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Financial Report

St. Bernard Parish Government

Chalmette, Louisiana

December 31, 1998

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Release Date 4/15/2000

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St. Bernard Parish Government

December 31, 1998

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FINANCIAL SECTION



State of Louisiana

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the St. Bernard Parish Government, (a political subdivision of the State of Louisiana), as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the St. Bernard Parish Government. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, St. Bernard Parish Home Mortgage Authority. These financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditor.

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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Parish Government as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

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In accordance with Government Accounting Standards, we have also issued our report dated, May 28, 1999 on our consideration of the St. Bernard Parish Government's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of St. Bernard Parish Government taken as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The accompanying schedule of expenditures of federal awards - primary government is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

The year 2000 supplementary information on page 95 is not a required part of the basic 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. Bernard Parish Government is or will become year 2000 compliant, that St. Bernard Parish Government's year 2000 remediation efforts will be successful in whole or in part, or that parties with which St. Bernard Parish Government does business are or will become year 2000 compliant.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
May 28, 1999.

GENERAL PURPOSE FINANCIAL STATEMENTS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

St. Bernard Parish Government

for the year ended December 31, 1995

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Governmental Funds Primary Government
Revenues (Note D)					
Taxes:					
Ad valorem	\$ 478,475	\$ 4,261,473	\$ 602,500	\$ -	\$ 5,342,448
Sales taxes	12,966,238	-	-	-	12,966,238
Other taxes, penalties, and interest, etc	78,807	308,835	-	-	387,642
Licenses and permits	93,138	351,547	-	-	444,685
Federal grants	28436	4,977,637	-	-	5,062,073
State funds:					
Parish transportation funds	-	648,876	-	-	648,876
State revenue sharing	56,672	344,589	-	-	401,261
Other state funds	480,844	1,258,178	-	281,108	1,960,130
Fees, charges, and commissions for services	78,168	882,480	-	-	1,260,648
Fees and franchise	-	348,888	-	-	348,888
Use of money and property	148,578	146,578	119,814	36,843	451,813
Special assessments	-	-	34,486	-	34,486
Public grants	-	41,867	-	-	41,867
Other revenues	31,871	148,777	-	29	180,677
Total revenues	14,949,132	13,289,824	777,800	294,880	29,311,636
Expenditures (Note E)					
General government:					
Legislative	368,888	23,843	-	-	392,731
Judicial	563,734	932,287	-	-	1,496,021
Executive	49,888	-	-	-	49,888
Finance and administration	988,870	343,594	28,741	-	1,361,205
Deductions by sale tax reflector	1,048,913	-	-	-	1,048,913
Other general government	385,508	3,541,254	-	-	3,926,762
Public safety	1,281,880	5,649,883	-	-	6,931,763
Public works	-	2,523,278	-	1,490,738	4,014,016
Health and welfare	11,878	2,718,893	-	-	2,730,771
Culture and recreation	-	1,963,343	-	-	1,963,343
Economic development	85,369	-	-	-	85,369
Capital outlay	3,846	146,730	-	44,490	155,066
Debt service:					
Principal retirement	4,377	-	923,170	-	927,547
Interest and/or rent charges	3,458	-	389,048	-	392,506
Total expenditures	4,653,132	21,818,284	1,344,872	1,488,230	28,304,518

	General Fund	Special Revenue Funds	2024 Service Funds	Capital Projects Funds	Total (Myersburgh Only) Primary Government
Excess (Deficiency) of Revenues Over Expenditures	11,846,000	(9,578,568)	(967,570)	(1,844,162)	(10,569)
Other Financing Sources (Uses)					
Operating transfers in	23	80,173,368	643,889	1,708,846	11,479,836
Operating transfers out	(11,846,593)	(88,054)	-	(578)	(11,889,825)
Total other financing sources (uses)	(11,846,569)	80,095,250	643,889	1,708,268	589,000
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	97,431	478,448	75,319	(185,894)	546,495
Fund Balances					
Beginning of year	1,779,866	2,682,607	2,656,896	1,784,368	8,903,737
Residual equity transfer	39,648	(79,688)	-	-	-
End of year	\$ 1,819,514	\$ 2,602,919	\$ 2,717,716	\$ 1,813,494	\$ 9,899,656

See notes to the general purpose financial statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - FUNDIAL AND FUNDIAL
GENERAL FUND AND SPECIAL REVENUE FUNDS**

St. Bernard Parish-Government

For the year ended December 31, 1998

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues (Plate 1)						
Taxes						
Ad valorem	\$ 470,400	\$ 490,473	\$ 19,973	\$ 4,704,079	\$ 4,704,071	\$ 10,000
Sales taxes	11,094,400	12,066,370	971,970	-	-	-
Other taxes, penalties, and interest, etc.	111,000	204,673	93,673	500,000	526,873	26,873
Fees and permits	910,000	951,174	41,174	200,000	171,241	(28,759)
Federal grants	-	20,400	20,400	4,501,700	4,577,651	75,951
State funds						
Public participation fund	-	-	-	371,000	411,000	40,000
State revenue sharing	23,700	20,811	(2,889)	194,703	164,480	(30,223)
Other state funds	404,000	400,884	(3,116)	1,600,371	1,755,178	154,807
Fees, charges, and commissions for services	114,070	791,003	676,933	371,700	592,000	220,300
Fees and institutions	-	-	-	571,000	540,888	(30,112)
Use of money and property	80,000	140,779	60,779	74,374	106,675	32,301
Public grants	-	-	-	-	43,567	43,567
Other sources	11,000	7,877	(3,123)	65,000	105,777	40,777
Total revenues	16,174,174	18,549,111	2,374,937	12,774,851	13,899,524	1,124,673
Expenditures (Plate 1)						
General government						
Legislative	71,344	368,869	297,525	-	23,803	(273,722)
Judicial	652,440	667,704	15,264	890,184	833,267	(56,917)
Executive	91,200	45,888	(45,312)	-	-	-
Finance and administrative	1,064,934	940,800	124,134	-	243,550	(811,366)
Business operations (contractor)	1,075,111	1,090,111	15,000	-	-	-
Other general government	709,111	307,578	401,533	3,424,344	3,832,700	408,356
Public safety	1,404,000	1,287,000	117,000	2,671,000	2,670,000	1,000
Public works	-	-	-	2,688,000	3,623,208	935,208
Health and welfare	114,14	-	114,14	2,891,700	2,748,075	(143,625)
Culture and recreation	-	-	-	212,000	1,963,703	1,751,703
Economic development	172,000	82,760	89,240	-	-	-
Capital outlay	-	3,408	(3,408)	187,500	200,710	13,210
Other services						
Public administration	3,500	4,377	877	-	-	-
Interest and services charges	2,000	2,000	-	-	-	-
Total expenditures	4,701,449	4,633,100	68,349	20,689,004	21,878,260	1,189,256

	General Fund		Variance Favorable (Unfavorable)	Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
Excess (Deficiency) of Resources Over Expenditures	\$ 1,576,472	\$ 1,830,905	\$ 254,433	\$ 9,342,509	\$ 9,531,940	\$ 189,431
Other (Granting/Grantor) Fund						
Operating transfer to	-	200	200	9,379,678	10,171,568	791,890
Operating transfer out	(11,738,761)	(11,849,973)	(111,212)	-	(900,628)	(900,628)
Total other financing resources (uses)	(11,738,761)	(11,849,773)	(111,013)	9,379,678	10,070,940	700,872
Excess (Deficiency) of Resources and Other Financing Sources Over Expenditures and Other Financing Uses	\$ 344,889	\$ 91,132	\$ 253,757	\$ 2,962	\$ 460,999	\$ 458,037
Fund Balances						
Beginning of year	1,279,586	1,279,586	-	1,683,837	2,442,809	-
Transferred equity credits	-	70,000	70,000	-	(70,000)	(70,000)
End of year	\$ 1,279,586	\$ 1,349,586	\$ 70,000	\$ 1,683,837	\$ 2,372,809	\$ 89,000

See notes to the general purpose financial statements.

**COMBINED STATEMENT OF REVENUES AND EXPENSES—
ALL PROPRIETARY FUND TYPES
AND INDEPENDENTLY PRESENTED COMPONENT UNIT**

S. Bernard Parish Government

For the year ended December 31, 1998

	Proprietary Fund	Internal Service Fund	Total (Microenterprise Only) Primary Government	Component Unit	Total (Microenterprise Only) Reporting Entity
Operating Revenues (State 1)					
Users fees	\$ 2,695,111	\$ -	\$ 2,695,111	\$ -	\$ 2,695,111
Fees operating income	191,880	1,764,784	1,956,664	-	1,956,664
Interest earned on investments	-	-	-	233,483	233,483
Interest earned on investments	-	168,817	168,817	22,511	191,328
Unrealized gain on investments	-	-	-	78,500	78,500
Total operating revenues	2,886,991	1,933,601	4,820,592	334,494	5,155,086
Operating Expenses (State 2)					
Salaries and related benefits	2,816,811	211,543	3,028,354	-	3,028,354
Utilities	921,708	-	921,708	-	921,708
Contractual services, supplies and materials	1,379,563	-	1,379,563	-	1,379,563
Outside services	803,254	113,868	917,122	-	917,122
Insurance premiums	214,878	254,928	469,806	-	469,806
Claims expense	-	622,733	622,733	-	622,733
Interest	-	-	-	238,633	238,633
Operating expenses	-	-	-	22,496	22,496
Other	91,848	22,520	114,368	-	114,368
Depreciation and amortization	2,382,913	-	2,382,913	-	2,382,913
Amortization of debt and financing costs	-	-	-	48,244	48,244
Self-insured loss	-	-	-	9,392	9,392
Recovery from insurance costs	-	-	-	3,333	3,333
Total operating expenses	6,805,876	1,230,811	8,036,686	338,497	8,375,183
Operating Income (Loss)	1,881,115	702,790	2,583,906	(4,003)	2,579,899
Nonoperating Revenues (Expenses)					
All other non taxes for enjoyment of lands	595,467	-	595,467	-	595,467
Interest income	895,830	-	895,830	-	895,830
Interest expense and bank fees	(239,864)	-	(239,864)	-	(239,864)
Recovery from non-all revenue taxes for debt retirement	(18,464)	-	(18,464)	-	(18,464)
Total nonoperating revenues	1,242,969	-	1,242,969	-	1,242,969
Income (loss) before operating transfers	2,874,084	702,790	3,576,874	(4,003)	3,572,869
Operating transfers to other funds (State 1)	-	(280,000)	(280,000)	-	(280,000)
Net Income (Loss)	\$ 2,874,084	\$ 422,790	\$ 3,296,874	\$ (4,003)	\$ 3,292,869

See notes to the general purpose financial statements.

**COMBINED STATEMENT OF CHANGES IN RETAINED EARNINGS AND CONTRIBUTED CAPITAL,
ALL PROPRIETARY FUNDS TYPES
AND DISCREETELY PRESENTED COMPONENT ENTE**

St. Bernard Parish Government

For the year ended December 31, 1998

	Contributed Capital		Reserves in Fund		Total	Internal Services Fund	Total (Memorandum)		Components (Net)	Total (Memorandum)	
	Contributed Capital	Retained Earnings	Reserves	Unappropriated			Primary Document	Component Reporting		Profit	
Beginning Balance (Note 11)	\$ 12,778,662	\$ 17,619,131	\$ 33,398,825	\$ 3,492,882	\$ 36,891,707	\$ 1,460,629	\$ 38,352,336	(4,001)	\$ 38,348,335		
Net income (loss)	-	2,078,803	2,078,881	164,484	2,243,268	-	2,243,268	-	-	2,180,284	
Other - donated items	371,905	-	371,900	-	743,805	-	743,805	-	-	571,860	
Depreciation on contributed capital	(928,878)	-	-	-	(928,878)	-	(928,878)	-	-	-	
Ending Balance	\$ 12,221,689	\$ 19,697,934	\$ 36,850,534	\$ 3,657,366	\$ 40,508,900	\$ 1,460,629	\$ 41,969,529	\$ 1,256,828	\$ 40,712,701		

See notes to the general purpose financial statements.

**COMBINED STATEMENT OF CASE PLAYS-
ALL PROPRIETARY FUND TYPES
AND DISCREETLY PRESENTED GOVERNMENT UNIT**

St. Bernard Parish Government

For the year ended December 31, 1998

	Enterprise Fund	Internal Service Fund	Total Governmental Fund Type Investment	Component Unit	Total Major Fund Type Proprietary Fund
Cash Flows From Operating Activities					
Operating income	\$ 1,335,212	\$ 606,464	\$ 2,558,696	\$ -	\$ 2,558,696
Net income (loss)	-	-	-	14,000	14,000
Sub-total	1,335,212	606,464	2,558,696	14,000	2,572,696
Adjustments to reconcile operating income / net income (loss) to net cash provided by operating activities:					
Amortization of deferred financing costs	-	-	-	84,844	41,844
Amortization of bond discount	-	-	-	84,830	84,830
Depreciation and amortization	2,882,543	-	2,882,543	-	2,882,543
Other	-	-	-	2,317	2,317
Unrealized gains on investments	-	-	-	(78,568)	(78,568)
Decrease / increase in assets:					
Accounts receivable	(198,108)	(15,247)	(213,355)	-	(113,209)
Deferred charges	66,892	-	66,892	-	66,892
Accrued interest receivable	-	-	-	(8,473)	(8,473)
Insurance receivable	-	-	-	(29,748)	(29,748)
Due from other funds	-	(1,071,546)	(1,071,546)	-	(1,071,546)
Increase / decrease in liabilities:					
Accounts payable and accruals	81,856	(31,617)	50,239	-	50,239
Interest payable	-	-	-	7,682	7,682
Due to other funds	-	375,884	375,884	-	375,884
Estimated claims and judgments	-	56,778	56,778	-	56,778
Interest payable bonds payable	-	-	-	185,888	185,888
Interest receivable investments	-	-	-	(29,530)	(29,530)
Total adjustments	2,412,497	(688,866)	1,711,799	56,793	1,697,634
Net cash provided by operating activities	4,271,709	1,178	4,794,382	164,793	4,263,769
Cash Flows From Noncapital Financing Activities					
Payment on St. Bernard Parish					
St. Bernard's Fund loan	(648,799)	-	(648,799)	-	(648,799)
Operating transfers to other funds	-	(598,888)	(598,888)	-	(598,888)
Bond redemptions	-	-	-	602,000	602,000
Interest paid on bonds payable	-	-	-	(183,558)	(183,558)
Net cash used in noncapital financing activities	(648,799)	(598,888)	(1,248,799)	(761,000)	(1,686,685)

	Enterprise Fund	General Service Fund	Total (Interfund Only) Private Government	Component Unit	Total (Interfund Only) Funding Entity
Cash Flows From Capital Financing Activities					
All revenue loans - debt retirement	664,551	-	664,551	-	664,551
Payment on capital loans	(18,433)	-	(18,433)	-	(18,433)
Purchase of capital assets	(1,299,963)	-	(1,299,963)	-	(1,299,963)
Principal paid on bonds	(1,200,888)	-	(1,241,888)	-	(1,341,888)
Interest paid	(582,613)	-	(582,613)	-	(682,613)
Net cash used in capital financing activities	(2,466,437)	-	(2,466,437)	-	(2,466,437)
Cash Flows From Investing Activities					
Increase on cash management account	195,938	-	195,938	-	195,938
Interest earned on investments	-	-	-	22,331	22,331
Decreases in LAMP	-	(205,788)	(205,788)	-	(205,788)
Decrease in mortgage from receivable	-	-	-	694,628	694,628
Net cash provided by (used in) investing activities	195,938	(205,788)	(9,850)	717,189	691,981
Net Increase (Decrease) in Cash and Cash Equivalents	1,555,865	(182,898)	676,433	21,332	649,732
Cash and Cash Equivalents					
Beginning of year	3,000,745	1,811,857	5,712,622	765,471	6,289,795
End of year	\$ 4,556,610	\$ 1,628,959	\$ 6,389,055	\$ 786,803	\$ 6,733,066
Supplemental Cash Flow Information					
Interest Paid For The Year Ended December 31, 1998					
Enterprise Fund - St. Bernard Parish Government Department of Public Works Water and Sewer Division outside Districts					
	\$ 384,848				
Component Unit - St. Bernard Parish Home Mortgage Authority					
	\$ 163,558				
Noncash Capital Financing Activities - Enterprise Fund - St. Bernard Parish Government Department of Public Works Water and Sewer Division					
Contract Lines	\$ 211,550				

See notes to the general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENT**St. Bernard Parish Government**

December 31, 1998

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Parish of St. Bernard is a local governmental subdivision which operates under a home rule charter, under the authority of the Louisiana Revised Statutes 33:1385 through 33:1393.6. The Home Rule Charter provides for a "president-council" form of government which consists of an elected council representing the legislative branch of the government and an elected president heading the executive branch.

a) Reporting Entity and Individual Component Unit Disclosure

The St. Bernard Parish Council is the governing authority for St. Bernard Parish. As the governing authority of the parish, for reporting purposes, the St. Bernard Parish Government is the financial reporting entity for St. Bernard Parish. The financial reporting entity consists of the primary government (parish government), organizations for which the primary government is financially accountable, and 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 general purpose financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining the governmental reporting entity and which component units should be considered part of the St. Bernard Parish Government 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 criteria to be considered in determining the financial accountability. These criteria include:

- 1) Appointing a voting majority of an organization's governing body, and
 - i) The ability of the parish government to impose its will on that organization and/or

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity and Individual Component Unit Disclosure (Continued)

- i) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish government.
- 2) Organizations for which the parish government does not appoint a voting majority but which are fiscally dependent on the parish government.
- 3) Organizations for which the reporting entity's general purpose financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

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

	<u>Criteria Used</u>
St. Bernard Parish Library	1
St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts	1
St. Bernard Parish Home Mortgage Authority	1
St. Bernard Parish Commerce Commission	2

These primary government (parish government) general purpose financial statements include all funds, account groups and organizations for which the parish government maintains the accounting records. The organizations for which the parish government maintains the accounting records are considered part of the primary government (parish government) and include the Thirty-Fourth Judicial District Criminal Court Fund.

