

# **Consolidated Waterworks District No. 1 Financial Report**

jefferson parish louisiana

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FINANCIAL REPORT

CONSOLIDATED WATERWORKS DISTRICT NO. 1

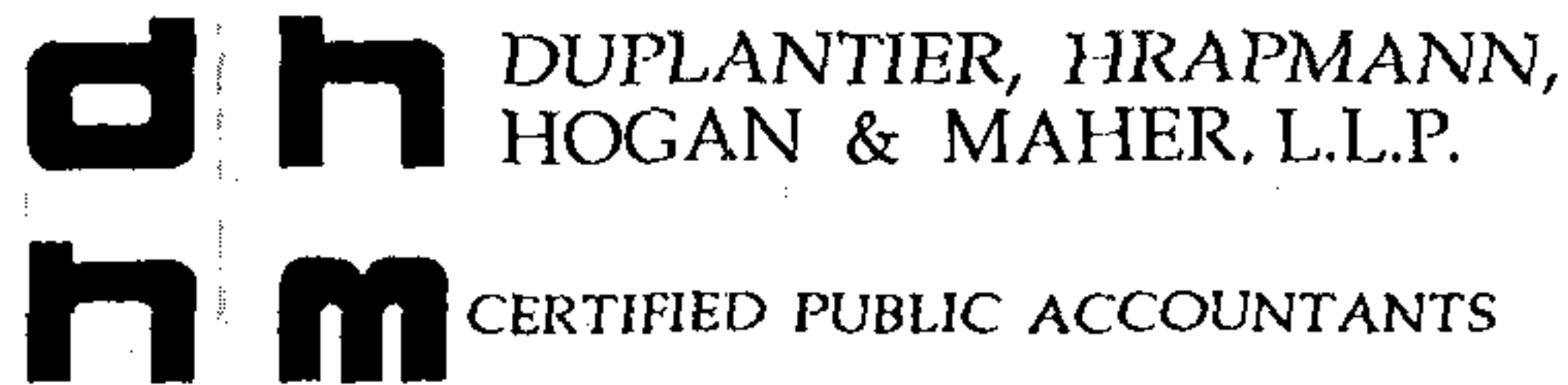
PARISH OF JEFFERSON

STATE OF LOUISIANA

DECEMBER 31, 2001 and 2000

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

Release Date 7/31/02



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## INDEPENDENT AUDITOR'S REPORT

April 23, 2002

The Honorable Parish President and  
The Honorable Jefferson Parish Council  
Jefferson Parish, Louisiana

We have audited the accompanying component unit financial statements of the Jefferson Parish Consolidated Waterworks District No. 1, a component unit of the Parish of Jefferson, State of Louisiana, under accounting principles generally accepted in the United States of America, as of and for the years ended December 31, 2001 and December 31, 2000, as listed in the table of contents to the report. These financial statements are the responsibility of management of the Jefferson Parish Consolidated Waterworks District No. 1. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Parish Consolidated Waterworks District No. 1 as of December 31, 2001 and 2000, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 23, 2002 on our consideration of the Jefferson Parish Consolidated Waterworks District No. 1's internal control over financial reporting and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Duplantier, Shapmann, Hogan and Maher, LLP*

**COMPONENT UNIT FINANCIAL STATEMENTS**

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**  
**Jefferson Parish, Louisiana**  
**Balance Sheets**  
**December 31, 2001 and 2000**

ASSETS	<u>2001</u>	<u>2000</u>
Current assets		
Cash and cash equivalents	\$ 1,653,073	\$ 1,973,539
Share of pooled assets	9,541,731	8,691,849
Receivables		
Accounts	3,366,131	3,521,553
Ad valorem taxes	761,861	740,237
Due from other governments	965	1,182
Miscellaneous	2,310	235,228
Inventory, at average cost	<u>2,805,422</u>	<u>2,438,847</u>
Total current assets	<u>18,131,493</u>	<u>17,602,435</u>
Restricted assets		
Customers' meter deposit fund	4,951,405	4,534,731
Construction fund	<u>35,413,959</u>	<u>35,267,173</u>
Total restricted assets	<u>40,365,364</u>	<u>39,801,904</u>
Property, plant, and equipment		
Land	1,743,465	1,743,465
Plant and equipment	<u>198,220,431</u>	<u>188,837,151</u>
	199,963,896	190,580,616
Less accumulated depreciation	<u>(83,865,923)</u>	<u>(79,023,373)</u>
	116,097,973	111,557,243
Construction in progress	<u>11,213,961</u>	<u>9,403,863</u>
Total property, plant, and equipment	<u>127,311,934</u>	<u>120,961,106</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>185,808,791</u></b>	<b>\$ <u>178,365,445</u></b>

[Continued]

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**  
**Jefferson Parish, Louisiana**  
**Balance Sheets (Continued)**  
**December 31, 2001 and 2000**

LIABILITIES AND FUND EQUITY	<u>2001</u>	<u>2000</u>
Current liabilities		
Due to other governments	\$ 1,068,310	\$ 827,254
Accounts payable	284,940	566,369
Retainage payable	1,253	45,174
Sales taxes payable	42,118	49,449
Accrued payroll expenses	2,480,480	2,354,501
Accrued claims payable	1,000,000	1,000,000
Deferred revenue	767,051	741,862
Total current liabilities	<u>5,644,152</u>	<u>5,584,609</u>
Current liabilities payable from restricted assets		
Due to operating fund	2,311	235,228
Contracts payable	1,080,616	862,667
Retainage payable	359,724	358,288
Customers' meter deposits payable	4,949,094	4,299,503
Deferred revenue	6,450,202	6,238,386
Total current liabilities payable from restricted assets	<u>12,841,947</u>	<u>11,994,072</u>
Total liabilities	<u>18,486,099</u>	<u>17,578,681</u>
Fund equity		
Contributed capital		
Parish	928,759	797,172
Subdividers	2,316,942	2,476,675
Citizens	134,271	145,848
Ad valorem tax bonds	5,859,496	6,077,839
Other governments	1,590,824	1,711,730
Federal government	2,385,154	2,579,054
Total contributed capital	<u>13,215,446</u>	<u>13,788,318</u>
Retained earnings		
Reserved for construction	27,523,417	27,807,833
Unreserved	126,583,829	119,190,613
Total retained earnings	<u>154,107,246</u>	<u>146,998,446</u>
Total fund equity	<u>167,322,692</u>	<u>160,786,764</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 185,808,791</u>	<u>\$ 178,365,445</u>

The accompanying notes are an integral part of this statement.



