,000,000 Products, completed operations \$ 5,000 Medical expenses	Hartford Insurance Co.	7/97-6/98
POL106274	GAS DIRECTORS AND OFFICERS LIABILITY \$1,000,000 Occurrence/aggregate \$ 2,500 Retention	Ranger Insurance Co.	7/97-6/98
43CENQH2058	BUSINESS AUTO \$1,000,000 Combined single limit \$1,000,000 Under-uninsured motorists \$ 5,000 Medical payments Hired and non-owned coverage	Hartford Insurance Co.	7/97-6/98
53659-2	WORKERS COMPENSATION \$1,000,000/\$1,000,000/\$1,000,000	Louisiana Workers Compensation Corp.	7/97-6/98
47PKSQL1787	CONTRACTOR'S EQUIPMENT \$1,577,000 Coverage per schedule \$ 500 Deductible	Hartford Insurance Co.	7/97-6/98
IMC300931	Sewerage and Water Boiler and Machinery \$1,500,000 Coverage \$ 1,000 Deductible	Hartford Insurance Co.	7/97-6/98
O1DDGA0968	Crime Coverage \$500,000 Coverage	Hartford Insurance Co.	7/97-6/98
CFP537532	Property (Tanks) \$3,600,000 Coverage	Audubon.	7/97-6/98
CFP950061	Property (Building) \$20,449,800 Coverage \$ 8,123,015 Business personal property	Audubon.	7/97-6/98
PLS8198717	Pollution \$1,000,000 Coverage	American International	7/97-6/98

See Independent Auditor's Report.

ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND
LaPlace, Louisiana

SCHEDULE OF UTILITY BOARD MEMBERS
Year Ended June 30, 1998

<u>Board member</u>	<u>Per Diem Paid</u> <u>During the</u> <u>Year Ended 6/30/98</u>
Joe Millet	\$ 770
Billy Lambert	740
Bobby Aucoin	600
Gary Brock	330
Kernell Goudia	150
Warner Sylvain	690
Jimmy Hymel	450
Mark Grajkowski	420
Johnny Sperling	1,190
Alfred Donaldson	270
Inez Duhon	540
Adrienne Labat	350
Al Arabie	<u>540</u>
Total	<u>\$ 7,040</u>

See Independent Auditor's Report.

**ST. JOHN THE BAPTIST PARISH
UTILITIES SYSTEM ENTERPRISE FUND**

MEMORANDUM OF ADVISORY COMMENTS

FOR THE YEAR ENDING JUNE 30, 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 in the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date.....

**REBOWE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL ACCOUNTING CORPORATION**

TABLE OF CONTENTS

AUDITOR'S REPORT 1

OBSERVATIONS, RECOMMENDATIONS, AND
MANAGEMENT RESPONSES

1. YEAR 2000 ISSUE 2

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

3501 N. Causeway Blvd. • Suite 810 • P.O. Box 6952 • Metairie, LA 70009
Phone (504) 837-9116 • Fax (504) 837-0123 • E-mail rebowe@rebowe.com

September 30, 1998

To the Honorable President
and Members of the Council
St. John the Baptist Parish, State of Louisiana
LaPlace, Louisiana

We have audited the financial statements of the **ST. JOHN THE BAPTIST PARISH UTILITIES SYSTEM ENTERPRISE FUND**, State of Louisiana for the year ended June 30, 1998, and have issued our report thereon dated September 30, 1998. As part of our audit, we considered the Utility System's internal control over financial reporting in order to determine the nature, timing and extent of our auditing procedures for the purpose of expressing an 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 has been reported on in a separately issued report entitled *Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* dated September 30, 1998.

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

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

Sincerely,

Rebowe & Company

OBSERVATIONS AND RECOMMENDATIONS

1. YEAR 2000 ISSUE

Observation :

The Year 2000 Issue results from a computer's inability to process year-date data accurately beyond the year 1999. Except in recently introduced Year 2000 compliant programs, computer programmers consistently have abbreviated dates by eliminating the first two digits of the year, with the assumption that these two digits would always be 19. Thus January 1, 1965, became 01/01/65. Unless corrected, this shortcut is expected to create widespread problems when the clock strikes 12:00:01 a.m. on January 1, 2000. On that date, some computer programs may recognize the date as January 1, 1900, and process data inaccurately or stop processing altogether.

The Year 2000 Issue is likely to affect computer applications before January 1, 2000, when systems currently attempt to perform calculations into the Year 2000. Furthermore, some software programs use several dates in the year 1999 to mean something other than the date. Examples of such dates are 01/01/99, 09/09/99, and 12/31/99. As systems process information using these dates, they may produce erratic results or stop functioning.

The Year 2000 Issue presents another challenge – the algorithm used in some computers for calculating leap years is unable to detect that the Year 2000 is a leap year. Therefore, systems that are not Year 2000 compliant may not register the additional day, and date calculations may be incorrect.

Upon our discussions with management, it appears that the Finance Department is aware of the Year 2000 issue and has taken steps to insure that its financial systems are Year 2000 compliant. However, the process of assessing systems requiring updating and the steps taken to update those systems have not been documented, nor has the Department established milestone dates for completing various tasks.

Recommendation:

We recommend that you take the necessary actions to immediately begin to identify, modify, and test all systems that may be negatively affected by the Year 2000 Issue, particularly mission-critical systems. This program should be monitored closely to ensure completion before mission-critical systems begin to fail. Such failures may be evident before January 1, 2000. If the Parish fails to take timely and appropriate action, it may experience costly and significant application-program failures that could prevent it from performing its normal processing activities. Depending on the extent of the system failures, noncompliance could have catastrophic consequences for the Parish.

Also, the Parish should implement additional verification procedures to test the accuracy of information received from its vendors, service providers, bankers, customers, and other third-

OBSERVATIONS AND RECOMMENDATIONS

party organizations with whom it exchanges date-dependent information, because these organizations must also become Year 2000 compliant. The Parish should also satisfy itself that vendors, service providers, bankers, customers, and other third party organizations will not experience problems relating to the Year 2000 Issue that could affect the Parish's operations or cash flows.