The following component units, although legally separate entities, are, in substance, part of the parish government's operations and accordingly, data from these units are combined with data of the primary government and are reported as blended component units:

- St. Bernard Parish Library
- St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts
- St. Bernard Parish Home Mortgage Authority
- St. Bernard Parish Commerce Commission

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity and Individual-Component Unit Disclosure (Continued)

The component unit columns in the combined general purpose financial statements include the financial data of the St. Bernard Parish Home Mortgage Authority. It is reported in a separate column as a discrete component unit to emphasize that it is legally separate from the parish government.

Considered in the determination of component units of the reporting entity were the Parish School Board, the Parish Auditor's Office, the Parish Clerk of Court, the Indigent Defender Board, the Parish Sheriff's Office, and the Council on Aging. It was determined that these governmental entities are not component units of the parish government reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the parish government.

b) Basis of Presentation - Fund Accounting

The accounts of the parish government are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures or expense, as appropriate. Parish government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The fund categories, fund types and account groups presented in the general purpose financial statements are described as follows:

1) Governmental Funds

General Fund

The general fund is the principal fund of the parish government and is used to account for all activities of the parish government except those required to be accounted for in other funds.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Presentation (Continued)

1) Governmental Funds (Continued)

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources which by law are designated to finance particular functions or activities of the parish government.

Debt Service Funds

Debt service funds are established to meet requirements of bond ordinances and to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs.

Capital Project Funds

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those projects financed by the proprietary fund). In addition, the funds are used to account for major street repairs and the acquisition of movable fixed assets.

2) Proprietary Funds

Enterprise Funds

Enterprise funds are used to 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 are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Presentation (Continued)

2) Proprietary Funds (Continued)

Internal Service Fund

The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies within the same government or to other governments or not-for-profit associations on a cost reimbursement basis.

3) Account Groups

General Fixed Assets Account Group

This account group is established to account for the fixed assets of the parish government and its component units, except those accounted for in the Proprietary Funds.

Public domain or infrastructures are not capitalized. No depreciation has been provided on the General Fixed Assets Account Group. All fixed assets are valued at historical cost where available. Historical cost was not available for a minor amount of fixed assets thus estimated historical cost was used.

General Long-Term Debt Account Group

This account group is established to account for all long-term obligations of the parish government, except those accounted for in the Proprietary Funds.

c) Governmental Funds

1) Basis of Accounting

The accounting and financial reporting treatment applied to a fund are determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

1) Basis of Accounting (Continued)

focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The governmental funds reported in the general purpose financial statements utilize the following practices in recording revenues and expenditures:

ⓐ Revenues

Revenues are recognized when they become measurable and available.

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

Federal and state aid and grants are recorded when the entity is entitled to the funds.

Interest income on investments is accrued through the end of the year.

Sales and use tax revenues are recognized by the parish government on the accrual basis.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

1) Basis of Accounting (Continued)

i) Revenues (Continued)

Substantially all other revenues are recorded when received.

ii) Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is not recognized until due.

iii) Accounts Receivable

The St. Bernard Parish Government uses the direct write-off method to write off the majority of general uncollectible accounts receivable. This method approximates methods in accordance with generally accepted accounting principles.

The majority of the parish government's receivables consist of sales tax of \$2,346,896, ad valorem taxes of \$4,224,475, other state funds of \$685,005, federal grants of \$833,924, road royalty of \$116,319 and water and sewer customer receivables of \$436,143.

iv) Other Financing Sources (Uses)

Transfers between funds which are not to be repaid are accounted for as other financing sources (uses).

Proceeds of long-term debt including bonds and notes are reflected as other financing sources in the operating statement of the recipient fund and are included in the general long-term debt account group.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

3) Fund Descriptions - Special Revenue Funds

• **Public Works Fund**

The Public Works Fund is used to account for the operations and maintenance of all parish infrastructure (roads, bridges, right of ways, rental grounds, including ditches and drainage, and operation of the mosquito control program.) Revenues of this fund are substantially derived from the parish transportation fund, parish road repaid fund and a parish ad valorem tax.

• **Garbage District No. 1 Fund**

The Garbage District No. 1 Fund is used to account for the parish's garbage collection and disposal system. These services are presently being contracted out to a private firm. Revenues are derived from ad valorem taxes, state revenue sharing, and a 1/8% dedicated sales tax for garbage collection.

• **Consolidated Fire Protection District No. 1-2 Fund**

The Consolidated Fire Protection District No. 1-2 Fund is used to account for the maintenance and operations of the fire protection facilities. Revenues are derived from ad valorem taxes, state revenue sharing and 2% of the State of Louisiana distribution of fire insurance premium taxes. The deficit fund equity of \$48,927 will be absorbed as part of the 1999 budget.

• **Recreation Department Fund**

The Recreation Department Fund is used to account for the maintenance and operations of the recreation facilities within the parish. Revenues are derived from ad valorem taxes and state revenue sharing. The deficit fund equity of \$3,288 will be absorbed as part of the 1999 budget.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• Health Fund

The Health Fund is used to account for the activities which contribute to the health monitoring services provided by the state health unit within the parish. The State bills the parish health department for the building, operating and maintenance expenses related to the facility. Revenues are derived from ad valorem taxes and state revenue sharing.

• Urban Mass Transportation Administration Fund

The Urban Mass Transportation Administration Fund is used to account for the operations of the public transit system. The system is partly funded by an operating grant received from the Federal Transit Authority. The deficit fund equity of \$41,700 will be absorbed through future fees.

• Jobs Training Partnership Act Fund

The Jobs Training Partnership Act Fund (JTFA) is used to account for the collection and payment of jobs training partnership act funds on behalf of other agencies, governing bodies and/or other funds.

• Housing Rent Subsidy Fund

The Housing Rent Subsidy Fund is used to account for the administration of a housing assistance program. Financing is provided by the Department of Housing and Urban Development.

• Housing Voucher Program Fund

The Housing Voucher Program Fund is used to account for the administration of the Housing Voucher Program. Financing is provided by the Department of Housing and Urban Development.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• Judicial Court Reporter Fund

The Judicial Court Reporter Fund is used to account for the salaries of the Thirty-Fourth Judicial District Court reporters. This fund is financed from the judicial fees collected by the clerk of court and remitted to the parish government. The deficit fund equity of \$2,854 will be absorbed as part of the 1999 budget.

• Criminal Court Fund

The Criminal Court Fund of the Thirty-Fourth Judicial District was established under Section 571.11 of Title 15 of the Louisiana Revised Statutes of 1998. Fines and forfeitures imposed by the district court and district attorney's conviction fees in criminal cases are transferred to the parish treasurer and deposited into a special "Criminal Court Fund" account. These funds are used for expenses of the criminal court of the parish government. Expenditures are made from this fund on motion of the district attorney and approval by the district judges.

The statute also requires that one-half of the surplus in the fund at December 31, of each year be transferred to the parish General Fund. For the year ended December 31, 1998, \$29,608 was transferred to the General Fund.

• Contingency Criminal Court "A" Fund

The Contingency Criminal Court "A" Fund is used to account for the administration of the Indigent Defenders Board. Revenues are derived from reimbursements from the Indigent Defenders Board and from transfers from the Criminal Court Fund. The deficit fund equity of \$399 will be absorbed as part of the 1999 budget.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• **District Attorney General Fund**

The District Attorney General Fund is used to account for the salaries and expenses of the District Attorney of the Thirty-Fourth Judicial District. This fund is financed by a transfer of sales tax from the General Fund, which is budgeted annually by the parish government at the same time it prepares its annual budget. The deficit fund equity of \$24,394 will be absorbed as a part of the 1999 budget.

The parish government is mandated to pay the expenses of the District Attorney's office as provided by Louisiana Revised Statutes 16:6 and 16:839.4.

• **Environmental Mitigation Fund**

The Environmental Mitigation Fund is used to account for operation, maintenance and costs for the Parish Wetlands Management Program. Financing is provided by mitigation payments and donations.

• **Deputy Witness Fee Fund**

The Deputy Witness Fee Fund is used to account for the fees paid to deputies for court appearances. The fund is financed from court costs collected by the clerk of court and remitted to the parish government.

• **Library Fund**

The Library Fund is used to account for the operations and maintenance of the parish library. Revenues are derived from ad valorem tax, state revenue sharing, other state grants and interest.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• Road Lighting District No. 1 Fund

The Road Lighting District No. 1 Fund is used to account for the maintenance of the lighting facilities of the roads, alleys and public places within the parish. Revenues are derived from ad valorem taxes and state revenue sharing.

• Group Home Residents Fund

The Group Home Residents Fund and the Boys and Girls Group Home discontinued operations in 1993.

• Human Resources Fund

The Human Resources Fund was established to record the income and expenditures on various federal and state grants.

• Civic Auditorium Fund

The Civic Auditorium Fund is used to account for the maintenance and operation of the St. Bernard Parish Civic Center (Center). Revenues are derived from fees charged for the use of the Center. The deficit fund equity of \$7,674 will be absorbed as part of the 1999 budget.

• Communications Fund

The Communication Fund is used to account for the cost of the 911 Emergency Service number. Revenues are derived from a telephone tax.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

ii) Fund Descriptions - Special Revenue Funds (Continued)

• **Community Development Fund**

The Community Development Fund is used to account for the coordination of planning activities and emergency preparedness. The revenues are derived from permits, licenses and transfers from other funds. The deficit fund equity of \$16,369 will be absorbed as part of the 1999 budget.

• **Council On Aging Fund**

The Council On Aging Fund is used to account for the receipt and disbursement of a one mill property tax levy for the maintenance and operation of the Senior Citizens Center. The fund equity of \$128,235 is dedicated to be expended as part of the 1999 budget.

• **Weatherization Fund**

The Weatherization Fund is used to account for the administration of weatherization assistance programs. Financing is provided by the Department of Social Services. The deficit fund equity of \$2,361 will be absorbed as part of the 1999 budget.

• **Low Income Home Energy Assistance Program Fund**

The Low Income Home Energy Assistance Program Fund is used to account for the administration of the low income home energy assistance program. Financing is provided by the Department of Social Services.

• **Day Care Fund**

The Day Care Fund is used to account for the administration of a family day care home program. Financing is provided by the Department of Education.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Governmental Funds (Continued)

2) Fund Descriptions - Special Revenue Funds (Continued)

• Federal Emergency Management Assistance Fund

The Federal Emergency Management Assistance Fund is used to account for administration of the emergency food and shelter program.

3) Fund Descriptions - Debt Service Funds

• Public Improvement Bonds Series A, B, C Fund

The Public Improvement Bonds Series A, B, C Fund was used to accumulate monies for the payment of bonds dated June 1, 1965. Series A was issued for the purpose of acquiring land and buildings for recreational purposes, and acquiring necessary equipment therefore. Series B was issued for the purpose of constructing public buildings consisting of incinerators for the parish government and acquiring all necessary land, equipment and furnishings therefore. Series C was issued for the purpose of constructing an auditorium for the parish government and acquiring all necessary land, equipment and furnishings therefore. Each series was secured by an ad valorem tax levy. At December 31, 1998, all obligations of the A, B, C Fund has been paid. The fund balance at December 31, 1998 of \$204,388 will be used to fund a drainage project in the future.

• Public Improvement Bonds Series 1977 Fund

The Public Improvement Bonds Series 1977 Fund is used to accumulate monies for the payment of bonds dated June 1, 1977, which were issued for the purpose of paying all or any part of the cost of public works, buildings, improvements and facilities in the parish. The bonds are secured from the proceeds of a special one-half of 1 percent sales and use tax effective March 1, 1977.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

3) Fund Descriptions - Debt Service Funds (Continued)

• **Public Improvement Bonds Series 1996 Fund**

The Public Improvement Bond Series 1996 Fund is used to accumulate monies for the payment of bonds dated April 9, 1996, which were issued to defuse 1996 series public improvement bond issue. The bonds are secured from the proceeds of two separate special one-half of 1 percent sales and use taxes effective November 1, 1995 and October 1, 1999.

• **Bond Reserve 1977 Fund**

The Bond Reserve 1977 Fund was established to comply with the bond resolutions of the Public Improvement Bonds, Series 1977. This fund is used for transfer of sales tax from the sales tax account. Payments into the Reserve Fund have ceased due to accumulating an amount equal to the highest combined principal and interest requirements for any succeeding bond year.

• **Bond Reserve 1996 Fund**

The Bond Reserve 1996 Fund was established to comply with the bond resolutions of the Public Improvement Bonds Series 1996. This fund is used to account for a \$274,000 reserve as required by the 1996 issue. At December 31, 1998, there was an amount of \$82,506 in the fund.

• **1990 and 1997 General Obligation Bond Fund**

The 1990 and 1997 General Obligation Bond Fund is used to accumulate monies for the payment of bonds dated February 1, 1990 and December 1, 1997. The 1990 Bonds were used for the purpose of constructing a jail and detention facility and the acquisition of any necessary equipment and furnishings associated with the facility. The 1997 bonds were used to defuse \$4,125,000 of the previously issued 1990 bonds. The bonds are secured by an ad valorem tax.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

3) Fund Descriptions - Debt Service Funds (Continued)

• Versailles Industries Park Sinking Fund

The Versailles Industrial Park Sinking Fund is used to accumulate monies for the payment of special assessment bonds. These bonds were used to finance public improvements deemed to benefit the properties against which the costs are assessed. The costs of the project are estimated and property owners are assessed their proportionate share. The property owner either pays the assessment within 60 days or over a 10-year period. Interest is charged on the unpaid assessments at the rate of 6.25%. Bond principal and interest are paid with the monies provided by payments on the assessments and related interest.

d) Fund Descriptions - Capital Projects

• Drainage and Siphon Fund

The Drainage and Siphon Fund is used to account for the construction and improvements of ditches and drainage canals, including the construction of pumping stations.