**CONSOLIDATED WATERWORKS DISTRICT NO. 1**  
**Jefferson Parish, Louisiana**  
**Statements of Revenues, Expenses and Changes in Retained Earnings**  
**For the Years Ended December 31, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
Operating revenue		
Water sales	\$ 17,292,243	\$ 15,314,463
Service charges	2,135,534	2,116,913
Sprinkler charges	192,250	195,315
Delinquent charges	460,970	390,369
Installation and reconnection fees	420,395	294,627
Miscellaneous	491,766	1,092,649
	<u>20,993,158</u>	<u>19,404,336</u>
Total operating revenues		
Operating expenses		
Personal services - Salaries & wages	6,477,027	6,334,508
Personal services - Employee benefits	1,507,294	1,323,444
Supplies	1,744,473	1,978,294
Purchased Services - Professional and Technical	4,276,392	4,144,410
Purchased Services - Property	3,085,590	2,991,900
Purchased Services - Other	1,777,662	1,244,111
General	53,902	45,767
Depreciation	5,215,694	4,885,946
	<u>24,138,034</u>	<u>22,948,380</u>
Total operating expenses		
Operating income (loss)	<u>(3,144,876)</u>	<u>(3,544,044)</u>
Nonoperating revenues (expenses)		
Taxes	6,776,833	6,766,729
State revenue sharing	644,089	651,271
Intergovernmental revenue	-	5,514
Interest income	2,130,625	2,694,392
Probable claims	-	(500,000)
	<u>9,551,547</u>	<u>9,617,906</u>
Nonoperating revenues (expenses)		
Income before operating transfers	6,406,671	6,073,862
Operating transfers in/(out)	<u>(38,892)</u>	<u>(232,892)</u>
Net income	6,367,779	5,840,970
Add depreciation on property, plant, and equipment acquired by capital contributions that reduces contributed capital	<u>741,021</u>	<u>821,687</u>
Increase in retained earnings	7,108,800	6,662,657
Retained earnings, beginning of year, as previously reported	146,998,446	140,627,935
Prior period adjustment	<u>-</u>	<u>(292,146)</u>
Retained earnings, beginning of year	<u>146,998,446</u>	<u>140,335,789</u>
Retained earnings, end of year	<u>\$ 154,107,246</u>	<u>\$ 146,998,446</u>

The accompanying notes are an integral part of this statement.



**CONSOLIDATED WATERWORKS DISTRICT NO. 1**  
**Jefferson Parish, Louisiana**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Operating income (loss)	\$ <u>(3,144,876)</u>	\$ <u>(3,544,044)</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	5,215,694	4,885,946
Changes in assets and liabilities		
(Increase) decrease in receivables	388,340	453,111
(Increase) decrease in inventory	(366,575)	132,248
Increase (decrease) in payables	(910,448)	1,006,582
Increase (decrease) in accrued liabilities	125,979	345,508
Increase (decrease) in customers' meter deposits payable	<u>649,591</u>	<u>262,979</u>
Total adjustments	<u>5,102,581</u>	<u>7,086,374</u>
Net cash provided by (used for) operating activities	<u>1,957,705</u>	<u>3,542,330</u>
Cash flows from noncapital financing activities		
Taxes	733,807	748,568
State revenue sharing	644,089	651,271
Operating transfers (to)/from other Jefferson Parish funds	<u>(38,892)</u>	<u>(232,892)</u>
Net cash provided by (used for) noncapital financing activities	<u>1,339,004</u>	<u>1,166,947</u>
Cash flows from capital and related financing activities		
Taxes	6,076,545	6,019,560
Acquisition of fixed assets	(417,713)	(548,056)
Additions to construction in progress	(10,270,125)	(11,533,267)
Residual equity transfer	<u>116,901</u>	<u>1,392</u>
Net cash provided by (used for) capital and related financing activities	<u>(4,494,392)</u>	<u>(6,060,371)</u>

[Continued]

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**  
**Jefferson Parish, Louisiana**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended December 31, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
Cash flows from investing activities		
Purchase of investments	\$ (23,628,072)	\$ (29,165,340)
Proceeds from sales and maturities	23,439,446	28,909,675
Interest on investments	<u>2,125,088</u>	<u>2,694,216</u>
Net cash provided by (used for) investing activities	<u>1,936,462</u>	<u>2,438,551</u>
Net increase (decrease) in cash and cash equivalents	738,779	1,087,457
Cash and cash equivalents, January 1	<u>39,949,013</u>	<u>38,861,556</u>
Cash and cash equivalents, December 31	<u>\$ 40,687,792</u>	<u>\$ 39,949,013</u>
 NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Gain (loss) of property, plant, and equipment	\$ (24,359)	\$ (40,555)
Disposal (acquisition) of property, plant, and equipment	24,359	40,555
Contributions of capital	163,952	(25,207)
Disposal (acquisition) of fixed assets with capital contributions	<u>(163,952)</u>	<u>25,207</u>
	<u>\$ -</u>	<u>\$ -</u>
 Cash and cash equivalents at December 31 consists of:		
Current assets:		
Cash and cash equivalents	\$ 1,653,073	\$ 1,973,539
Share of pooled assets	<u>9,541,731</u>	<u>8,691,849</u>
	<u>11,194,804</u>	<u>10,665,388</u>
Restricted assets:		
Cash	489,022	244,366
Share of pooled assets	<u>29,003,966</u>	<u>29,039,259</u>
	<u>29,492,988</u>	<u>29,283,625</u>
Total	<u>\$ 40,687,792</u>	<u>\$ 39,949,013</u>

The accompanying notes are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Waterworks District No. 1 of the Parish of Jefferson (the District) was created effective January 1, 1992, pursuant to Ordinance #18418, adopted by the Jefferson Parish Council on December 4, 1991, and includes all of the territory within former East Jefferson Waterworks District Number One and Consolidated Waterworks District No. 2 of the Parish of Jefferson, Louisiana (which included the former Sub-Waterworks District No. 1 of Consolidated Waterworks District No. 2 of the Parish of Jefferson, Louisiana). The District was established for the purpose of maintaining an adequate supply of water for the residents of the unincorporated and certain incorporated areas of Jefferson Parish, Louisiana. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. REPORTING ENTITY

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 1, the District is a component unit of Jefferson Parish, Louisiana (the Parish), the reporting entity (the Oversight Unit). The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of Jefferson Parish, Louisiana.