• Fire District 1-2 C.I. Series Bond Fund

The Fire District 1-2 Construction Fund is used to account for the costs of improving fire protection facilities and purchasing fire trucks and other fire fighting equipment for Fire Protection District 1 and 2.

• Road District Project Bond Fund

The Road District Project Fund is used to account for the costs of acquiring equipment to be used for constructing, improving and maintaining public roads and highways.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

4) Fund Descriptions - Capital Projects (Continued)

• **Public Improvement Bond Series D, E, F, G Fund**

The Public Improvement Bonds Series D, E, F, G Fund is used to account for the road maintenance, road lighting and drainage construction.

• **Drainage Construction Bonds of 1967 and 1982 Fund**

The Drainage Construction Bonds of 1967 and 1982 Fund is used to account for maintaining, digging, and improving drains and drainage canals including the maintenance of two new pumping stations.

• **Capital Projects Fund**

The Capital Projects Fund is used to track and pay for costs of capital projects. The source of funding for the projects will be from transfers from general, special revenue or internal service operating accounts.

• **Courthouse Capital Fund**

The Courthouse Capital Fund is used to account and pay for the cost associated with improvements and maintenance to the Courthouse. The source of funding for the improvements will be from transfers from the Criminal Court Fund.

• **Inland Multipurpose Building Fund**

The Inland Multipurpose Building Fund is used to account and pay for the costs associated with construction of the Inland Multipurpose Building. The source of funding for the construction is from state grants.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Governmental Funds (Continued)

4) Fund Descriptions - Capital Projects (Continued)

• Urban System Roadway Reconstruction Fund

The Urban System Roadway Reconstruction Fund is used to account for the costs associated with roadway reconstruction in various areas of the parish. The reconstruction is financed by the transfers from the general fund.

d) Proprietary Funds - Enterprise Funds - St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts

1) Organization

The St. Bernard Parish Water and Sewer Commission was created by an intergovernmental agreement dated November 13, 1985, as ratified, confirmed and approved by Louisiana Revised Statute 33:2802 which became effective July 3, 1986. The Commission's major operation was to provide water and sewerage services for the parish of St. Bernard. The Commission assumed control of operations and began providing services effective with the close of business on December 31, 1985. Prior to that time, such water and sewerage services had been provided by five separate entities: St. Bernard Water District No. 1, St. Bernard Water District No. 2, St. Bernard Sewer District No. 1, St. Bernard Sewer District No. 2, and St. Bernard Sewer District No. 1-2. On December 31, 1985, St. Bernard Sewer District No. 1-2, a contractual entity which had performed sewerage operations for St. Bernard Sewer Districts No. 1 and No. 2, was dissolved. The other water and sewer districts remain in existence and serve primarily as tax levying entities.

On November 1, 1996, the St. Bernard Parish Water and Sewer Commission was consolidated and merged into the St. Bernard Parish Government and is now known as the St. Bernard Parish Government Department of Public Works Water and Sewer Division (the Division). The Commission was abolished and

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

1) Organization (Continued)

The parish council assumed all rights, revenues, resources, authority and obligations of the Commission. The water and sewer districts still exist as separate political subdivisions; however, the parish council is the governing authority. Each district retained its rights, revenues, resources, jurisdiction, authority, indebtedness and any other obligations it possessed prior to November 1, 1996, including the authority to continue to levy ad valorem taxes.

2) Reporting Entity

Because the parish government is the governing board of the districts, the districts are considered to be component units of the St. Bernard Parish Government. Financial statements for the Division may be obtained from the St. Bernard Parish Finance Department.

3) Basis of Presentation

The general purpose financial statements include the Division and the districts which are separate component units of the parish government. The Division is responsible for water and sewerage operations of the parish and the districts (St. Bernard Water District No. 1, St. Bernard Water District No. 2, St. Bernard Sewer District No. 1, St. Bernard Sewer District No. 2.) Ad valorem taxes are levied by the individual districts for either water or sewerage operations and for the retirement of outstanding bonds. Taxes received by the individual districts for operation and maintenance of water and sewerage systems of the parish are transferred to the Division to operate the systems. The general purpose financial statements present the financial position, results of operations and cash flows of these entities taken as a whole and do not purport to present information for any of these entities individually.

Note 8 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

4) Basis of Accounting

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

The general purpose financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The following practices were used:

i) Revenue

The Division's customers are billed monthly and the general purpose financial statements provide for amount of charges billed but not collected as well as for unbilled charges through the date of the combined balance sheet.

Ad valorem taxes are accrued in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January through March of the ensuing year.

Substantially all other revenues are recorded when earned.

ii) Expenses

The Division's amortized debt expense consists of costs associated with the 1991 and 1994 Revenue Bond issues and the 1991 General Obligation Refunding Bond issues of Sewer District No. 1 and 2. The cost of issuance on the 1991 Revenue Bond issue of \$58,707 is amortized, using the straight-line method over the 19-year life of the bond. The cost of issuance on the 1994 Revenue Bond issue of \$286,000 is amortized using the straight-line method over the 18-year life of the bond. The cost of issuance of the Sewer District No. 1 1991 General Obligation Refunding Bond Issue

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

4) Basis of Accounting (Continued)

of \$36,300 is amortized using straight-line method over the 11 1/2-year life of the bond. The cost of issuance of the Sewer District No. 2 1991 General Obligation Bond issue of \$147,300 is amortized using straight-line method over the 13 1/2-year life of the bond.

Amortization of debt expense for the year ended December 31, 1998 was \$22,013.

The remaining unamortized debt expense on all bond issues at December 31, 1998 is \$313,866.

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

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

iii) Inventory

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

iv) Fixed Assets and Long-Term Liabilities

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

4) Basis of Accounting (Continued)

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

	Water and Sewer Division	Water District No. 1	Water District No. 2	Sewer Districts
Pipeline System	100	100	100	5-20
Buildings and improvements	50-100	50	33	25
Machinery and equipment	5-10	4-10	8-10	10-20
Water tanks	50-100	33	50	-
Water boxes	33-66	33	33	-

Long-term liabilities are recognized within the enterprise fund.

8) Levied Taxes

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

	Authorized Millage	Levied Millage
Sewer District No. 1	Variable	5.00
Sewer District No. 2	Variable	3.75

6) Compensated Absences

Employees earn two to five weeks of paid vacation each year, up to 50 days will be paid in cash at retirement or termination if proper notice is given. If proper notice is not given, up to 10 days may be subtracted from their accumulated vacation and the remainder is paid in cash. Employees earn 12 days of sick leave each year, which may accumulate to an unlimited number of days but does not vest. At December 31, 1998, the accrued vacation was \$258,062.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Proprietary Funds - Enterprise Funds - The Division (Continued)

7) Restricted Assets

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

8) Fund Equity

i) Contributed Capital

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

ii) Reserves

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

9) Accounts Receivable

The Division has established an allowance for doubtful accounts for a write-off of delinquent accounts. The Division's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at December 31, 1998 is \$44,846.

10) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows cash includes amounts in petty cash, demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in certificates of deposit.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Proprietary Funds - Enterprise Funds - The Division (Continued)

1) GASB Pronouncements

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

e) Proprietary Funds - Enterprise Funds - Home Mortgage Authority

1) Organization

The St. Bernard Parish Home Mortgage Authority (the Authority) was created through a Trust Indenture dated May 9, 1979 pursuant to provisions of Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. The initial legislation and subsequent amendments grant the Authority the power to obtain funds and to use the proceeds to promote the financing and development of any essential program conducted in the public interest within the boundaries of St. Bernard Parish, Louisiana.

The Authority's operations consist of two single family mortgage revenue bond programs and one single family mortgage refinancing bond program whereby the Authority promoted residential home ownership through the acquisition of mortgage loans secured by first mortgage liens on single family residential housing. The funds for these programs were obtained through the issuance of \$25,000,000 in Single Family Mortgage Revenue Bonds dated September 1, 1979, \$10,000,000 in Single Family Mortgage Revenue Bonds dated November 1, 1980, \$4,435,000 in Single Family Mortgage Refunding Bonds dated March 28, 1991, \$11,255,000 in 1992 Series A Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, \$2,120,000 in 1992 Series B - 1 Taxable

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Proprietary Funds - Enterprise Funds - Home Mortgage Authority (Continued)

1) Organization (Continued)

Single Family Mortgage Refunding Bonds, dated June 1, 1993, \$200,000 (maturity amount) in 1992 Series B-2 Taxable Single Family Mortgage Refunding Bonds, dated June 1, 1992, and \$3,000,000 (maturity amount) in 1992 Series C Tax Exempt Single Family Mortgage Revenue Bonds dated June 1, 1992. The bonds dated September 1, 1979 have been defeased and the bonds dated November 1, 1989 have been called. The \$11,255,000 in 1992 Series A bonds dated June 1, 1992 have matured. The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

The Authority has a Board of Trustees which is empowered under the bond trust indentures and the bond program agreements to contract with outside parties to conduct the day-to-day operations of the programs it initiates. Under the bond programs, the Authority utilizes financial institutions to originate and service the mortgage loans acquired. In addition, a bank has been designated as Trustee of the separate bond programs and has the fiduciary responsibility for the custodianship and investment of funds.

2) Reporting Entity

The financial statements of the Authority include the 1979 single family mortgage revenue bond program and the 1991 and 1992 single family mortgage refunding bond programs. There is no longer activity in the 1980 single family mortgage revenue bond program.

3) Basis of Presentation

The Authority's fiscal year ends March 31, 1999. The general purpose financial statements include the activities of the Authority for the fiscal year end. A comprehensive annual financial statement may be obtained from the Authority.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Proprietary Funds - Enterprise Funds - Home Mortgage Authority (Continued)

4) Basis of Accounting

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when the related liability is incurred. Certain funds were established under the powers granted by the Home Trust indentures. The funds, which are maintained by the trustee bank, provide for the accounting of bonds issued, debt service and bond redemption requirements, investments and related revenues and operating expenses.

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

5) Amortization

Bond issuance costs, including an underwriter's discount on bonds sold, are being amortized ratably over the life of the bonds based upon the principal outstanding amounts.

Discounts on bonds payable are amortized over the lives of the bonds using the level yield method.

6) Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

7) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all short-term, highly liquid investments with a maturity of three months or less to be cash equivalents.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Internal Service Fund - Self-Insurance Fund

1) Organization

The Insurance Fund was established to account for the self-insurance of workman's compensation, unemployment compensation, general and automobile liability by the St. Bernard Parish Government. The parish government is self-insured for claims up to \$250,000 per occurrence.

The parish government has an insurance policy for claims between \$250,000 and \$5,000,000 per occurrence. This policy has a 20% co-insurance clause with a maximum liability to the parish of \$1,000,000. The fund is administered by an independent insurance service company.

2) Basis of Accounting

The general purpose financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP). The following practices were used:

(i) Estimated Liability for Claims and Judgments

The estimated claims liability related to prior years' workmen compensation claims are computed by subtracting paid claims from the reserves previously set up to arrive at remaining reserves and then developing that number based on factors determined by the third party administrator using historical data.

The estimated claims liability related to prior years' general liability and auto claims was estimated by the parish government's legal department based on a claim by claim evaluation to determine the potential loss.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Internal Service Fund - Self-Insurance Fund (Continued)

1) Basis of Accounting (Continued)

i) Revenue

Other operating income is generated through payments of premiums by the governmental funds. The income is recorded when earned.

ii) Statements of Cash Flows

For the purpose of the statement of cash flows, the parish government considers all deposits to be cash equivalents.

iii) Self-Insurance Dividend / Operating Transfers

An annual analysis of all open policy years for workers compensation and automobile and general liability is completed by the risk manager and legal council to determine the exposure in each policy year. When it is determined that losses on outstanding and current claims can be reasonably estimated, an evaluation on the policy year is performed. The evaluation determines if a dividend can be declared by the self insurance fund for that policy year. Once it is determined that a dividend can be declared, the findings are reviewed by the administration and presented before the Parish Council. The Parish Council then must pass an ordinance declaring a dividend from the self insurance fund and dedicating the dividend to a project. For the year ended December 31, 1988 \$580,000 of dividends were paid from the Internal Service Fund. This amount is reported as a transfer out in the Internal Service Fund.

g) Use of Estimates

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Use of Estimates

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from these estimates.

h) Budgets

The following summarizes the budget activities of the parish government for the year ended December 31, 1998:

	<u>1998 Budget Year</u>
Completed and Available for	
Public Inspection	October 1, 1997
Public Notices	November 14, 1997
Public Hearings	November 18, 1997
Council Adoption	December 2, 1997
Budget Amendments	February 23, 1998, August 18, 1998, October 6, 1998, February 23, 1999

The St. Bernard Parish Government adopted annual budgets for the general fund, all special revenue funds, capital project funds, debt service funds and the enterprise fund. Budgets for the general fund and all special revenue funds are included in these general purpose financial statements. The budgets are prepared on the modified accrual basis of accounting. Budgets for the capital project funds and debt service funds are used as a management tool only and are not included in these general purpose financial statements. All appropriations except an appropriation for a capital expenditure will lapse at year end to the extent that they have not been expended or encumbered. The parish president is authorized to transfer amounts between line items within any fund. Budget amounts included in the general purpose financial statements include the original adopted budget and all subsequent revisions.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Cash and Investments

Cash includes amounts in regular and money market accounts. Investments are stated at cost. Investments during the year consisted of certificates of deposits.

j) Accounts Receivable

The general purpose financial statements for the parish government, including accounts receivable in the St. Bernard Parish Government Department of Public Works Water and Sewer Division, contain no allowance for bad debts. Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the funds.

k) Accumulated Vacation and Sick Leave

Substantially all employees of the parish government earn from 10 to 20 days of annual leave each year depending on length of service. Annual leave accumulated in one year must be used by December 31 of the following year. Accumulated annual leave may be used only after 35 weeks of service. There are no leave benefits which require accrual under generally accepted accounting principles except for accumulated vacation for employees of the St. Bernard Parish Government Department of Public Works Water and Sewer Division.

Substantially all employees of the parish government accrue one day of sick leave for each month of continuous employment. Sick leave may be accumulated to a maximum of 90 days. All accumulated sick leave lapses upon termination or retirement.

According to L.R.S. 33:1995, firemen employed by the parish government are entitled to full pay during sickness or incapacity not brought about by the fireman's own negligence for a period of fifty-two weeks.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Sales and Use Tax

St. Bernard Parish Government has a 4-¹/₂% sales and use tax. Two percent is dedicated to the parish government, 2% is dedicated to the St. Bernard Parish School Board, and ¹/₂% is dedicated to the St. Bernard Parish Sheriff. The St. Bernard Parish Sheriff is authorized to collect and remit this tax to the parish government and School Board for a stipulated fee.

The parish government's sales tax ordinances provide that the proceeds can be used for the general governmental operations of the parish. The sales tax receipts are included in the revenues of the General Fund.

ii) Fund Equity

i) Reserves

Reserves represent those portions of fund equity not appropriable for expenditures in the following year or legally segregated for a specific future use.

ii) Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

iii) Residual Equity Transfer

A residual equity transfer represents nonrecurring or nonroutine transfer between funds. Because these transfers are not associated with the operations of the governmental funds, they are recorded as adjustments to fund balance.

a) Total Columns on Combined Statements - Overview

The total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Total Columns on Combined Statements - Overview (Continued)

Neither is each data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - FUND DEFICITS

The following individual funds had deficit fund balances at December 31, 1998.

Governmental Fund	Deficit Amount
Special Revenue Funds:	
Consolidated Fire Protection District No. 1-2 Fund	\$48,827
Recreation Department Fund	7,288
Urban Mass Transportation Administration Fund	41,700
Judicial Court Reporter Fund	2,854
Contingency Criminal Court "A" Fund	790
District Attorney General Fund	24,704
Civic Auditorium Fund	7,674
Community Development Fund	20,599
Weatherization Fund	2,381

All noted deficits will be absorbed through fees over future years or as part of the 1999 budget.