2. FUND ACCOUNTING

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District is presented in the accompanying financial statements as follows:

a. Proprietary Fund

- (1) The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. BASIS OF ACCOUNTING

The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinion or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

4. CASH, INVESTMENTS AND SHARE OF POOLED ASSETS

The "Share of Pooled Assets" of the District are pooled in the appropriate Jefferson Parish consolidated funds and invested directly by the Parish. Interest earned on the pooled investments is allocated to the various funds based on each fund's month-end "Share of Pooled Assets" balance. Pooled assets are carried at cost plus accrued interest.



CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH, INVESTMENTS AND SHARE OF POOLED ASSETS (Continued)

For purposes of the Statement of Cash Flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Louisiana statutes permit the District to invest in United States bonds, treasury notes, or certificates or other obligations of the U.S. Government and agencies of the U.S. Government which are federally sponsored, and certificates of deposit of state banks and national banks having their principal office in the state of Louisiana, or in mutual or trust fund institutions which are registered and which have underlying investments limited to securities of the U.S. Government or its agencies.

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable.

6. INVENTORY

Inventory of materials and supplies in the District is valued at average cost.

7. RESTRICTED ASSETS

Restricted assets consist of: 1) The "Customers' Meter Deposit" account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers discontinue service, and 2) The "Construction Fund" account, which is used to segregate those resources accumulated by transfers from the operating fund to be used for capital improvements and renovations.

8. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment associated with the activity of the District are recorded as assets of that fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Also, assets are capitalized for those acquired through capital contributions.

In 2001, the Parish increased its threshold on capitalizing property, plant, and equipment from \$2,000 to \$5,000. As a result of this change in accounting policy, a restatement of the property, plant, and equipment has been reported in 2001.

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

Depreciation of these assets is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives may be found in Note E. Depreciation expense applicable to those fixed assets acquired through capital contributions is closed out to the related contributed capital accounts rather than retained earnings. It is considered preferable under the matching concept, as receipts of these fixed assets have been recorded as additions to contributed capital.

Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

9. COMPENSATED ABSENCES

Vacation (annual leave) and sick pay (sick leave) are accrued when incurred in the District.

10. FUND EQUITY

Contributed capital is recorded for assets acquired by contributions from developers, customers, or other funds.

A portion of total retained earnings of the District is reserved to indicate that a part of fund equity is legally restricted for a specific future use. Reserves for construction and from former Eastbank and Westbank Districts are provided for in the financial statements.

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

**NOTE B – CASH, POOLED ASSETS, AND INVESTMENTS**

**CASH**

At December 31, 2001 and 2000, the carrying amount of the District's unrestricted deposits were \$1,653,073 and \$1,973,539 respectively; the bank balances were \$1,197,936 and \$1,411,919, respectively. At December 31, 2001 and 2000 the carrying amount of the District's restricted deposits were \$489,022 and \$244,366, respectively; the bank balances were \$546,997 and \$311,739, respectively. No deposits were unsecured or uncollateralized at year end.

**POOLED ASSETS**

Pooled assets consist of cash. At December 31, 2001 and 2000 the District's share of unrestricted pooled assets were \$9,541,732 and \$8,691,849, respectively. At December 31, 2001 and 2000 the District had restricted pooled assets in the amount of \$29,003,966 and \$29,039,259, respectively. Some of the District's bank deposits are held at the same financial institutions as other funds of Jefferson Parish, thus sharing the maximum amount of federal depository insurance of that institution. No amounts were uninsured or uncollateralized at year end.

**INVESTMENTS**

The District's investments at December 31, 2001 and 2000 are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name.

	<u>2001</u>		<u>2000</u>		
	<u>CARRYING VALUE</u>	<u>MARKET VALUE</u>	<u>CARRYING VALUE</u>	<u>MARKET VALUE</u>	<u>CATEGORY</u>
U. S. Government Securities	\$ -	\$ -	\$ -	\$ -	1
U. S. Instrumentality securities (FNMA, FNHLB, etc.)	<u>\$ 4,462,383</u>	<u>\$ 4,462,383</u>	<u>\$ 4,290,365</u>	<u>\$ 4,290,365</u>	1
	<u>\$ 4,462,383</u>	<u>\$ 4,462,383</u>	<u>\$ 4,290,365</u>	<u>\$ 4,290,365</u>	

Market values are furnished by the Parish's investment custodian.

**NOTE C - RECEIVABLES**

Receivables consist of the following at December 31:

	<u>2001</u>	<u>2000</u>
Accounts	\$ 3,366,131	\$ 3,521,553
Ad Valorem Taxes	761,861	740,237
Due from Other Governments	965	1,182
Miscellaneous	<u>2,310</u>	<u>235,228</u>
	<u>\$ 4,131,267</u>	<u>\$ 4,498,200</u>

The District considers unbilled receivables at year-end to be those amounts for water services received by customers in the current year, but not actually billed by the District until the following year. The unbilled receivable at December 31, 2001 and 2000 is \$1,617,135 and 1,438,767, respectively.

The District had a receivable due from Jefferson Parish Sheriff's Department as of December 31, 2001 and 2000 in the amount of \$4,396 and \$4,372, respectively.



CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE D - RESTRICTED ASSETS

Restricted assets are comprised of the following:

	2001		
	CUSTOMERS' DEPOSIT FUNDS	CONSTRUCTION FUNDS	TOTAL
Cash	\$ 489,022	\$ -	\$ 489,022
Investments	4,462,383	-	4,462,383
Share of pooled assets	-	29,003,966	29,003,966
Ad valorem taxes receivable	-	6,406,562	6,406,562
Due (to) from other governments	-	3,431	3,431
	<u>\$ 4,951,405</u>	<u>\$ 35,413,959</u>	<u>\$ 40,365,364</u>

	2000		
	CUSTOMERS' DEPOSIT FUNDS	CONSTRUCTION FUNDS	TOTAL
Cash	\$ 244,366	\$ -	\$ 244,366
Investments	4,290,365	-	4,290,365
Share of pooled assets	-	29,039,259	29,039,259
Ad valorem taxes receivable	-	6,224,724	6,224,724
Due (to) from other governments	-	3,190	3,190
	<u>\$ 4,534,731</u>	<u>\$ 35,267,173</u>	<u>\$ 39,801,904</u>

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes To Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE E - PROPERTY, PLANT, EQUIPMENT, DEPRECIATION AND CONSTRUCTION IN PROGRESS

A summary of changes in property, plant, equipment, depreciation and construction in progress for the year ended December 31, 2001 follows:

		BALANCE DECEMBER 31, 2000	ADDITIONS	COMPLETED CONSTRUCTION IN PROGRESS	NET TRANSFERS (TO) FROM OTHER FUNDS	BALANCE DECEMBER 31, 2001
Buildings		\$ 8,101,934	\$ -	\$ -	\$ -	\$ 8,101,934
Distribution system		135,125,839	-	6,786,163	-	141,912,002
Plants		39,046,198	-	2,479,155	-	41,525,353
Improvements		390,983	-	-	-	390,983
Equipment		3,795,248	77,966	-	(12,744)	3,860,470
Vehicles		2,376,949	386,250	-	(333,509)	2,429,690
		<u>188,837,151</u>	<u>464,216</u>	<u>9,265,318</u>	<u>(346,253)</u>	<u>198,220,432</u>
Land		1,743,464	-	-	-	1,743,464
		<u>190,580,615</u>	<u>464,216</u>	<u>9,265,318</u>	<u>(346,253)</u>	<u>199,963,896</u>
Construction in progress		9,403,863	11,075,416	(9,265,318)	-	11,213,961
		<u>\$ 199,984,478</u>	<u>\$ 11,539,632</u>	<u>\$ -</u>	<u>\$ (346,253)</u>	<u>\$ 211,177,857</u>

	LIFE	ACCUMULATED DEPRECIATION DECEMBER 31, 2000	2001 DEPRECIATION	NET TRANSFERS (TO) FROM OTHER FUNDS	ACCUMULATED DEPRECIATION DECEMBER 31, 2001
Buildings	50	\$ 4,456,874	\$ 114,651	\$ -	\$ 4,571,525
Distribution system	25	52,994,831	3,464,586	-	56,459,417
Plants	25	16,631,748	1,222,716	-	17,854,464
Improvements	25	138,609	18,004	-	156,613
Equipment	10	3,274,353	127,027	(62,833)	3,338,547
Vehicles	5	1,526,958	268,710	(310,311)	1,485,357
		<u>\$ 79,023,373</u>	<u>\$ 5,215,694</u>	<u>\$ (373,144)</u>	<u>\$ 83,865,923</u>

Construction in progress is comprised of the following at December 31, 2001:

	PROJECT AUTHORIZATION	EXPENDED TO DECEMBER 31, 2001	COMMITTED	REQUIRED FUTURE FINANCING
Plant improvements	<u>\$ 61,577,979</u>	<u>\$ 11,213,961</u>	<u>\$ 50,364,018</u>	NONE

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes To Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE E - PROPERTY, PLANT, EQUIPMENT, DEPRECIATION AND CONSTRUCTION IN PROGRESS

A summary of changes in property, plant, equipment, depreciation and construction in progress for the year ended December 31, 2000 follows:

	BALANCE DECEMBER 31, 1999	PRIOR PERIOD ADJUSTMENTS	ADDITIONS	COMPLETED CONSTRUCTION IN PROGRESS	NET TRANSFERS (TO) FROM OTHER FUNDS	BALANCE DECEMBER 31, 2000
Buildings	\$ 8,114,654	\$ (12,720)	\$ -	\$ -	\$ -	\$ 8,101,934
Distribution system	122,330,529	(113,029)	-	12,908,339	-	135,125,839
Plants	36,770,342	(18,728)	-	2,294,584	-	39,046,198
Improvements	397,164	(6,181)	-	-	-	390,983
Equipment	4,207,315	(422,856)	127,870	-	(117,081)	3,795,248
Vehicles	2,158,200	-	472,789	-	(254,040)	2,376,949
	<u>173,978,204</u>	<u>(573,514)</u>	<u>600,659</u>	<u>15,202,923</u>	<u>(371,121)</u>	<u>188,837,151</u>
Land	1,743,464	-	-	-	-	1,743,464
	<u>175,721,668</u>	<u>(573,514)</u>	<u>600,659</u>	<u>15,202,923</u>	<u>(371,121)</u>	<u>190,580,615</u>
Construction in progress	12,610,502	-	11,996,284	(15,202,923)	-	9,403,863
	<u>\$ 188,332,170</u>	<u>\$ (573,514)</u>	<u>\$ 12,596,943</u>	<u>\$ -</u>	<u>\$ (371,121)</u>	<u>\$ 199,984,478</u>

	LIFE	ACCUMULATED DEPRECIATION DECEMBER 31, 1999	PRIOR PERIOD ADJUSTMENTS	2000 DEPRECIATION	NET TRANSFERS (TO) FROM OTHER FUNDS	ACCUMULATED DEPRECIATION DECEMBER 31, 2000
Buildings	50	\$ 4,317,848	\$ (6,587)	\$ 145,613	\$ -	\$ 4,456,874
Distribution system	25	49,851,218	(53,636)	3,197,249	-	52,994,831
Plants	25	15,389,331	(11,599)	1,254,016	-	16,631,748
Improvements	25	124,271	(3,829)	18,167	-	138,609
Equipment	10	3,465,638	(201,516)	84,205	(73,974)	3,274,353
Vehicles	5	1,570,256	-	186,696	(229,994)	1,526,958
		<u>\$ 74,718,562</u>	<u>\$ (277,167)</u>	<u>\$ 4,885,946</u>	<u>\$ (303,968)</u>	<u>\$ 79,023,373</u>

Construction in progress is comprised of the following at December 31, 2000:

	PROJECT AUTHORIZATION	EXPENDED TO DECEMBER 31, 2000	COMMITTED	REQUIRED FUTURE FINANCING
Plant Improvements	<u>\$ 40,148,588</u>	<u>\$ 9,403,863</u>	<u>\$ 30,744,725</u>	NONE

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

**NOTE F- COMPENSATED ABSENCES**

All full-time classified employees of the Parish hired prior to April 26, 1986, are permitted to accumulate and carry forward from one calendar year to the next a maximum of 90 days of accrued vacation (annual leave) and an unlimited number of days of accrued sick leave. Upon termination of employment, an employee is paid for his accumulated annual leave and, after 10 years of employment, receives retirement credits for one half of accumulated (vested) sick leave and cash payment for the other half. Any employee who has a current balance of 90 or more days of annual leave may be reimbursed for any number up to, but not in excess of, 30 days. In addition, employees with less than 90 days, but more than 40 days of annual leave accrued may elect a one time per year option to sell up to 13 days. For budgetary purposes, requests for reimbursement must be submitted to the Finance Department in writing not later than October 1 of the year preceding the year in which reimbursement is to be made. At December 31, 2001 and 2000 the accrued annual and sick leave, and salary-related costs was \$2,480,480 and \$2,136,162, respectively.

Full-time classified employees hired after April 26, 1986, are permitted to carry forward no more than 40 days of accrued vacation (annual leave) and an unlimited number of days of accrued sick leave. These employees also have the one time annual option to sell leave as described above. Upon termination of employment an employee is paid for his accumulated annual leave and after 10 years of employment (vested) is paid up to 40 days of accrued sick leave.

Salary related costs (i.e., Medicare, Social Security, etc.) have been accrued as of December 31, 2001 and 2000 in accordance with GASB Statement #16 for those employees hired after April 1, 1986.

**NOTE G - DUE TO OTHER GOVERNMENTS**

The District had the following payables to other municipalities and governmental agencies for collections of RUDE and sewer and garbage service charges on their behalf:

	<u>2001</u>	<u>2000</u>
Jefferson Parish Sheriff	\$ 488	\$ 545
City of Harahan	16,062	33,161
City of Kenner	589,234	340,950
State of Louisiana	<u>462,526</u>	<u>452,598</u>
	<u>\$1,068,310</u>	<u>\$ 827,254</u>

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes To Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE H - CHANGES IN CONTRIBUTED CAPITAL

A summary of changes in the District's contributed capital accounts for the year ended December 31, 2001 and 2000 follows:

December 31, 2001					
	<u>Beginning Balance</u>	<u>Assets acquired through capital contributions</u>	<u>Additions from closed out Lien Ordinances</u>	<u>Depreciation expense for the year</u>	<u>Total</u>
Parish	\$ 797,172	\$ 51,248	\$ 116,901	\$ (36,562)	\$ 928,759
Subdividers	2,476,675			(159,733)	2,316,942
Citizens	145,848			(11,577)	134,271
Ad valorem tax bonds	6,077,839			(218,343)	5,859,496
Other governments	1,711,730			(120,906)	1,590,824
Federal government	<u>2,579,054</u>			<u>(193,900)</u>	<u>2,385,154</u>
	<u>\$ 13,788,318</u>	<u>\$ 51,248</u>	<u>\$ 116,901</u>	<u>\$ (741,021)</u>	<u>\$ 13,215,446</u>

December 31, 2000						
	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Assets acquired through capital contributions</u>	<u>Additions from closed out Lien Ordinances</u>	<u>Depreciation expense for the year</u>	<u>Total</u>
Parish	\$ 866,143	\$ (4,201)	\$ (26,598)	\$ 1,392	\$ (39,564)	\$ 797,172
Subdividers	2,684,745				(208,070)	2,476,675
Citizens	157,424				(11,576)	145,848
Ad valorem tax bonds	6,311,719				(233,880)	6,077,839
Other governments	1,832,617				(120,887)	1,711,730
Federal government	<u>2,786,765</u>				<u>(207,711)</u>	<u>2,579,054</u>
	<u>\$ 14,639,413</u>	<u>\$ (4,201)</u>	<u>\$ (26,598)</u>	<u>\$ 1,392</u>	<u>\$ (821,688)</u>	<u>\$ 13,788,318</u>

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE I - RETAINED EARNINGS RESERVES

Retained earnings reserved for construction are as follows:

	<u>2001</u>	<u>2000</u>
Balance at January 1	\$ 27,807,833	\$ 29,131,763
Interest earned	1,597,461	1,922,897
Construction costs incurred	(11,075,417)	(11,996,284)
Ad Valorem Taxes received	6,046,808	6,018,697
State Revenue Sharing received	575,277	581,392
Miscellaneous Income	232,858	860,563
General expense incurred	(61,403)	(17,195)
Transfers In (Out)	<u>2,400,000</u>	<u>1,306,000</u>
Balance at December 31	<u>\$ 27,523,417</u>	<u>\$ 27,807,833</u>

NOTE J - WATER RATES

Pursuant to Ordinance #20840, adopted by the Jefferson Parish Council on November 15, 2000, amending water quantity rates and service charges for the use of water, are being adjusted annually beginning January 1, 2000. The annual adjustment will be equal to the U.S. City Average 12-month percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) as compiled by the Bureau of Labor statistics. All other charges except water meter installations also increased which includes deposits on newly established accounts, fire service, and sprinkler systems. Ordinance #21297, adopted by the Jefferson Parish Council on June 6, 2001, amended Ordinance #20840 in regards to the index to be used for the annual rate adjustment. The annual adjustment will now equal the U.S. City Average 12-month percentage change in All Urban Consumer - All Items Index (CPI-U) as compiled by the Bureau of Labor Statistics.