Note 3 - REVENUES, EXPENDITURES AND FINANCING SOURCES - ACTUAL AND BUDGET

The following individual funds have actual revenues and/or other sources which fall below 5% of budgeted revenues and/or other sources and/or actual expenditures and/or other uses which exceed 5% of budgeted expenditures and/or other uses:

Note 3 - REVENUES, EXPENDITURES AND FINANCING SOURCES - ACTUAL AND BUDGET (Continued)

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>	<u>Percentage Difference</u>
REVENUES:				
Special Revenue Funds:				
Housing Rent Subsidy Fund	5788,112	5990,080	\$(200,968)	(3.34)
Housing Voucher Program Fund	332,608	382,928	(50,320)	(13.14)
Deputy Witness Fee Fund	72,327	88,050	(15,723)	(19.68)
Civic Auditorium Fund	236,150	263,600	(27,450)	(10.41)
EXPENDITURES:				
Special Revenue Funds:				
Recreation Department Fund	1,179,068	1,119,261	59,708	5.33
Jobs Training Partnership Act Fund	3,270,545	3,168,000	170,545	5.39
District Attorney-General Fund	543,221	513,718	29,503	5.76
Human Resources Fund	208,500	91,253	118,246	129.64
Deport Fund	108,130	86,126	22,004	25.55

Note 4 - CHANGES IN GENERAL FIXED ASSETS

Changes in the general fixed assets account group are as follows:

	<u>January 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 1998</u>
Land, buildings and improvements	\$29,267,440	\$125,942	\$ -	\$29,693,345
Furniture, equipment trucks and automobiles	10,482,415	894,570	22,150	11,324,835
Totals	<u>\$40,099,818</u>	<u>\$990,512</u>	<u>\$22,150</u>	<u>\$40,998,180</u>

Note 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment for the St. Bernard Parish Government Department of Public Works Water and Sewer Division and the Districts:

Land	\$ 141,569
Pipeline system	51,160,315
Plant, machinery and equipment	<u>34,245,734</u>
 Total property, plant and equipment	 85,545,658
 Less accumulated depreciation	 <u>(44,630,880)</u>
 Net property, plant and equipment	 <u>\$ 40,914,778</u>

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

The Division	\$35,299,272
Water District No. 1	20,774,600
Water District No. 2	2,128,277
Sewer District No. 1	9,775,707
Sewer District No. 2	<u>17,568,382</u>
 Total property, plant and equipment	 <u>\$85,545,658</u>

Depreciation expense totaled \$2,750,583 for the year ended December 31, 1998.

Note 6 - DEPOSITS AND INVESTMENTS

The St. Bernard Parish Government maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash". Cash overdrafts are displayed on the combined balance sheet as "due to other funds" within the individual fund type with similar amounts in "due from other funds" within the Internal Service Fund amounting to \$4,208,211 at December 31, 1998.

Note 6 - DEPOSITS AND INVESTMENTS (Continued)

a) Bank Deposits

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

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

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

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

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

At year end the carrying amount and the bank balances of deposits for Governmental Funds and the Internal Service Fund are as follows:

	Bank Balances Category			Book Balance
	1	2	3	
Cash	\$175,263	\$ -	\$5,331,693	\$5,506,956

Note 6 - DEPOSITS AND INVESTMENTS (Continued)

a) Bank Deposits (Continued)

At year end the carrying amount and the book balances of deposits of the Proprietary Fund - Enterprise Fund - Water and Sewer and the Districts are as follows:

	Bank Balances Category			Book Balance
	1	2	3	
Cash	\$111,072	\$ -	\$3,796,709	\$4,157,210
Certificates of deposit	<u>100,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,100,000</u>
Total	<u>\$211,072</u>	<u>\$ -</u>	<u>\$4,796,709</u>	<u>\$5,257,210</u>

At December 31, 1998, cash and certificates of deposit in excess of the FIMC insurance were collateralized by securities held by unaffiliated banks for the account of the depositors. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advance and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

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

	Beginning of Year	End of Year
Cash and Cash Equivalents		
Unrestricted	\$ 486,314	\$ 580,816
Restricted	<u>3,215,631</u>	<u>4,756,394</u>
Total cash and cash equivalents	<u>\$3,991,245</u>	<u>\$5,257,210</u>

Note 6 - DEPOSITS AND INVESTMENTS (Continued)

a) Bank Deposits (Continued)

Home Mortgage Authority

The Authority has no deposits (bank balances) as of March 31, 1999 which require FDIC insurance.

Cash equivalents consist of government backed pooled funds. The funds are held by the Authority's custodian's trust department in the Authority's name. The funds are managed by the Authority's custodian.

b) Investments

State statute authorizes the parish government to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; commercial paper rated AAA 1, 2, or 3; repurchase agreements; and the Louisiana Asset Management Pool (LAMP).

LAMP investments are restricted to securities issued, guaranteed or otherwise backed by U.S. Treasury, the U.S. Government or one of its agencies, enterprise or instrumentalities, as well as repurchase agreements collateralized by these securities.

The parish government's investments are categorized to give an indication of the level of risk assumed by the entity at year end.

Category 1 includes investments that are insured or registered or for which the securities are held by the parish government or its agent in the parish government's name.

Category 2 includes uninsured and unregistered investments for which the securities are held by the county's trust department or agent in the parish government's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the county or by its trust department or agent, but not in the parish government's name.

Note 6 - DEPOSITS AND INVESTMENTS (Continued)

b) Investments (Continued)

At year end the carrying amount of investments are as follows:

	<u>Risk Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments subject to categorization:				
Special Revenue Fund				
Certificates of Deposit	\$ -	\$ -	\$213,480	\$ 213,480
Internal Service Fund				
Certificates of Deposit	-	-	400,000	400,000
Component Unit				
St. Bernard Parish Home Mortgage Authority at fair value:				
Guaranteed Investment Contracts	-	96,545	-	96,545
U.S. Government securities	<u>-</u>	<u>1,258,496</u>	<u>-</u>	<u>1,258,496</u>
Totals	<u>\$ -</u>	<u>\$1,355,041</u>	<u>\$613,480</u>	<u>1,967,521</u>
Investments not subject to categorization:				
Louisiana Asset Management Pool(LAMP)				<u>1,408,803</u>
Total Investments				<u>\$1,376,004</u>

U.S. Government securities and guaranteed investment contracts are carried at market value.

The bond indentures of the Authority authorize the Trustee to make investments under prudent investment standards reasonably expected to produce the greatest investment yield.

Investments in LAMP are not categorized as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Note 7 - OPERATING LEASES

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

The Division also receives lease income from six different tower lease agreements. The first lease is \$9,000 per year for a period of five years beginning August 9, 1995. The lease can be renewed for four additional five-year periods. The second lease is for \$6,000 per year. The lease commenced June 26, 1996 and is for a period of five years. The agreement can be renewed for four additional five-year periods. The third lease is for \$12,000 per year. The lease commenced August 22, 1996 and is for a period of five years. The lease agreement can be renewed for four additional five-year periods. The fourth lease is for \$13,200 per year for a period of five years beginning November 19, 1998. The lease can be renewed for four additional three-year periods. The fifth lease is for \$12,500 per year for a period of five years beginning July 28, 1998. The lease can be renewed for four additional three-year periods. The sixth lease is for \$9,600 per year for a period of five years beginning December 23, 1998. The lease can be renewed for four additional three-year periods.

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

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

Year Ending December 31,	
1999	\$ 60,800
2000	55,800
2001	37,800
2002	33,800
2003	2,500
Thereafter	<u>2,500</u>
Total	<u>\$193,200</u>

Rental income for the year ended December 31, 1998 was \$42,411.

Note 8 - GENERAL LONG-TERM OBLIGATIONS

(i) All Fund Types - Bonds Payable

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

	General Long-term Debt	Enterprise Fund	Total Primary Governmental	Component Unit	Total Reporting Entity
Balances at January 1, 1998	\$ 9,939,282	\$11,124,000	\$21,044,282	\$3,486,758	\$24,531,040
Additions	-	-	-	84,820	84,820
Reductions	(997,589)	(1,241,000)	(2,168,589)	(832,059)	(2,899,609)
Balances at December 31, 1998	<u>\$8,941,733</u>	<u>\$9,883,000</u>	<u>\$18,875,733</u>	<u>\$2,638,519</u>	<u>\$21,515,252</u>

(j) Governmental Fund Types

i) Bonds Payable

Scheduled payments are as follows:

1999	\$ 918,818
2000	978,487
2001	1,033,956
2002	1,089,583
2003	693,172
Thereafter	4,279,517
Total	<u>\$8,993,733</u>

Note B - GENERAL LONG-TERM OBLIGATIONS (Continued)

b) Governmental Fund Types (Continued)

ii) Prior Years' Defeasance of Debt

In prior years, the Parish Government has defeased a Public Improvement Refunding Bonds issue and a General Obligation Refunding Bonds issue, Series 1990 by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Parish Government's General Long-Term Debt Account Group. As of December 31, 1998, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$6,495,000.

c) Proprietary Fund Types - The Division

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

	Water and Sewer Division	Sewer District		Total
		No. 1	No. 2	
Public improvement general obligation and revenue bonds payable	\$7,465,000	\$385,000	\$2,605,000	\$9,855,000
Capital lease payable	1,000	-	-	1,000
	7,466,000	385,000	2,605,000	9,856,000
Less current portion:				
Public improvement and revenue bonds payable	725,000	65,000	150,000	1,150,000
Capital lease payable	1,000	-	-	1,000
Long-term portion	\$6,740,000	\$320,000	\$2,455,000	\$8,715,000

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

e) Proprietary Fund Types - The Division (Continued)

Public Improvement and General Obligation Bonds

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

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

1. \$2,500,000 Public Improvement Bonds of the Water District No. 1 issue of September 1, 1973, due in annual installments of \$155,000 bearing an interest rate of 5.70% through March 1, 1998. The last payment of \$155,000 was made during 1998.
2. \$675,000 General Obligation Refunding Bonds of the Sewer District No. 1 issue of September 1, 1991, due in annual installments of \$60,000 to \$90,000 bearing interest rates of 6.0% to 6.5% through March 1, 2000. Amount outstanding - \$385,000.
3. \$240,000 Public Improvement Bonds of the Sewer District No. 2 issue of June 1, 1971, due in annual installments of \$1,000, bearing an interest rate of 6.0% through February 1, 2001. Amount outstanding - \$1,000.
4. \$3,195,000 General Obligation Refunding Bonds of the Sewer District No. 2 issue of September 1, 1991, due in annual installments of \$170,000 to \$240,000 bearing interest rates of 6.0% to 6.65% through March 1, 2005. Amount outstanding - \$2,050,000.

Revenue Bonds

On April 1, 1994, the Commission defeased a portion of the 1984 Revenue Bond in the amount of \$3,195,000 with an interest rate ranging from 7.50% to 8% and debt service payments from \$480,000 to \$900,000 by issuing \$7,350,000 Series 1994 Revenue Refunding Bonds. The interest rate on the new bonds ranges from 4.2% to 5.2% and the bonds mature on August 1, 2006 with debt service payments

Note B - GENERAL LONG-TERM OBLIGATIONS (Continued)

c) Proprietary Fund Types - The Division (Continued)

Revenue Bonds (Continued)

due in annual principal installments ranging from \$645,000 to \$940,000. The balance outstanding at December 31, 1998 is \$6,295,000. The 1991 Revenue Bonds are due in annual principal installments of \$50,000 to \$135,000, bearing interest rates of 6.15% to 7.10% through August 1, 2001. The balance outstanding at December 31, 1998 is \$1,070,000.

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

Pursuant to a resolution, the Division has agreed in each bond year to fix, establish, and collect such rates and collect such fees, rentals, or other charges for all services, after making due allowance for delinquencies in collection and after providing for the payment of the reasonable and necessary expenses of operating and maintaining the system, to produce net revenues (1) that are sufficient to pay debt service on all outstanding bonds and to maintain the funds and accounts established in the resolution and (2) that result in each fiscal year in the greater of (a) the sum of debt service payable on the bonds in the ensuing fiscal year plus any required deposit to the Debt Service Reserve Fund, or (b) a ratio of net revenues to average annual debt service of not less than 1.25 to 1. The ratio of net revenue to average annual debt service for the year ended December 31, 1998, is 3.93 to 1. The ratio is more than the minimum requirements of the bond indenture. The bond agreement requires the Division to establish and maintain the following accounts:

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

c) Proprietary Fund Types - The Division (Continued)

Revenue Bonds (Continued)

- 1) A debt service account with monthly deposits of one-twelfth of the annual principal and interest payment to pay promptly and fully the principal and interest on the loan as it becomes due and payable.
- 2) A debt service reserve account with the sum equal to the minimum annual debt service on the bonds.
- 3) A removal and replacement account with monthly deposits of 3% of the prior month's operating expenses, which will be used to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the system.

The Division has established and maintained these accounts, and at December 31, 1998, the cash and cash equivalent balances in the debt service account, the debt service reserve account and the removal and replacement account were \$485,278, \$1,223,054 and \$2,163,873, respectively. The account balances in the debt service reserve, debt service and removal and replacement accounts exceed the minimum requirements of the bond indenture.

A schedule of annual debt service requirements for both the public improvement and general obligation bonds and the revenue bonds for each of the next five years and in the aggregate are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$1,126,000	\$ 573,298	\$ 1,699,298
2000	1,166,000	465,995	1,631,995
2001	1,201,000	405,314	1,606,314
2002	1,255,000	341,018	1,596,018
2003	1,300,000	275,063	1,575,063
2004-2011	<u>7,805,000</u>	<u>587,528</u>	<u>8,392,528</u>
Totals	<u>\$9,883,000</u>	<u>\$2,596,216</u>	<u>\$12,479,216</u>

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

a) Proprietary Fund Types - The Division (Continued)

Revenue Bonds (Continued)

Customer Deposits

The Division has used funds from the Customer Meter Deposit Cash account to pay operating expenses and capital improvements. At December 31, 1998, the customer meter deposits cash account had a balance of \$245,772 and the customer meter deposits liability was \$1,161,634.

#) Home Mortgage Authority

The net proceeds obtained from the 1979 and 1980 bond issues were used to establish funds authorized by the Bond Trust Indenture and to purchase eligible mortgage loans secured by first mortgage loans on single family owner-occupied residences from qualified mortgage lenders accepted for participation in the program by the Authority.

On March 31, 1991, the Authority issued \$4,435,000 in Single Family Mortgage Refunding Bonds with an interest rate of 8% to advance refund \$5,900,000 of outstanding 1980 Series bonds with an interest rate of 10.33%. The 1980 Series bonds have since been retired.

Bonds Payable

On June 1, 1992, the Home Mortgage Authority issued \$11,255,000 in Single Family Mortgage Refunding Bonds, \$289,000 (maturity amount) in Single Family Mortgage Refunding Bonds, \$3,089,000 (maturity amount) in Single Family Mortgage Revenue Bonds, and \$2,130,000 in Single Family Mortgage Refunding Bonds to advance refund \$16,470,000 of outstanding 1979 Series bonds with interest rates of 5.87% to 7.5%. The net proceeds of \$13,795,143 (after \$1,621,319 in underwriting fees, trustee costs, and cash requirements) plus an additional \$4,294,455 of 1979 reserve fund money, loan proceeds and accrued interest were used to purchase Government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1979 Series Bonds. As a result, the 1979 bonds are considered defeased and the liability for these bonds was removed from the general purpose financial statements. At March 31, 1998, \$13,408,000 of the defeased bonds are still outstanding.

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

(i) Home Mortgage Authority (Continued)

Bonds Payable (Continued)

The Bond Trust Indentures provide that bond principal and interest are secured by pledges of all mortgage loans acquired, all revenues and collections with respect to such loans, and all funds established by the Authority, together with all of the proceeds generated therefrom.