MONTHLY BILLING (PER THOUSAND GALLONS)

	<u>2001</u>	<u>2000</u>
First 0-3,000 gallons, minimum	\$ 2.11	\$ 2.04
Next 12,000 gallons	1.00	.94
Next 235,000 gallons	1.00	.78
Over 250,000 gallons	1.00	.65

BI-MONTHLY BILLING (PER THOUSAND GALLONS)

	<u>2001</u>	<u>2000</u>
First 0-6,000 gallons, minimum	\$ 4.23	\$ 4.09
Next 24,000 gallons	1.00	.94
Next 470,000 gallons	1.00	.78
Over 500,000 gallons	1.00	.65



CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE K - AD VALOREM TAX

The Parish levies an ad valorem tax on property as of November 15 of each year to finance the budget for the following year. The tax is due and becomes an enforceable lien on the property on the first day of the month following the filing of the tax rolls by the assessor with the Louisiana Tax Commission (usually December 1). The tax is delinquent 30 days after its due date. Taxes are levied based on property values determined by the Jefferson Parish Assessor's office. All land and residential improvements are assessed at 10 percent of fair market value, and other property at 15 percent of fair market value. Taxes are billed and collected by the Jefferson Parish Sheriff's Department which receives a certain millage for its services. The taxes remitted by the Sheriff's Department to the Parish are net of assessor's commission and pension fund contribution. Ad valorem taxes are recorded as revenue of the period for which budgeted, thus the 2000 property tax which was levied to finance the budget for 2001 was recorded as revenue for the year 2001. The 2001 property tax which was levied to finance the budget for 2002 is recorded as deferred revenue at December 31, 2001.

For the years ended December 31, ad valorem taxes were levied on behalf of the District as follows:

<u>PURPOSE</u>	<u>MILLAGE</u>	
	<u>2001</u>	<u>2000</u>
Maintenance and Operations:		
Consolidated Waterworks District No. 1	.44	.44
Capital Improvements:		
Consolidated Waterworks District No. 1	3.70	3.70

NOTE L - INTEREST COST

No interest cost was capitalized during the years ended December 31, 2001 and 2000. Interest expense incurred in the District during 2001 and 2000 was \$0 and \$0, respectively.

NOTE M - OPERATING TRANSFERS

The District had the following operating transfers:

<u>FUND TRANSFERRED TO OR FROM</u>	<u>2001</u>	<u>2000</u>
	<u>OPERATING TRANSFERS IN(OUT)</u>	<u>OPERATING TRANSFERS IN(OUT)</u>
Sewer Capital Program	\$ (38,892)	\$ (208,892)
East Bank Hotel Occupancy Tax Project	<u>-</u>	<u>(24,000)</u>
	<u>\$ (38,892)</u>	<u>\$ (232,892)</u>

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE N - RISK MANAGEMENT

GENERAL LIABILITY

The Parish is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risks of loss, the Parish has established a General Liability Fund (an internal service fund). Under this program, the General Liability Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation claim, \$500,000 for each general liability claim, and \$500,000 for each automobile claim. The Parish also purchases commercial insurance for claims in excess of coverage provided by the fund.

The District makes payments to the Fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" are reported as quasi-external transactions. The District's premiums were \$971,854 and \$534,182 for 2001 and 2000, respectively.

At December 31, 2001 and 2000 the total outstanding claims liability of the General Liability Fund was \$23,772,217 and \$24,499,249, respectively. The claim liability includes an estimated liability for incurred but not reported claims of \$9,150,042 and 10,411,871 for 2001 and 2000, respectively. The estimated claim liability is determined by the third-party administrator based on historical information and anticipated payments. These liabilities are based on the requirements of GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Claims liability is not available by individual Fund.

HEALTH INSURANCE

The Parish provides health and accident insurance to its employees exclusively through health-maintenance organizations (HMO's) and point of service organizations (POS). Under these types of programs, the District pays initial premiums based on the level of the employee's participation and has no further liabilities on any claims.

The total amount of contributions by the District for health insurance was \$494,428 and \$438,334 for 2001 and 2000, respectively.

UNEMPLOYMENT COMPENSATION

The Parish is self-insured for unemployment claims filed with the state. To account for and finance these claims, the Parish has established a Self-Insurance Fund (an internal service fund) whereby each fund contributes .45 percent of its annual payroll into the fund. The contribution has been temporarily suspended until such time as additional funding is needed to cover outstanding claims.

NOTE O - COMMITMENTS AND CONTINGENCIES

LITIGATION

The District is a defendant in a number of claims and lawsuits resulting principally from personal injury, property damage, and construction claims. The Parish Attorney and the outside administrator of the Parish's Risk Management Fund have reviewed these claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the District and to arrive at an estimate, if any, of the amount or range of potential loss to the District. As a result of such review, the various claims and lawsuits have been categorized into "probable", "reasonably possible", and "remote" contingencies, as defined in FASB No. 5 for claims and judgments. Loss contingencies estimated at \$4,500,000 to 6,500,000 have been categorized as "probable". Of this amount only \$1,000,000 has been accrued as other liabilities of the District as of December 31, 2001 because the remainder is covered by insurance. The District's "reasonably possible" loss contingencies at December 31, 2001 and 2000 for which an amount of liability can be estimated, were \$0 and \$0, respectively.

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

**NOTE P - PENSION PLANS**

The District's employees participate in the retirement systems described below. The pension expense recorded by the District for contributions to the retirement systems for the year ended December 31, 2001 and 2000 were \$569,243 and \$535,263, respectively.

Actuarial data and other information of the two plans, as it relates to the District, is unattainable for the separate component units of the Parish.