Outstanding bonds payable are due on a term and serial basis and bear interest at rates as follows:

Single Family Mortgage Revenue Bonds:	
1992 program Series C, zero coupon, due 2014 at maturity value of \$5,000,000, discounted to yield approximately 7.65%, unamortized discount was \$2,046,139 at March 31, 1999	\$ 953,861
Single Family Mortgage Refunding Bonds:	
1991 program, due 1994-2012, 8%	1,365,476
1992 program Series D-1, due 2011, 7.5%-stated rate, discounted to yield approximately 7.84%, unamortized discount was \$23,992 at March 31, 1999	560,863
1992 program Series B-2, zero coupon, due 2014 at maturity value of \$200,000, discounted to yield approx rate of 9.23%, unamortized discount was \$149,680 at March 31, 1999	50,319
Total	<u>\$2,919,519</u>

Note B - GENERAL LONG-TERM OBLIGATIONS (Continued)

(i) Home Mortgage Authority (Continued)

Bonds Payable (Continued)

It is not possible to project the bond principal payments for the 1991 and 1992 Series B-1 issue for the next five years due to the required redemption procedures of the Trust Indentures. The Indenture of the 1991 issue requires monies remaining in the Collection Account of the 1991 issue will pay principal of the bonds after the following payments are satisfied:

- 1) payment to the Rebate Account in an amount equal to the excess nonmortgage earnings;
- 2) payment of all interest due and payable with respect to any overdue bonds and any principal of such overdue bonds;
- 3) payment of interest due and payable on any bonds which are not overdue;
- 4) payment to the Debt Service Reserve Account (if necessary) to maintain the reserve requirement;
- 5) payment to the Revenue Account an amount equal to 1/12 of .32% per annum of the aggregate principal amount of outstanding bonds.

The Indenture of the 1992 Series B-1 issue requires monies remaining in the Bond Fund Account of the 1992 Series B-1 issue will pay principal of the bonds after the following payments are satisfied:

- 1) payment of all interest due and payable with respect to any overdue bonds;
- 2) payment of any installments of interest then due and payable on any bonds which are not overdue;
- 3) payment to the Expense Account an amount sufficient to maintain a balance of \$15,000 therein.

Note 8 - GENERAL LONG-TERM OBLIGATIONS (Continued)

d) Home Mortgage Authority (Continued)

Bonds Payable (Continued)

The 1992 Series C bonds are callable at the option of the issuer on any date on or after June 1, 2002 at the following redemption prices expressed as percentages of the accreted value of the bonds as of the date of redemption:

Redemption Period	Redemption Prices
June 1, 2002 through May 31, 2003	100%
June 1, 2003 through May 31, 2004	102%
June 1, 2004 through May 31, 2005	104%
June 1, 2005 and thereafter	106%

Note 9 - INTERFUND PAYABLES, RECEIVABLES AND INTERFUND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. The following balances represent the interfund receivables and payables at December 31, 1998:

Funds	Interfund Receivables	Interfund Payables
General Fund	\$ 69,667	\$1,882,983
Special Revenue Funds	166,158	3,975,589
Capital Projects Funds	1,652,130	1,002,018
Enterprise Fund	-	79,421
Internal Service Fund	4,460,268	596,227
Totals	\$6,348,213	\$6,548,218

During the course of the operations, numerous transactions occur between individual funds for goods provided or services rendered. These transactions are classified as other financing sources (uses) operating transfers in and out on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance. The following balances represent the internal transfers at December 31, 1998:

**Note 9 - INTERFUND PAYABLES, RECEIVABLES AND INTERFUND TRANSFERS
(Continued)**

<u>Funds</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 251	\$11,819,597
Special Revenue Funds	10,117,260	60,051
Debt Service Funds	643,689	-
Capital Projects Funds	1,708,846	378
Internal Service Fund	-----	390,000
Totals	<u>\$12,470,036</u>	<u>\$12,470,036</u>

Note 10 - LITIGATION

At December 31, 1998, the parish government is a defendant in a lawsuit in which an unfavorable judgment has been rendered. In April 1998 the Supreme Court of Louisiana rendered an opinion on a case with similar circumstances which has adversely affected the legal position of the Parish during the appeals process. Accordingly, an estimated claim payable has been recorded in the General Fund at December 31, 1998 in the amount of \$400,000.

Along with the previously discussed litigation the parish government is a defendant in other lawsuits seeking damages which could not be quantified. These lawsuits are in various stages of resolution and their outcome cannot be presently determined. Accordingly, no provision for any liability that may result has been made in these general purpose financial statements.

The Parish Government estimates expenses for these claims to range from \$10,000 to \$250,000. These claims occurred prior to 1992, when the Parish began its self insurance program. Some of the claims are covered whole or in part by insurance. No provision for any liability that may result from these claims has been made at December 31, 1998 in these general purpose financial statements.

The St. Bernard Parish Government Department of Public Works Water and Sewer Division is involved in various claims for alleged negligence. The exposure to the organization is estimated to be approximately \$13,737. The estimated claims liability is computed based on information received from the insurance company. The claims liability of \$13,737 at December 31, 1998 is presented at current value and has not been discounted.

Note 11 - MORTGAGE LOANS RECEIVABLE - PROPRIETARY FUNDS

Mortgage loans receivable acquired by the Home Mortgage Authority from participating mortgage lenders under the 1979 program which were transferred to the 1992 program have a stated rate of 8.375%. The mortgage loans under the 1990 program previously had a stated rate of 11.5%, but after transfer to the 1991 program, have a stated rate of 9.5%. These mortgage loans, which were granted only to residents of St. Bernard Parish, have scheduled maturities of thirty years and are secured by first mortgages on the related real property. Each participating mortgage lender services these loans purchased from it by the Home Mortgage Authority and receives compensation for services rendered.

In addition to the customary insurance required of the mortgagors, the mortgage loans are insured by the Home Mortgage Authority under pool insurance policies. The loans of the 1991 program are also insured under a special hazard policy.

The mortgage loans receivable were obtained through conventional, FHA and VA programs sponsored by the various participating mortgage lenders.

Note 12 - EMPLOYEE RETIREMENT SYSTEMS

The St. Bernard Parish Government contributes to the Parochial Employees Retirement System of Louisiana, the Firefighters' Retirement System and the District Attorney's Retirement System of Louisiana. The parish's payroll for employees covered by the retirement systems for the year ended December 31, 1998 was \$11,586,144 (which includes a parish payroll of \$9,402,541 and St. Bernard Parish Government Department of Public Works Water and Sewer Division payroll of \$2,183,603.)

a) Parochial Employees' Retirement System

Plan Description - The Parish contributes to Plan A of the Parochial Employees' Retirement System of Louisiana (the System), cost-sharing multiple-employer defined benefit public employer retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 205 of the 1952 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:0901 through 11:2015, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That

Note 12 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

a) **Parochial Employees' Retirement System (Continued)**

report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14618, Baton Rouge, Louisiana 70808-0618.

Funding Policy - Plan members are required to contribute 9.5% of their annual-covered salary and the Parish is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual payroll. The contribution requirements of plan members and the Parish are established and may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 1998, 1997 and 1996 were \$394,216, \$361,988 and \$333,840, respectively, equal to the required contributions for each year.

b) **Firefighters' Retirement System**

Plan Description - The Parish contributes to the Firefighters' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan and members and beneficiaries. Act 434 of the 1979 Louisiana Legislative Session established the plan. The System is Governed by Louisiana Revised Statutes 11:2251 through 11:2268, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, 2051 Silverdale Drive, Suite 210, Baton Rouge, Louisiana 70808-6116.

Funding Policy - Plan members are required to contribute 6% of their taxable compensation and the Parish is required to contribute at an actuarially determined rate. The current rate is 6% of annual-covered payroll. The contribution requirements of plan members and the Parish are established and may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 1998, 1997 and 1996 were \$224,787, \$296,251 and \$282,343, respectively, equal to the required contributions for each year.

Note 12 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

c) District Attorneys' Retirement System

Plan Description - The Parish contributes to the District Attorneys' Retirement System (System), a cost-sharing multiple employer public employer retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 56 of the 1956 Louisiana Legislative Session established by the plan. The System is governed by Louisiana Revised Statutes 11:1581 through 11:1703, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to District Attorney Retirement System, 2109 Decatur Street, New Orleans, Louisiana, 70116.

Funding Policy - Plan members are required to contribute 7% of their compensation to the System. In addition, the Sheriffs and on-office tax collectors are required to contribute 2% of taxes collected to the System. The Parish is required to contribute to an actuarially determined rate. The current rate is 1.23% of annual-covered payroll. The contribution requirements of plan members and the Parish are established and may be amended by state statute. The Parish's contributions to the System for the years ended December 31, 1998, 1997, and 1996 were \$1,170, \$3,402 and \$5,113, respectively, equal to the required contributions for each year.

Note 13 - DEFERRED COMPENSATION PLAN

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

Note 14 - SUPPLEMENTAL PAY

In addition to the compensation paid to St. Bernard Parish Government's employees, employees who are firemen, may be eligible to receive supplemental pay. Each type of employee is governed by their particular revised statute. The amount of the compensation is determined by State Law and is revised periodically.

As per Louisiana Revised Statute 33:2002, any full-time, regular employee of the parish fire protection district who is hired after March 31, 1986 and who has passed a certified firemen's training program equal to the National Fire Protection Association Standard 1001 and who is paid three hundred dollars per month from public funds is eligible for supplemental pay. These full-time employees are carried on the payroll paid from funds of the parish obtained through lawfully adopted local issues or lawfully assessed taxes, either directly or through a board or commission set up by law or ordinance. Employees employed by the fire districts are not eligible for supplemental pay if they are presently drawing a retirement or disability pension, clerical employees and mechanics and for those employees who have not passed a certified firemen's training program but are hired after March 31, 1986. Since supplemental pay for fire fighters must be taken into account in calculating fire fighters longevity pay, holiday pay, and overtime pay. The period of service for computing additional compensation includes prior service of employees who have returned or who hereafter return to such service provided that service in any parish or fire protection district fire department shall be used in computing such prior service which includes full-time employees of a volunteer fire department.

As of December 31, 1988, the Parish has recognized \$344,940 in revenues (other state funds) and expenditures (salary supplements) that the State of Louisiana has paid directly to the Parish's employees.

Note 15 - RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS

Use of the term "reserves" in describing fund balances/retained earnings indicates that a portion of the fund balances/retained earnings is not available for expenditure in the next period or is legally restricted for a specific future use. The nature and purpose of these reserves are explained below.

a) Governmental Funds - Reserved Fund Balances

Reserve for Contracts

The parish government reserved \$154,500 for contracts in Special Revenue Funds and \$1,678,694 for contracts in Capital Projects Funds as of December 31, 1998.

Reserve for Debt Service

A summary of the changes in the reserve fund balance follows:

	<u>Debt Service Fund</u>
Balance at January 1, 1998	\$2,428,856
Payments	(1,344,872)
Collections	1,418,243
Balance at December 31, 1998	<u>\$2,492,227</u>

Designated Fund Balances

The St. Bernard Parish Library's Board designated \$757,500 for future capital expansion.

Note 15 - RESERVED AND DESIGNATED FUND BALANCES-RETAINED EARNINGS
(Continued)

b) Proprietary Funds - The Division - Reserved Retained Earnings

The St. Bernard Parish Government Department of Public Works Water and Sewer Division has established three reserves as reflected on the balance sheet.

Reserve for Capital Renewal and Replacement

The reserve for capital renewal and replacement accumulates monies to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the sewerage systems. Such monies will also be available to pay the principal and interest on outstanding bonds in the event funds are not sufficient in the debt service and debt service reserve accounts. (Minimum deposits are made monthly to the reserve account from revenues in an amount equal to 5% of the prior month's operating expenses.) In addition, net assets acquired with the Division's funds are included in the reserve per board resolution. The reserved retained earnings are \$9,290,398 at December 31, 1998.

Reserve for Construction

The reserve for construction was established in accordance with bond requirements and the Division's resolution. The reserved funds pay for construction projects required by the United States Environmental Protection Agency. The Division also irrevocably pledges monies held in this reserve to the bond holders as additional security for the bonds. Upon completion of the projects, any remaining funds will be reserved for debt service to satisfy any deficiency in funds needed to pay principal and interest on the \$1,350,000 bond issue dated December 1, 1991 and principal and interest on the \$3,950,000 bond issue dated April 1, 1994. In addition, the construction projects are capitalized when completed and included in the reserve and certain portions of the 1991 and 1994 revenue bonds payable to reduce the reserve per board resolution. The reserved retained earnings are \$1,625,935 at December 31, 1998.

Note 15 - RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS
(Continued)

b) Proprietary Funds - The Division - Reserved Retained Earnings (Continued)

Reserve for Debt Service

The reserve for debt service consists of two accounts. 1) The debt service account accumulates money from the net utilities revenues for the payment of interest and principal on the 1991 and 1994 revenue bonds. 2) The debt service reserve account accumulates interest on the \$1,111,165 of bond proceeds set aside for the benefit of bond holders. In addition, the related 1991 and 1994 bond principal and interest reduces the reserve. As of December 31, 1998, the reserved retained earnings was \$147,303.

The components of the reserve accounts are as follows:

	Reserve For Capital Replacement	Reserve For Construction	Reserve For Debt Service	Total
Assets				
Cash and cash equivalents	\$2,163,879	\$ -	\$1,718,333	\$ 3,882,212
Property, plant and equipment and bond issuance cost - net	2,122,519	16,733,769	-	23,856,288
Total assets	<u>4,286,398</u>	<u>16,733,769</u>	<u>1,718,333</u>	<u>22,738,500</u>
Liabilities				
Current portion of bonds payable	-	422,917	302,083	725,000
Accrued interest payable	-	-	157,782	157,782
Lease payable	1,000	-	-	1,000
Long-term 1991 and 1994 revenue bonds payable	-	5,628,835	1,111,165	6,740,000
Total liabilities	<u>1,000</u>	<u>6,051,752</u>	<u>1,461,000</u>	<u>7,513,752</u>
Contributed Capital	-	9,056,082	-	9,056,082
Reserved Retained Earnings	<u>\$0,290,728</u>	<u>\$1,625,035</u>	<u>\$ 147,303</u>	<u>\$11,063,636</u>

**Note 15 - RESERVED AND DESIGNATED FUND BALANCES/RETAINED EARNINGS
(Continued)**

c) Internal Service Funds - Reserved Retained Earnings

Reserve for Insurance Claims

The Parish Government reserved \$3,597,366 for insurance claims as of December 31, 1998.

**Note 16 - POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS -
PROPRIETARY FUNDS**

The Division provides certain continuing health care insurance benefits for its retired employees. Substantially all of the Division's employees become eligible for these benefits if they reach normal retirement age while working for the Division. As of the year end, 18 retirees were eligible and are receiving benefits. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the Division. Retirees and active employees are responsible for dependent coverage costs. The Division reimburses the first \$20,000 of validated claims for medical and hospitalization costs incurred by pre-Medicare retirees and their dependents. Expediency for postretirement health care benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported to the Division. During the year, expenses of approximately \$59,000 were recognized for postretirement health care.

Note 17 - SELF INSURANCE / RISK MANAGEMENT

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

Note 17 - SELF INSURANCE / RISK MANAGEMENT (Continued)

Enterprise Funds

The St. Bernard Parish Government Department of Public Works Water and Sewer Division is self-insured for hospitalization claims up to approximately \$20,000 per employee or an aggregate of approximately \$250,884 per year. The excess is insured under an insurance policy. The fund is administered by an independent insurance service company.

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

	<u>1998</u>	<u>1997</u>	<u>1996</u>
Claims liability at beginning of year	\$ 60,104	\$ 40,587	\$ 41,634
Plan provision for incurred claims	258,947	276,359	405,511
Less claims paid	<u>(258,947)</u>	<u>(276,359)</u>	<u>(406,530)</u>
Claims liability at end of year	<u>\$ 60,104</u>	<u>\$ 40,587</u>	<u>\$ 40,587</u>

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

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

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

Note 17 - SELF-INSURANCE / RISK MANAGEMENT (Continued)

Enterprise Funds (Continued)

The following represents a reconciliation of total claims liability:

	<u>1998</u>	<u>1997</u>
Claims liability at beginning of year	\$ 25,326	\$ -
Plus provision for incurred claims	218,451	66,858
Less claims paid	<u>(55,051)</u>	<u>(63,532)</u>
Claims liability at end of year	<u>\$188,726</u>	<u>\$ 25,326</u>

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

Internal Service Fund

The parish government established a self-insurance fund for their workman's compensation, unemployment compensation, general and automobile liability for all funds of the Parish except for the Enterprise Fund - Water and Sewer Divisions. The parish government is self-insured for claims up to \$250,000 per occurrence. The government has an insurance policy for claims between \$250,000 and \$5,000,000 per occurrence. This policy has a 20% coinsurance clause with a maximum liability to the parish of \$1,000,000. The fund is administered by an independent insurance service company.

The estimated claims liability related to prior years' workers compensation claims are computed by subtracting paid claims from the reserves previously set up to arrive at "remaining reserves" and then "developing" that number based on factors determined by the third party administrator using historical data.

The estimated claims liability related to prior years' general liability and auto claims was estimated by the Parish's legal department based on a claim by claim evaluation to determine the potential loss.

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

Note 17 - SELF INSURANCE / RISK MANAGEMENT (Continued)

Internal Service Fund (Continued)

The following represents a reconciliation of total claims liability:

	1998	1997	1996
Claims liability at beginning of year	\$1,876,000	\$1,889,593	\$1,237,381
Less claims paid during the year	(622,723)	(779,269)	(204,327)
Plus provision for insured claims	679,443	785,610	836,379
Claims liability at end of year	<u>\$1,932,720</u>	<u>\$1,876,000</u>	<u>\$1,889,593</u>

Note 18 - CHANGE IN ACCOUNTING PRINCIPLE

The St. Bernard Parish Home Mortgage Authority changed its method of accounting for investments in debt securities to conform with the requirements of GASB Statement No. 31. This statement requires that investments in debt securities be carried at fair value. This statement was adopted by increasing beginning retained earnings in the amount of \$357,909.

Note 19 - JOINT VENTURE - GOVERNMENTAL FUNDS

There exists a joint venture between the St. Bernard Parish Government and the St. Bernard Cultural Center, Inc. (Corporation). The Corporation is a nonprofit entity which provides concession services to the St. Bernard Parish Cultural Center. The Corporation was organized on a nonstock basis and its shareholders pursuant to RS 12:210 consist of the St. Bernard Parish Manager, Secretary and Treasurer. The affairs and business of the Corporation are managed by a board of directors. The Corporation reimburses the parish government the cost of parish employees used for the concessions. In addition, any profit made is remitted to the parish government. Following is a condensed financial statement on the Corporation as of December 31, 1998.

Note 19 - JOINT VENTURE - GOVERNMENTAL FUNDS (Continued)

Balance Sheet	
Assets	<u>\$ 17,374</u>
Retained Earnings	<u>\$ 17,374</u>
Income Statement	
Concession sales	\$154,829
Less refunds, commissions and cost of goods sold	<u>(42,003)</u>
Gross profit	112,826
Less expenses	(74,461)
Less transfers to St. Bernard Parish Government	<u>(40,613)</u>
Net loss	<u>\$ (3,248)</u>

Note 20 - ADMINISTRATIVE ORDER

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

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

Note 21 - COMMITMENTS AND CONTINGENCIES

The Parish Government received funding under grants from various federal and state governmental agencies. The agency grants specify the purposes for which the grant monies are to be used; the grants are subject to audit by the granting agency or its representative.

Note 22 - FEDERAL INVESTIGATION

During 1999, the Division has come under investigation by a federal agency concerning its waste water disposal from its facilities. The investigation is in its initial stage. Presently, it is not possible to determine the effect of this investigation on the financial statements, if any.

Note 23 - SUBSEQUENT EVENT

On November 3, 1998 St. Bernard Parish, by a special election, approved a 1/10% sales tax, commencing January 1, 1999. The proceeds of this tax are dedicated for improvements to the sewer and water systems of the Division, including authority to fund the tax into bonds provided that at least 25% of the annual revenues of the tax must be expended to correct inflow and infiltration in sewerage collection lines, or to repair damage caused thereby, unless required for debt service on bonds or otherwise approved by at least two-thirds of the Council.

SUPPLEMENTARY INFORMATION SECTION

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues from specific taxes or other earmarked revenue sources which by law are designated to finance particular functions or activities of government and which, therefore, cannot be diverted to other uses.

	Fixed Cash		Contingency		Dispute		Environmental		Density		Liability		Real		Drug		Home		
	Balance	Change	Change	Year	Change	Year	Change	Year	Change	Year	Change	Year	Change	Year	Change	Year	Change	Year	
Assets																			
Cash	\$ -	\$ 47,323	\$ 11	\$ -	\$ -	\$ -	\$ 13,089	\$ -	\$ -	\$ 853,712	\$ -	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract Asset Management Pool	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	1,563	21,892	-	-	-	-	-	-	6,812	614,026	588,072	-	-	-	-	-	78,371	-	18,113
Due from other funds	-	36,088	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,563	\$ 103,313	\$ 11	\$ -	\$ -	\$ -	\$ 13,089	\$ -	\$ 6,812	\$ 853,712	\$ 588,072	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ 78,371	\$ -	\$ 18,113
Liabilities																			
Accounts payable	\$ 171	\$ -	\$ 11	\$ 1,545	\$ -	\$ 1,545	\$ -	\$ 14,279	\$ 13	\$ 4,379	\$ -	\$ -	\$ -	\$ 1,079	\$ -	\$ -	\$ -	\$ -	\$ -
State and general obligations payable	2,000	-	92	3,001	-	3,001	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	1,442	39,668	32	14,158	-	14,158	-	398	14,006	11,436	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	\$ 1,613	\$ 39,668	\$ 43	\$ 18,704	\$ -	\$ 18,704	\$ -	\$ 14,677	\$ 14,025	\$ 11,436	\$ -	\$ -	\$ 1,079	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Equity (Deficit)																			
Fund balance - deficit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserved for unexpended amounts	-	-	-	-	-	-	-	-	-	777,560	-	-	-	-	-	-	-	-	-
Reserves - debt covenants	2,413	19,648	2,852	23,278	1,000	23,278	1,000	111	1,000,414	4,472	12	-	12	79,552	-	-	-	-	-
Reserves - miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund equity (deficit)	\$ 2,813	\$ 39,668	\$ 2,852	\$ 39,756	\$ 1,000	\$ 39,756	\$ 1,000	\$ 111	\$ 1,000,414	\$ 4,472	\$ 12	\$ -	\$ 12	\$ 79,552	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities and fund equity (deficit)	\$ 3,386	\$ 119,158	\$ 311	\$ 60,460	\$ 1,000	\$ 60,460	\$ 1,000	\$ 14,811	\$ 14,050	\$ 1,590,123	\$ 588,072	\$ 19	\$ -	\$ -	\$ -	\$ 78,371	\$ -	\$ 18,113	

	City Accounts Payable	Commodities Payable	Community Development Payable	Closed On Aging Payable	Maintenance Payable	Low Income Housing Program Payable	Other Payable	Fixed Income Municipal Accounts Payable	Total
Assets									
Cash	\$ 34,921	\$ 98,122	\$ 98	\$ -	\$ 2,498	\$ -	\$ 8,248	3,113	\$ 244,908
Loans and Management Fee	-	-	-	-	-	-	-	-	1,294,000
Receivables	-	12,488	-	-	-	-	-	-	1,294,000
Accounts	-	-	-	-	-	-	-	-	22,248
Accounts - 90	31	1,965	3,984	14,099	3,887	3,991	24,987	-	4,784,375
Due from other funds	-	-	-	-	-	1,000	-	-	98,122
Other assets	-	-	-	-	-	-	-	-	3,887
Total assets	\$ 34,952	\$ 110,595	\$ 1,082	\$ 14,099	\$ 6,385	\$ 4,991	\$ 33,235	\$ 3,413	\$ 10,852,028
Liabilities									
Accounts payable	\$ 14,721	\$ -	\$ 12,179	\$ 11	\$ 218	\$ -	\$ 98	\$ -	\$ 24,137
Accounts receivable	-	-	3,111	26	-	-	-	-	3,137
Due to other funds	688	143	1,798	11,290	1,268	14,641	1,000	-	3,475,388
Deferred revenue	2,481	-	-	-	-	-	-	-	44,871
Other liabilities	-	-	995	-	-	-	-	-	995
Total liabilities	\$ 17,890	\$ 143	\$ 17,973	\$ 11,307	\$ 1,268	\$ 14,641	\$ 1,098	\$ -	\$ 3,510,431
Fixed Equity (Deficit)									
Fixed Assets (Net)	-	-	-	-	-	-	-	-	14,100
Reserve for contingencies	-	-	-	-	-	-	-	-	11,500
Designated - development	7,654	311,094	50,000	139,000	7,910	1,216	9,211	202	4,285,644
Unreserved - non-designated	7,654	311,094	50,000	139,000	7,910	1,216	9,211	202	3,653,041
Total fixed equity (deficit)	\$ 15,308	\$ 622,188	\$ 100,000	\$ 278,000	\$ 15,820	\$ 2,432	\$ 19,422	\$ 202	\$ 7,987,298
Total liabilities and fixed equity (deficit)									

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) -
SPECIAL REVENUE FUNDS**

St. Bernard Parish Government

For the year ended December 31, 1988

	Unaudited					
	Public Works Fund	CDBG District No. 1 Fund	Provision District No. 2 - 3 Fund	Recreation Equipment Fund	Public Fund	Other State Transportation Information Fund
Revenues						
Taxes:						
Ad valorem	\$ 383,288	\$ 543,368	\$ 1,431,131	\$ 411,423	\$ 179,787	\$ -
Other taxes, penalties and interest, etc.	1,714	1,714	1,284,077	1,239	361	-
License and permits	4,481	-	-	-	-	212,279
Federal grants	-	-	-	-	-	-
State bonds	-	-	-	-	-	-
State transportation funds, State revenue sharing sales state bonds	558,875	31,700	41,147	41,000	88,000	84,800
State revenue sharing sales state bonds	202,000	-	343,000	-	-	-
Gifts, charges, and commissions for services	888,770	-	3,643	29,023	-	99,000
Fines and forfeitures	-	-	-	-	-	-
Use of money and property	1,431	3,980	4,000	1,742	1,000	-
Public grants	18,540	40	24,807	25,700	-	-
Other sources	-	-	-	-	-	-
Total revenues	2,888,738	688,768	3,009,434	2,19,488	378,477	418,800
Expenditures						
General government	-	21,700	-	-	542	-
Legislative	-	-	-	-	-	-
Police	41,253	188,000	-	-	6,000	174,000
Finance and administration	-	-	-	-	-	-
Other general government	-	-	3,999,000	-	-	-
Public safety	3,480,600	3,244,204	-	-	-	-
Public works	-	-	-	-	99,491	-
Health and welfare	-	-	-	1,178,682	-	60,000
Culture and recreation	714	-	-	541	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	3,921,568	3,762,188	3,999,000	1,179,682	106,032	100,000
Excess (deficiency) of revenues over expenditures	(1,032,830)	(2,073,420)	(989,566)	(980,194)	(72,555)	31,800
Other financing sources (uses):						
Operating bond issues	1,233,644	3,126,046	3,988,286	626,000	-	-
Operating bond issues net	-	(2,282)	(9,342)	(2,854)	-	-
Total other financing sources (uses)	1,233,644	3,123,764	3,978,944	623,146	-	-
Excess (deficiency) of revenues and other financing sources over Expenditures and other financing uses	198,814	50,344	(10,622)	(64,048)	25,477	31,800
Fund Balances (Deficit) Beginning of year	78,556	80,800	113,988	27,840	44,107	(273,875)
Divided equity transfer	-	-	-	-	-	-
End of year	\$ 1,177,174	\$ 131,144	\$ 99,366	\$ 17,792	\$ 69,584	\$ (14,075)

State Treasury Management Act Fund	Operating Base Subsidy Fund	Operating Transfer Program Fund	Subsidy Cost Expense Fund	General Cost Fund	Contingency Reserve Fund "A"	State History Special Fund	Environmental Mitigation Fund	Energy History Fee Fund
\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,124,673	385,736	331,492	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
140,993	-	-	-	-	-	-	-	-
-	-	-	44,602	13,675	-	-	-	-
-	-	-	-	249,649	-	-	-	20,600
-	150	1,800	-	3,282	-	-	100	140
-	-	-	-	-	-	-	-	-
-	-	-	-	22,074	-	-	500	-
5,120,647	129,111	333,688	44,602	285,650	-	-	600	20,740
-	-	-	-	-	-	-	-	-
-	-	-	93,499	33,602	28,209	162,076	-	89,478
5,226,344	-	-	-	-	-	-	-	-
-	165,105	111,511	-	-	-	-	-	-
-	508	178	-	44,149	-	440	-	-
5,226,344	165,609	111,689	93,499	81,756	28,209	162,516	-	89,478
70	3,444	9,111	(149,245)	867,216	(28,209)	(549,071)	600	(17,111)
-	114	-	146,672	-	27,809	555,265	-	2,788
-	-	-	-	(22,288)	-	-	-	-
-	114	-	146,672	(22,288)	27,809	555,265	-	2,788
70	3,444	9,111	(1,732)	113,468	(700)	11,760	600	(14,911)
1,540	14,758	(5,244)	(742)	4,288	-	(26,488)	5,488	(1,870)
-	-	-	-	(29,488)	-	-	-	-
\$ 1,470	\$ 15,092	\$ 3,867	\$ (1,974)	\$ 79,688	\$ (700)	\$ (14,728)	\$ 5,888	\$ 188

	Library Fund	Food Lighting (Mall) No. 1 Fund	Group Home Budget Fund	Home Services Fund	Fire Auditors Fund	Commemorative Fund
Revenues						
Taxes						
Ad valorem	\$ 791,887	\$ 19,474	\$ -	\$ -	\$ -	\$ -
Other taxes, penalties and interest, etc.	-	795	-	-	-	176,058
Fees and permits	-	-	-	-	-	-
Federal grants	-	-	-	213,281	-	-
State funds	-	-	-	-	-	-
Federal transportation funds	-	-	-	-	-	-
State covered printing	87,889	29,695	-	-	-	-
Other state funds	23,872	-	-	-	-	-
Fees, charges, and contributions	-	-	-	-	-	-
for services	4,333	-	-	-	155,674	-
for contributions	19,532	-	-	-	-	-
Gifts and bequests	96,546	943	13	-	456	14,589
Gifts of money and property	43,963	-	-	-	-	-
Other revenues	9,753	-	-	317	80	-
Total revenues	996,094	363,619	13	213,600	256,150	206,247
Expenditures						
General government	-	-	-	-	-	1,000
Legislative	-	-	-	-	-	8,893
Judicial	-	-	-	-	-	-
Finance and administrative	-	-	-	-	-	-
Other general government	-	-	-	-	-	148,766
Public safety	-	-	-	-	-	-
Public works	-	154,237	-	-	-	-
Health and welfare	-	-	-	288,875	-	-
Public corporations	336,805	-	-	-	449,838	-
Legislative	176,889	-	-	664	-	9,534
Total expenditures	493,694	154,237	-	289,439	449,838	169,133
Excess (or Deficiency) of Revenues over Expenditures						
	502,400	209,382	13	4,161	(193,688)	36,114
Other Financing Sources (or Uses)						
Operating transfers in	-	28,184	-	404	100,434	-
Operating transfers out	-	-	-	(317)	(555)	-
Total other financing sources (uses)	-	28,184	-	87	99,879	-
Excess (or Deficiency) of Revenues and Other Financing Sources over Other Expenditures and Other Financing Uses						
	502,400	237,566	13	4,247	(93,809)	36,114
Fund Balances (or Deficit)						
Beginning of year	1,903,128	76,483	-	66,888	3,311	171,888
Revised equity transfer	-	-	-	-	-	-
Total year	\$2,443,884	\$ 344,047	\$ 13	\$ 132,135	\$ 178,390	\$ 348,002

Schedule 1
Continued

Community Development Fund	Capital Appr. Fund	Weatherization Fund	Low Income Housing Assistance Program Fund	Energy Fund	Public Management Assistance Fund	Total
\$ -	\$ 188,588	\$ -	\$ -	\$ -	\$ -	\$ 188,588
-	600	-	-	-	-	286,620
231,242	-	-	-	-	-	286,620
11,683	-	-	13,608	113,280	26,508	4,800,620
-	-	-	-	-	-	678,876
-	-	-	-	-	-	384,508
29,086	-	-	-	-	-	1,268,078
47,147	-	-	-	-	-	592,428
-	-	-	-	-	-	348,888
-	2,728	78	11	58	178	385,111
6,338	-	-	-	-	-	47,567
-	-	-	-	-	-	175,021
562,256	884,888	78	13,629	117,341	26,548	11,294,824
-	-	-	-	-	-	11,847
-	-	-	-	-	-	832,287
-	-	-	-	-	-	241,224
-	-	-	-	-	-	1,542,074
-	-	-	-	-	-	1,649,882
-	-	-	-	-	-	1,211,078
888,287	228,824	2,429	18,602	187,720	26,275	2,738,693
18,825	-	-	-	400	-	1,983,241
816,229	228,824	2,429	18,602	188,120	26,275	21,878,284
686,824	182,482	12,882	1,887	9,211	515	8,778,248
686,888	3,022	-	801	-	-	8,177,268
-	-	-	-	-	-	88,878
446,888	3,022	-	801	-	-	8,817,289
-	-	-	-	-	-	478,448
17,824	18,026	12,882	1,714	9,211	515	478,448
1,887	801,761	-	-	-	-	2,682,887
-	-	-	-	-	-	178,888
\$ (28,888)	\$ 28,222	\$ (2,882)	\$ 1,714	\$ 9,211	\$ 515	\$ 1,881,688

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the payment of interest and principal on all general obligation debt. They do not include debt issued by the Proprietary Funds.