**PLAN MEMBERSHIP**

Substantially all of the Parish's full-time employees, except the firemen, are participants in The Employees' Retirement System of Jefferson Parish (the Parish Plan), a single-employer defined benefit pension plan, and the Parochial Employees' Retirement System of Louisiana (the State Plan), a cost-sharing multiple-employer defined benefit plan.

The Parish Plan covers employees who were hired prior to December 15, 1979. As of that date, the Parish Plan was merged with the State Plan and members of the Parish Plan also became members of the State Plan. Employees hired subsequent to the merger of the two systems may participate only in the State Plan.

**THE EMPLOYEES' RETIREMENT SYSTEM OF JEFFERSON PARISH (The Parish Plan)**

**Plan Description**

The Employees' Retirement System of Jefferson Parish Board of Trustees (The Board) administers The Employees' Retirement System of Jefferson Parish (the Parish Plan), a single-employer defined benefit pension plan created by Jefferson Parish Ordinance 11027. The Parish Plan covers employees who were hired prior to December 15, 1979. As of that date, the Parish Plan became a closed plan and was merged with the Parochial Employees' Retirement System of Louisiana (The State Plan) whereby members of the Parish Plan continued to be members of the State Plan.

The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Parish Plan. The financial report for year ended December 31, 2001 may be obtained by writing to: The Employees' Retirement System of Jefferson Parish, 3331 Metairie Road, Metairie, LA 70001 or by calling 504-831-4040.

Employees who are members of the Parish Plan only receive benefits equal to one percent of the highest three-year average annual compensation plus two percent of the first \$1,200 of average compensation for each year of service. The benefits for employees who are members of the Parish Plan only, with less than 20 years of service, are reduced by three percent per year for each year participants receive benefits below the age of 62. Parish Plan participants who are also members of the State Plan receive benefits equal to three percent of the highest three-year average annual compensation for each year of service reduced by any amounts paid by the State Plan. The total combined payments of both plans may not exceed 100 percent of the member's final average compensation. Retirement benefits are payable monthly for the life of the retiree. Under certain conditions, upon the retiree's death, benefits are payable by the Parish Plan to the retiree's surviving spouse and minor children.

**Summary of Significant Accounting Policies**

**Basis of Accounting** – The financial statements of the Parish Plan are prepared using the accrual basis of accounting. Contributions from employees are recognized as revenue in the period in which employees provide services. Contributions made by Jefferson Parish, the employer, are recognized when due and the employer has made a formal commitment to provide the contributions. Pension benefits and refunds of employee contributions are recognized when due and payable in accordance with the terms of the Parish Plan. Investment income is recognized as earned by the Parish Plan.

**Method Used to Value Investments** – All investments of the Parish Plan are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates.

**Concentrations of Credit Risk** – The Parish Plan had 44.8% of plan net assets invested in one mutual fund. Other than this mutual fund, no investment in any one organization, other than the U. S. Government, represented 5% or more of plan net assets.

**Funding Policy** – The Parish Council requires that the Parish Plan be funded on an actuarially sound basis. The funding policy provides for contributions from employee and employer which are actuarially determined. In 2001, employees made contributions of 6.05% of gross earnings and employer contributions were 7.32% of annual covered payroll.

**Annual Pension Cost** – The annual pension cost of the Parish Plan for the current year was \$1,137,877 and the employer contributions were \$1,481,609. The annual required contribution for the current year was determined as part of the December 31, 2001 actuarial valuation using the Entry Age Normal Cost Method with Unfunded Actuarial Accrued Liability.



CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

NOTE P - PENSION PLANS (Continued)

This method compares the theoretical reserve for service prior to the valuation date to plan assets. With this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over both the earnings and service of the individual between entry age (date of membership in the system) and assumed exit age.

Significant actuarial assumptions used in the valuation include: 1) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually; 2) projected salary increases of 6.0% per year compounded annually, attributable to inflation of 3.25% and merit of 2.75%. The actuarial value of assets is set equal to market value of assets adjusted to phase in realized and unrealized capital gains (losses) over a three year period. This technique smoothes the volatility of market values for investments. The unfunded actuarial accrued liability is being amortized over a 40 year period beginning on January 1, 1980 using a level dollar amortization method on an open basis.

Annual Pension Cost and Net Pension Obligation:

Annual required contribution	\$ 1,256,719
Adjusted to annual required contribution	<u>(118,842)</u>
Annual pension cost	1,137,877
Contribution made	<u>(1,481,609)</u>
Decrease in net pension obligation	(343,732)
Net pension obligation beginning of year	<u>4,925,523</u>
Net pension obligation end of year	<u>\$ 4,581,791</u>

This amount has been recorded in the General Long-Term Debt Account Group.

The beginning of the year Net Pension Obligation was restated due to a change in the amortization schedule applied to the Unfunded Accrued Liability from a 40 year closed amortization with increasing payments to a 40 year closed amortization with level payments.

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
12/31/01	\$ 1,137,877	130.21%
12/31/00	1,193,350	132.16%
12/31/99	1,363,846	110.81%

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio Percentage</u>	<u>Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
2001	\$ 26,380,787	\$34,743,320	\$8,362,533	75.93%	\$ 18,638,585	44.87%
2000	25,984,281	34,471,423	8,487,142	75.38%	19,285,326	44.01%
1999	24,158,811	34,070,857	9,912,046	70.91%	20,109,775	49.29%

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
Notes to Financial Statements (Continued)  
December 31, 2001 and 2000

**NOTE P - PENSION PLANS (Continued)**

**PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA (The State Plan)**

**Plan Description**

The Parochial Employees' Retirement System Board of Trustees (The Board) administers the Parochial Employees' Retirement System (the State Plan), a cost-sharing multiple-employer defined benefit plan established by the Louisiana legislature as of January 1, 1953, by Act 205 of 1952. The State Plan was revised by Act No. 765 of 1979, effective January 1, 1980, to create the Plan A and Plan B fund to replace the "regular plan" and the "supplemental plan". Plan B Fund replaced the "regular plan". The State Plan is operating pursuant to LSA-R.S. 11:1901 through 11:2015. The State Plan covers employees who were hired subsequent to December 15, 1979.