**COMBINING BALANCE SHEET -
DEBT SERVICE FUNDS**

St. Bernard Parish Government

December 31, 1998

	Public Improvement Bond Funds		
	Series A, B, C	Series 1977	Series 1996
Assets			
Cash	\$ 214,388	\$ 225,935	\$ 241,216
Receivables - net	-	-	-
Special assessments:			
Delinquent	-	-	-
Deferred	-	-	-
Total assets	\$ 214,388	\$ 225,935	\$ 241,216
Liabilities			
Accounts payable	\$ -	\$ 194	\$ -
Deferred revenue	-	-	-
Total liabilities	-	194	-
Fund Equity			
Fund balances:			
Reserved for debt service	-	225,341	241,216
Unreserved - undesignated	214,388	-	-
Total fund equity	214,388	225,341	241,216
Total liabilities and fund equity	\$ 214,388	\$ 225,935	\$ 241,216

Bond Reserve 1996 Fund	Bond Reserve 1977 Fund	1990 And- 1998 General Obligation Bond Fund	Versailles Industrial Park Sinking Fund	Total
\$ 359,506	\$ 557,490	\$ 578,500	\$ 28,373	\$ 2,295,468
-	-	496,770	4,494	591,264
-	-	-	5,837	5,837
-	-	-	272,414	272,414
\$ 359,506	\$ 557,490	\$ 1,075,270	\$ 311,118	\$ 2,984,923
\$ -	\$ -	\$ -	\$ -	\$ 194
-	-	-	272,414	272,414
-	-	-	272,414	272,608
359,506	557,490	1,075,270	38,704	2,487,927
-	-	-	-	214,588
359,506	557,490	1,075,270	38,704	2,712,515
\$ 359,506	\$ 557,490	\$ 1,075,270	\$ 311,118	\$ 3,984,923

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
DEBT SERVICE FUNDS**

St. Bernard Parish Government

For the year ended December 31, 1994

	Public Improvement Bond Funds		
	Series A, B, C	Series 1977	Series 1982
Revenues			
Taxes and valuations	\$ -	\$ -	\$ -
Use of money and property	8,248	6,807	4,008
Special assessments	-	-	-
Total revenues	<u>8,248</u>	<u>6,807</u>	<u>4,008</u>
Expenditures			
General government			
Finance and administrative	-	294	1,029
Debt service:			
Principal retirement	-	340,000	280,000
Interest and service charges	-	101,200	113,713
Total expenditures	<u>-</u>	<u>441,494</u>	<u>344,744</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,248</u>	<u>(434,687)</u>	<u>(340,736)</u>
Other Financing Sources			
Operating transfers in	-	428,888	203,781
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>8,248</u>	<u>(5,799)</u>	<u>(147,005)</u>
Fund Balances			
Beginning of year	208,148	251,248	368,291
End of year	<u>\$ 214,388</u>	<u>\$ 225,449</u>	<u>\$ 241,286</u>

Bond Reserve 1996 Fund	Bond Reserve 1997 Fund	1999 and 2000 General Obligations Bond Fund	Versailles Industrial Park Sinking Fund	Total
\$ -	\$ -	\$ 632,382	\$ -	\$ 632,382
25,251	28,658	21,089	21,400	106,604
-	-	-	34,486	34,486
25,251	28,658	653,540	56,886	772,580
-	-	28,466	12	21,741
-	-	315,000	38,172	923,172
-	-	162,072	17,867	399,939
-	-	582,483	56,151	1,344,872
21,251	28,658	158,759	(283)	1,567,570
-	-	-	-	645,689
21,251	28,658	158,759	(283)	761,179
336,215	328,832	934,511	38,967	2,636,186
\$ 658,506	\$ 657,490	\$1,075,270	\$ 38,704	\$2,712,510

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for all resources used for the acquisition and/or construction of capital facilities of the Parish, including those financed by special assessments. These funds do not include acquisitions and/or construction for Proprietary Funds.

**COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS**

St. Bernard Parish Government

December 31, 1998

	Drainage and Sewer Fund	Fire District 1-2 C.I. Series Bond Fund	Road District Project Bond Fund	Public Improvement Bond Series D, E, F, G Fund
Assets				
Cash	\$ 156,150	\$ 4,096	\$ 13,181	\$ 44,538
Receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 156,150	\$ 4,096	\$ 13,181	\$ 44,538
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund Equity				
Fund balances:				
Reserved for contracts	156,150	4,096	13,181	44,538
Total liabilities and fund equity	\$ 156,150	\$ 4,096	\$ 13,181	\$ 44,538

Drainage Construction Bonds of 1967 and 1982 Fund	Capital Projects Fund	Compressor Capital Fund	Urban Multipurpose Bldg. Fund	Urban Systems Recovery Reconstruction Fund	Total
\$ 82,826	\$ -	\$ 228,972	\$ 215,635	\$ 209,602	\$ 955,100
-	120,000	-	-	-	120,000
-	1,652,130	-	-	-	1,652,130
\$ 82,826	\$1,772,130	\$ 228,972	\$ 215,635	\$ 209,602	\$2,727,231
\$ -	\$ 9,699	\$ 16,830	\$ -	\$ -	\$ 26,529
-	982,018	30,000	-	-	1,022,018
-	1,049,707	46,830	-	-	1,096,537
82,826	730,423	182,342	215,635	209,602	1,678,694
\$ 82,826	\$1,772,130	\$ 228,972	\$ 215,635	\$ 209,602	\$2,727,231

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
CAPITAL PROJECT FUNDS**

St. Bernard Parish Government

For the year ended December 31, 1998

	Drainage and Siphan Fund	Fire District 1-2 C.E. Series Bond Fund	Road District Project Bond Fund	Public Improvement Bond Series D, H, P, G Fund
Revenues				
Other state lands	\$ -	\$ -	\$ -	\$ -
Use of money and property	4,551	123	364	1,280
Other revenues	-	-	-	-
Total revenues	<u>4,551</u>	<u>123</u>	<u>364</u>	<u>1,280</u>
Expenditures				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,551</u>	<u>123</u>	<u>364</u>	<u>1,280</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>4,551</u>	<u>123</u>	<u>364</u>	<u>1,280</u>
Fund Balances				
Beginning of year	151,589	4,073	12,792	43,242
End of year	<u>\$ 156,140</u>	<u>\$ 4,196</u>	<u>\$ 13,156</u>	<u>\$ 44,522</u>

Drainage Construction Bonds of 1967 and 1982 Fund	Capital Projects Fund	Courthouse Capital Fund	Interim Multipurpose Bldg. Fund	Urban System Roadway Reconstruction Fund	Total
\$ -	\$ 267,180	\$ -	\$ -	\$ -	\$ 267,180
938	532	6,468	6,923	5,681	26,913
-	-	25	-	-	25
938	267,632	6,489	6,923	5,681	294,668
-	1,348,187	94,715	41,836	5,000	1,490,738
-	817,482	-	-	-	817,482
-	1,966,679	94,715	41,836	5,000	2,108,330
938	(1,699,087)	(68,326)	(34,813)	691	(1,814,162)
-	1,658,846	50,000	-	-	1,708,846
-	(338)	-	-	-	(338)
-	1,658,468	50,000	-	-	1,708,468
938	(40,379)	(34,326)	(34,813)	691	(105,694)
81,888	818,962	238,368	292,548	288,911	1,781,338
\$ 82,826	\$ 778,423	\$ 182,142	\$ 257,635	\$ 289,602	\$ 1,621,694

**GOVERNMENTAL AND ENTERPRISE FUNDS -
SCHEDULE OF CHANGES IN LONG-TERM DEBT**

St. Bernard Parish Government

For the year ended December 31, 1998

	Date Of Issue	Original Issue	Long-term Outstanding Balance January 1, 1998
Governmental Fund Bonds			
Public improvements:			
Series ST - 1977	June 1, 1977	\$ 5,350,000	\$ 1,950,000
Series ST - 1996	April 9, 1996	2,740,000	2,668,000
Special assessment:			
Venailles Industrial Park Project	October 24, 1997	381,721	343,549
General obligations:			
Series 1982-B	June 15, 1982	60,000	26,755
Series 1990	February 1, 1990	5,850,000	720,000
Series 1997	December 1, 1997	4,335,000	4,335,000
Total Governmental funds		<u>\$ 18,716,721</u>	<u>\$ 9,928,282</u>

Additions	Redemptions	Long-Term Outstanding Balance December 31, 1998	Maturities Outstanding December 31, 1998	Interest Rate
\$ -	\$ 340,000	\$ 1,590,000	1999 - 2002	5.75
-	230,000	2,335,000	1999 - 2006	4.25 - 5.00
-	38,373	305,373	1999 - 2006	5.23
-	4,377	22,356	1999 - 2002	10.70
-	230,000	500,000	1999 - 2000	6.50 - 6.75
-	95,000	4,240,000	1999 - 2000	4.75
\$ -	\$ 927,540	\$ 8,992,733		

	Date Of Issue	Original Issue	Long-term Outstanding Balance January 1, 1998
Enterprise Funds			
Sewer Division			
Revenue bonds	December 1, 1991	\$ 1,350,000	\$ 1,120,000
Revenue bonds	April 1, 1994	7,050,000	7,040,000
Water District No. 1:			
Public improvement bonds	September 1, 1979	2,500,000	155,000
Sewer District No. 1			
General obligations bond	September 1, 1991	675,000	445,000
Sewer District No. 2:			
Public improvement bonds	June 1, 1971	240,000	4,000
General obligations bonds	September 1, 1991	3,265,000	2,340,000
Total Water and Sewer Division		16,010,000	11,114,000
Home Mortgage Authority:			
Single Family Revenue Bonds - 1992 Program Series C		607,905	884,239
Single Family Refunding Bonds - 1991 Program		4,435,000	1,794,426
1992 Program Series B-1		1,819,653	762,173
1992 Program Series B-2		29,218	45,800
Total Home Mortgage Authority		6,891,776	3,486,738
Total Enterprise Funds		\$ 22,901,776	\$ 14,600,738

Schedule 7
(Continued)

Additions	Reductions	Long-Term Outstanding Balance December 31, 1998	Maturities Outstanding December 31, 1998	Interest Rate
\$ -	\$ 50,000	\$ 1,070,000	1999 - 2011	6.25 - 7.00
-	645,000	6,795,000	1999 - 2006	4.35 - 5.20
-	155,000	-	-	-
-	60,000	385,000	1999 - 2003	6.10 - 6.50
-	1,000	3,000	1999 - 2004	6.00
-	300,000	2,000,000	1999 - 2005	6.10 - 6.65
-	1,241,000	9,893,000		
68,622	-	953,868	1999 - 2014	7.65
-	428,950	1,365,476	1999 - 2012	8.00
10,799	203,000	568,863	1999 - 2011	7.84
4,388	-	50,319	1999 - 2014	9.25
84,820	632,850	2,978,519		
\$ 84,820	\$ 1,873,850	\$ 12,832,519		

COMPENSATION PAID PARISH COUNCIL MEMBERS**St. Bernard Parish Government**

For the year ended December 31, 1998

Daniel L. Dymari, Council Chairman	\$ 8,344
Clay A. Cause'	7,256
Curtis B. Piro	7,200
Joseph S. DiFatta, Jr.	7,200
Nita Hensich Hunter	7,200
Craig P. Tullios, Jr.	7,200
Henry J. Rodriguez, Jr.	<u>7,200</u>
Total	<u>\$51,600</u>

The schedule of compensation paid to parish council members was prepared in compliance with Home Rule Charter, Section 2-05 Compensation. According to the Charter, the compensation of the first council members elected under this charter shall be \$7,200 per annum. The chairman of the council will receive \$1,200 per annum in addition to the regular annual compensation. The salary of the President of the parish government shall be \$45,000 per annum.

GASB REQUIRED SUPPLEMENTARY INFORMATION SECTION

YEAR 2000 SUPPLEMENTARY INFORMATION

St. Bernard Parish Government

For the year ended December 31, 1999

(Unaudited)

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

The Parish has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting Parish operations. The Parish currently has completed assessing the need for system changes. Some remediation has occurred for the system and additional remediation is anticipated. Testing and validation will occur after accreditation of the system is completed. The Parish will be upgrading all computer systems during the year ending December 31, 1999. The NT Windows based network which is year 2000 compliant will be purchased to upgrade the financial system currently used by the Parish. Updated software and new computer workstations will also be acquired to comply with the year 2000 issue. The Parish has designated approximately \$800,000 for purchasing, from outside vendors, hardware and software upgrades believed to be year 2000 compliant.

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

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



LA
Bourgeois Bennett

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

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

We have audited the general purpose financial statements of the St. Bernard Parish Government (the Primary Government), State of Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated May 28, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

We did not audit the financial statements of the discretely presented component unit, St. Bernard Parish Home Mortgage Authority. Those financial statements were audited by other auditors and our report on internal control over financial reporting and on compliance does not include this entity. Separate reports were issued on the blended component unit, St. Bernard Parish Library and the Property Fund - Intergovernmental Fund.

Compliance

As part of obtaining reasonable assurance about whether the Primary Government's general purpose 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 and which is described in the accompanying schedule of findings and questioned costs as item 56-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Primary Government's general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Primary Government's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Primary Government's general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted a matter involving the internal control over financial reporting that we have reported to management of the Primary Government, in a separate letter dated May 28, 1999.

This report is intended for the information of the Administration of the St. Bernard Parish Government, the St. Bernard Parish Council, the State of Louisiana, the Legislative Auditor for the State of Louisiana, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bougie Bennett, LLC

Certified Public Accountants

New Orleans, La.,
May 28, 1999.



Bourgeois Bennett

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the St. Bernard Parish Government (the Primary Government), State of Louisiana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1998. The Primary Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Primary Government's management. Our responsibility is to express an opinion on the Primary Government's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Primary Government's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Primary Government's compliance with these requirements.

As described in items 98-5, in the accompanying schedule of findings and questioned costs, the Primary Government did not comply with requirements regarding allowable costs/cost principles, and reporting that are applicable to certain major Federal programs. Compliance with such requirements is necessary, in our opinion, for the Primary Government to comply with the requirements applicable to the programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Primary Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of the Primary Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Primary Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Primary Government's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs in items 98-3 and 98-4.

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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Administration of the St. Bernard Parish Government, the St. Bernard Parish Council, the State of Louisiana, the Legislative Auditor for the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

Bourgeois Bennett, LLC.

Certified Public Accountants.

New Orleans, La.,
May 28, 1999.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
PRIMARY GOVERNMENT**

St. Bernard Parish Government

For the year ended December 31, 1998

Federal Grant/Pass Through Grant/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Passed through Louisiana Department of Agriculture and Forestry:		
Food Distribution Program	10-550	\$ 40,150
Emergency Food Assistance Program (Administrative Cost)	10-568	12,801
		<u>62,000</u>
Passed through Louisiana Department of Education:		
Family Day Care Home Program	10-558	108,130
		<u>170,130</u>
Total U.S. Department of Agriculture		
		<u>332,130</u>
U.S. Department of Housing and Urban Development		
Section 8 Rental Voucher Program	14-855	323,076
Section 8 Rental Certificate Program	14-857	783,492
		<u>1,106,568</u>
Total U.S. Department of Housing and Urban Development		
		<u>1,106,568</u>
U.S. Department of Justice		
Passed through Louisiana Commission on Law Enforcement and Administration of Criminal Justice:		
Local Law Enforcement Block Grant	16-590	16,544

Federal Grants/Pass Through Grants/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Labor		
Passed through Louisiana Department of Labor:		
Job Training Partnership Act - Title II-A	17.250	701,028
Job Training Partnership Act - Title II-B	17.250	486,381
Job Training Partnership Act - Title II-C	17.250	434,450
Job Training Partnership Act - Title III-F	17.246	523,248
Job Training Partnership Act - 675	17.250	59,088
Job Training Partnership Act - 595	17.250	30,374
School to Work/Out of School	17.250	9,800
Welfare to Work	17.253	208,323
		<u>2,894,742</u>
Passed through Louisiana Department of Education:		
Job Training Partnership Act - 875	17.250	61,546
		<u>2,956,288</u>
U.S. Department of Transportation		
Direct program - IFTA Operating/Capital Grant	30.507	217,238
U.S. Department of Health and Human Services		
Passed through Louisiana Department of Social Services:		
Office of Community Services:		
Low Income Home Energy Assistance Program	93.568	139,956
Weatherization Assistance Program	93.568	1,429
		<u>141,385</u>
Office of Family Support:		
Family Independence Work Program	93.563	183,589
Passed through Louisiana Department of Labor:		
Community Services Block Grant	93.568	153,015
		<u>468,019</u>

Federal Grants/Pass Through Organization/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Federal Emergency Management Agency		
Passed through Louisiana Military Department: Emergency Food and Shelter Program	83-525	17,025
Passed through United Way: Emergency Food and Shelter Program	83-525	26,375
Total Federal Emergency Management Agency		43,400
U.S. Department of Education		
Passed through Louisiana Department of Education: Adult Education	84-002	17,839
Total Expenditures of Federal Awards		\$ 4,962,823

See accompanying notes to schedule of expenditures of federal awards.

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS - PRIMARY GOVERNMENT**

St. Bernard Parish Government

For the year ended December 31, 1998

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the St. Bernard Parish Government (The Primary Government) and is presented on the modified accrual basis of accounting. Commodities received, which are non-cash resources, are valued at prices provided by the U.S. Department of Agriculture. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Analysis of States, Local Governments, and Non-Profit Organizations*.

Note 2 - FINDINGS OF NONCOMPLIANCE

A finding of noncompliance is disclosed in the accompanying Schedule of Findings and Questioned Costs as finding 98-5. The potential reimbursement effects of the finding is not ascertainable.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

St. Bernard Parish Government

For the year ended December 31, 1998

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

b) Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 yes no

Section I - Summary of Auditor's Results (Continued)**c) Identification of Major Programs:**

CFDA Number(s)	Name of Federal Program (or Cluster)
14.855	Section 8 Rental Voucher Program
14.857	Section 8 Rental Certificate Program
17.246	Job Training Partnership Act Program
17.250	Job Training Partnership Act Programs

Dollar threshold used to distinguish
between Type A and Type B programs: \$200,000

Auditor qualified as a low-risk auditor? Yes No

Section II - Financial Statement Findings**Internal Control**

98-1 Criteria - There should be a reconciliation of federal reports filed with the granting agency and the general ledger.

Condition - The year end reports were not reconciled to the general ledger.

Questioned Costs - None noted.

Content - This condition was reported in the previous audit.

Effect - Erroneous reports submitted to funding agencies.

Cause - There was no reconciliation between federal reports and general ledgers.

Recommendation - The Accounting Department should review all completed federal reports to ensure reconciliation between report and general ledgers.

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

Section II - Financial Statement Findings (Continued)

Compliance

98-2 Criteria - The Louisiana Budget Act, Louisiana Revised Statute 39:1310, required that the Primary Government amend their budget when total revenue and other sources are falling to meet budgeted revenues and other sources by 5% or more or total expenditures and other uses are exceeding budgeted expenditures and their uses by 5% or more.

Condition - Several instances were noted where revenues and other sources fell by more than 5% of projected revenues and where expenditures and other uses exceeded the projected budget by 5% or more.

Questioned Costs - None noted.

Control - This condition was reported in the previous audit.

Effect - The Primary Government is in violation of Louisiana statute.

Cause - The Primary Government did not comply with the requirements of state law.

Recommendations - The Primary Government should provide the requirement of the Louisiana Budget Act to all responsible parties and install the importance of complying with all aspects of the law.

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

Section III - Federal Award Findings and Questioned Cost

Internal Control

98-3 Federal Program and Specific Federal Award Identification - CFDA Title: Family Day Care Home Program, CFDA Number: 09.558, CFDA Title: Community Service Block Grant, CFDA Number: 93.569, CFDA Title: Section 8 Housing Voucher Program, CFDA Number: 14.855, CFDA Title: Section 8 Rental Certificate Program, CFDA Number: 14.857

Section III - Federal Award Findings and Questioned Cost (Continued)

Internal Control (Continued)

88 -3 (Continued)

Criteria - Reports submitted to federal awarding agency for reimbursement should include all activity of the reporting period, be supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

Condition - The year end close out reports were submitted, however, the reports did not reconcile to the financial records.

Questioned Costs - None noted.

Context - The finding was noted in the previous audit.

Effect - The finding agencies are receiving erroneous information which could affect future funding.

Cause - There is no reconciliation between the Federal reports and general ledgers.

Recommendations - The persons responsible for the preparation of reports for federal agencies or pass-through agencies should coordinate the results with the Accounting Department before submission.

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

88 -4 Federal Program and Specific Federal Award Identification - CFDA Title: Section 8 Housing Voucher Program, CFDA Number: 14.855, CFDA Title: Section 8 Certificate Program, CFDA Number: 14.857

Criteria - There should be timely submission of request for funds in order to efficiently run the program without operating a cash deficit situation.

Condition - Funds were not requested in a timely manner during the fiscal year and the programs were operating with funds provided by the Primary Government.

Section III - Federal Award Findings and Questioned Cost (Continued)

Internal Control (Continued)

88-4 (Continued)

Questioned Costs - None noted.

Content - The finding is an isolated incident.

Effect - There are not sufficient funds available to operate the program.

Cause - There was a personnel turnover in program administration and order funding was not discovered until late in the fiscal year.

Recommendations - Controls should be established between program administration and the Accounting Department, for the notification of request and receipt of funding.

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

Compliance

98-5 Federal Program and Specific Federal Award Identification - CFDA Title: Family Day Care Home Program, CFDA Number: 14.558, CFDA Title: Low Income Home Energy Assistance Program and Weatherization Assistance Program, CFDA Number: 33.568, CFDA Title: Community Service Block Grant, CFDA Number: 83.568

Criteria - Provisions of A-87 regarding the documentation of salaries and wages for employees who work on more than one federal program require personnel activity reports (time sheets) which meet the following standards:

- a) Must reflect an after-the-fact distribution of the actual activity of each employee.
- b) Must account for the total activity for which the employee is compensated.
- c) Must be prepared at least monthly and must coincide with one or more pay periods.
- d) Must be signed by the employee.

Section III - Federal Award Findings and Questioned Cost (Continued)

Compliance (Continued)

98-5 (Continued)

Condition - Records which were available to support allocation of salary and wages for the Human Resources Department were not used.

Questioned Costs - The salary and wages allocated to the above programs amounted to approximately \$110,000.

Context - The oversight agency for the Section 8 programs, the Department of Housing and Urban Development, has approved the allocation of wages to their programs since the HUD funding is for reimbursement of rental assistance and utility allowances paid to landlords and tenants.

Effect - Funding for the other federally financed programs could be jeopardized by not following the requirements of A-87.

Cause - The Primary Government has not complied with the requirements of A-87.

Recommendations - The Primary Government should implement a policy requiring all federal program managers to maintain compliance with the applicable sections of A-87 with respect to the documentation of services and wages.

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

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

St. Bernard Parish Government

For the year ended December 31, 1998

Section I - Internal Control and Compliance Material to the Primary Government's General Purpose Financial Statements

Internal Control

97-1 Recommendation - JTPA should assign someone independent of the review, approval and processing of cash disbursements to receive the bank statements unopened and review the canceled checks and statements for unusual items. We understand that this recommendation from the previous audit is being followed but not on a consistent basis.

Management's Response - Resolved, JTPA has assigned personnel other than those responsible for the review of invoices, coding invoices and processing invoices for payment to review the monthly bank statement.

97-2 Recommendation - The Accounting Department should review all completed federal reports to ensure reconciliation between report and general ledger.

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

Compliance

97-3 Recommendation - The Primary Government should provide the requirements of the Louisiana Budget Act to all responsible parties and instill the importance of complying with all aspects of the law.

Management's Response - Unresolved, see finding 98-2 in the accompanying Schedule of Findings and Questioned Costs.

Section II - Internal Control and Compliance Material to Federal Awards

Internal Control

97-4 Recommendations - JTPA should assign someone independent of the review, approval and processing of cash disbursements to receive the bank statements unopened and review the canceled checks and statements for unusual items. We understand that this recommendation from the previous audit is being followed but not on a consistent basis.

Management's Response - Resolved, JTPA has assigned personnel other than those responsible for the review of invoices, coding invoices, and processing invoices for payment to review the monthly bank statement.

97-5 Recommendations - The Primary Government should establish separate fund accounts for each of the various programs administered by the Human Resources Department. The persons responsible for the preparation of reports for federal agencies or pass-through agencies should coordinate the results with the Finance Department before submission.

Management's Response - Partially resolved, see finding 98-3 in the accompanying Schedule of Findings and Questioned Costs.

Compliance

97-6 Recommendations - The Primary Government should comply with the documentation requirements of A-87 with respect to self-insurance fund as follows:

- There should be fund financial statements which include a balance sheet and statement of revenues and expenses.
- A summary of billings and claims paid by each participating fund.
- A listing of all non-operating transfers into and out of the fund.
- A listing of the types of risk covered by the fund (e.g., automobile liability, workers compensation, etc.).
- A description of how premiums are calculated to be charged to participating funds.

Section II - Internal Control and Compliance Material to Federal Awards (Continued)

Compliance (Continued)

97-6 (Continued)

- There should be certification by the responsible government official that billing from the self-insurance fund are in accordance with OMB Circular A-87.

Management's Response - Resolved, the Human Resources Department purchased their own policy for insurance coverage of general liability, auto, and workmen's compensation during 1998.

- 97-7 **Recommendations** - The fixed asset inventory records should be updated to record the equipment purchased and the property control specialist should maintain proper records to comply with A-87.

Management's Response - Resolved, equipment purchases are properly recorded in the property records.

- 97-8 **Recommendations** - The Primary Government should provide the First Planning District sufficient funding to operate the cost reimbursement programs.

Management's Response - Resolved, the Primary Government in 1998, advanced funds to the First Planning District to operate the various cost reimbursement programs.

- 97-9 **Recommendations** - The Primary Government should implement a policy requiring all federal program managers to maintain compliance with the applicable sections of A-87 with respect to the documentation of services and wages.

Management's Response - Unresolved, see finding 98-5 in the accompanying Schedule of Findings and Questioned Costs.

Section III - Management Letter

95-10 Recommendation - The Parish Government should develop separate time and attendance reports for the public works department which provides greater detail of the work performed by public works employees.

Management's Response - Unresolved, see finding 98-6 in the accompanying Management's Corrective Action Plan.

MANAGEMENT'S CORRECTIVE ACTION PLAN

St. Bernard Parish Government

For the year ended December 31, 1998

Section 3 - Internal Control and Compliance Material to the Primary Government's General Purpose Financial Statements

Internal Control

- 98-1 Recommendation** - The Accounting Department should review all completed federal reports to ensure reconciliation between the report and the general ledger.

Management's Corrective Action - The Administration has implemented reconciliation procedures performed by the internal auditor that should resolve any accounting differences between the reports and the general ledger.

Compliance

- 98-2 Recommendation** - The Primary Government should provide the requirements of the Louisiana Budget Act to all responsible parties and instill upon them the importance of complying with all aspects of the law.

Management's Corrective Action - Due to the lengthy process of amending the budget, it is very difficult for the Parish to amend the budget late in the fiscal year and have the process completed prior to year end. The Administration did attempt to amend the budget within the proper variances for 1998. Every effort will be made to adhere to all requirements of the Louisiana Budget Act.

Internal Control

- 98-3 Recommendations** - The persons responsible for the preparation of reports for federal agencies or pass-through agencies should coordinate the results with the Accounting Department before submission.

Section II - Internal Control and Compliance Material to Federal Awards

Internal Control (Continued)

Management's Corrective Action - There were inconsistencies between the close out reports and the financial statements for the Parish. However, the errors were the result of needed corrections on the reports not being corrected in the financial statements. The Administration has implemented reconciliation procedures performed by the internal auditor that should resolve any accounting differences.

Compliance

- 98-4 Recommendation** - Controls should be established between program administration and the Accounting Department for the notification of request and receipt of funding.

Management's Corrective Action - Due to employee turnover in the Department of Human Resources, the reimbursement for certain programs were not completed in a timely manner. This resulted in the program operating in a cash deficit manner and relying solely on funding from the Parish. The problem has been resolved and the Parish has received all monies necessary to properly administer the programs.

- 98-5 Recommendation** - The Primary Government should implement a policy requiring all federal program managers to maintain compliance with the applicable sections of A-87 with respect to the documentation of salaries and wages.

Management's Corrective Action - The Parish has instituted the necessary corrections to eliminate the error involving wage allocation for the various programs.

Section III - Management Letter

- 98-6 Recommendation** - The Parish Government should develop separate time and attendance reports for the public works department which provides greater detail of the work performed by public works employees.

Management's Corrective Action - When the new reporting model is introduced we will review the requirements and implement the needed changes.



Bourgeois Bonnett

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

We have audited the general purpose financial statements of the St. Bernard Parish Government, State of Louisiana, as of and for the year ended December 31, 1988, and have issued our report thereon dated May 28, 1989. In planning and performing our audit we considered the St. Bernard Parish Government's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

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

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

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

Bourgeois Bonnett, L.L.C.

Certified Public Accountants

New Orleans, La.,
May 28, 1989.

General

During our testing of the St. Bernard Parish Government's work order system, it was noted where the time listed on the employees time and attendance reports could not be agreed to the time listed on the work order selected for testing. It is our understanding that time and attendance reports for the public works department do not provide a detailed listing of the work performed by each employee. Currently the Government Accounting Standards Board is researching a new reporting model which will require the reporting of certain infrastructure expenditures in the general fund asset account group of local governments. We recommend that a separate time and attendance report be developed for the public works department which provide greater detail of the work performed by parish employees. This will enable the St. Bernard Parish Government to capture all cost on a project by project basis and would allow for implementation when the new standards become effective.