Under the State Plan, a member is eligible for normal retirement if the participant has at least 30 years of creditable service regardless of age, or 25 years of creditable service and is at least 55 years old, or 10 years of creditable service and is at least 60 years old. The monthly retirement benefit is equal to three percent of the member's average monthly compensation for any 36 months of consecutive service in which compensation was highest, multiplied by years of creditable service, not to exceed 100 percent of the member's final compensation. Retirement benefits are payable monthly for the life of the retiree. Under certain conditions, upon the retiree's death, benefits are payable to the retiree's surviving spouse and minor children.

The State Plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial report for the year ended December 31, 2000 may be obtained by writing to: The Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, La 70898.

**Summary of Significant Accounting Policies**

**Basis of Accounting** – The financial statements are prepared on the accrual basis of accounting. Contributions from employers and employees are recognized as revenue in the period in which employees provide services to the employers. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

**Method Used to Value Investments** – Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates.

**Concentrations of Credit Risk** – No investment in any one organization represents 5% or more of the net assets available for pension benefits.

**Funding Policy** – Member contributions, established by Statute at 9.5% of compensation for Plan A and 2% of compensation for Plan B, are deducted from the member's salary and remitted by the participating employers. Employer contributions are actuarially determined every fiscal year according to statutory process. The unfunded actuarial accrued liability is being amortized over a 30 year period under the frozen attained age normal cost method, assuming an investment rate of return of 8% and projected salary increases of 6% for Plan A. The aggregate actuarial cost method is used to calculate the funding requirements for Plan B. This method does not develop an unfunded actuarial liability. Written notice of these rates is provided to employers annually. In 2000, these employer rates were 7.75% for Plan A and 2.5% for Plan B.

**Schedule of Employer Contributions**

<u>Fiscal Year Ended</u>	<u>Plan A</u>	<u>Percentage of APC Contributed</u>	<u>Plan B</u>	<u>Percentage of APC Contributed</u>
	<u>Annual Pension Cost (APC)</u>		<u>Annual Pension Cost (APC)</u>	
2000	\$18,225,616	145.17%	\$1,207,844	88.33%
1999	14,340,774	175.65%	840,278	119.04%
1998	12,685,112	189.30%	591,248	150.79%

**NOTE Q - DEFERRED COMPENSATION PLAN**

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

**CONSOLIDATED WATERWORKS DISTRICT NO. 1**  
**Jefferson Parish, Louisiana**  
**Notes to Financial Statements (Continued)**  
**December 31, 2001 and 2000**

**NOTE Q - DEFERRED COMPENSATION PLAN (Continued)**

In 1996, the U. S. Congress passed the Small Business Job Protection Act of 1996, which requires that employer governments place all amounts deferred under IRC Section 457 into a trust for the exclusive benefit of participants and their beneficiaries. This change was allowed as early as January 1, 1997, but must be done by January 1, 1999. In prior years, these assets were solely the property of the Parish and subject to claims of general creditors, and were reported in the Jefferson Parish financial statements. During the year ended December 31, 1999, the Parish amended its Plan to comply with the requirements of the Act. The Parish no longer has ownership of the Plan assets and they are no longer reported in the financial statements.

**NOTE R - POST-RETIREMENT HEALTH CARE**

**Health Care**

In addition to providing pension benefits, the Parish provides certain health care benefits for retired employees as authorized by Resolution No. 74791. Substantially all employees who reach normal retirement age while working for the Parish are eligible. The cost of these benefits are recorded as expenditures when the premiums are paid. The health care premiums for retired employees of the district amounted to \$159,720 and 146,824 for 2001 and 2000, respectively.

**Cost of Living Plan**

In addition to the health care benefits noted above, the Parish also provides a supplement to retirees' pensions as authorized by Ordinance No. 18176. This benefit is available to retirees participating in either the Employees' Retirement System of Jefferson Parish or the Parochial Employees' Retirement System of Louisiana who have been retired for at least one year. This additional benefit is paid once a year and is calculated as 2% of the monthly benefit times the number of months the person has been retired including partial years. The minimum additional payment is \$350 and the maximum payment is \$1,200. Any additional payment due to the retiree per these calculations are further reduced by any cost of living adjustment benefits paid by the Parochial Employees' Retirement System of Louisiana (not available to all plan participants).

**NOTE S - BOARD COMPENSATION**

The District has no board compensation, as its governing authority is the Jefferson Parish Council whose compensation is disclosed in the Parish's Comprehensive Annual Financial Report.

**NOTE T - RESIDUAL EQUITY TRANSFERS**

Residual equity transfers in the District for December 31, 2001 and 2000 were \$116,901 and \$1,392. These amounts consist of excess funds from closed out Debt Service Funds and are shown as a component of contributed capital.

**NOTE U - PRIOR PERIOD ADJUSTMENTS**

Retained earnings and contributed capital at the beginning of the year have been restated as of January 1, 1999 to reflect the change in the capitalization threshold from \$2,000 to \$5,000. The effect of the restatement was to decrease property, plant and equipment in the amount of \$573,514, decrease the corresponding accumulated depreciation in the amount of \$277,167, and decrease contributed capital by Parish in the amount of \$4,201. The net effect to retained earnings was a decrease in the amount of \$292,146.



**SPECIAL REPORTS OF CERTIFIED  
PUBLIC ACCOUNTANTS**

CONSOLIDATED WATERWORKS DISTRICT NO. 1  
Jefferson Parish, Louisiana  
REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED DECEMBER 31, 2001

April 23, 2002

The Honorable Parish President and  
The Honorable Jefferson Parish Council  
Jefferson Parish, Louisiana

We have audited the financial statements of the Jefferson Parish Consolidated Waterworks District No. 1, a component unit of the Parish of Jefferson, State of Louisiana, as of and for the year ended December 31, 2001, and have issued our report thereon dated April 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Jefferson Parish Consolidated Waterworks District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Jefferson Parish Consolidated Waterworks District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

*Duplantier, Chapman, Hogan and Maher, LLP*