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**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA**

A Component Unit of the  
**TANGIPAHOA PARISH COUNCIL**

Amite, Louisiana

---

**GENERAL PURPOSE FINANCIAL STATEMENTS**

As of and for the Year Ended

December 31, 1999

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 JUN 14 2000

SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA

A Component Unit of the  
TANGIPAHOA PARISH COUNCIL

Amite, Louisiana

General Purpose Financial Statements

As of and for the Year Ended  
December 31, 1999

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MEMBER  
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SOCIETY OF LOUISIANA CPAs

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Independent Auditor's Report

Board of Commissioners  
Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

I have audited the accompanying general purpose financial statements of Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, a component unit of the Tangipahoa Parish Council, as of December 31, 1999, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana as of December 31, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedule of compensation paid board members is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Independent Auditor's Report – Page 2

The financial information for the preceding year which is included for comparative purposes was taken from the financial statements for that year which were audited by other auditors. I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 16, 2000, on my tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants and on my consideration of its internal control over financial reporting.

A handwritten signature in black ink, appearing to read "Lee Gray". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Certified Public Accountant

May 16, 2000

Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE  
December 31, 1999 and 1998

	Enterprise Fund	
	1999	1998
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 136,592	\$ 82,129
Accounts receivable, net	57,786	54,758
Due from other funds	-	1,972
Due from others	-	12,239
Total Current Assets	<u>194,378</u>	<u>151,098</u>
Restricted Assets:		
Cash - RUS Depreciation & Contingency Fund	12,180	9,744
Cash - RUS Bond Reserve Fund	11,917	9,363
Total Restricted Assets	<u>24,097</u>	<u>19,107</u>
Property, Plant, and Equipment, Net	<u>2,206,988</u>	<u>2,234,023</u>
Total Assets	<u>\$2,425,463</u>	<u>\$2,404,228</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Current Liabilities (Payable from current assets):		
Cash overdraft	\$ -	\$ 6,149
Accounts payable	5,138	17,383
Salaries and wages payable	2,705	1,932
Accrued bond interest	3,310	3,343
Current maturities - capital leases	10,614	9,513
Current maturities - bonds	8,132	7,688
Due to other funds	535	535
Total Current Liabilities	<u>30,434</u>	<u>46,543</u>
Long-Term Liabilities:		
Revenue bonds payable	758,932	767,066
Capital leases	1,445	12,192
Total Long-Term Liabilities	<u>760,377</u>	<u>779,258</u>
Total Liabilities	<u>790,811</u>	<u>825,801</u>
Fund Equity:		
Contributed capital, net	1,474,202	1,505,457
Retained Earnings:		
Reserved	24,097	19,107
Unreserved	136,353	53,863
Total Fund Equity	<u>1,634,652</u>	<u>1,578,427</u>
Total Liabilities and Fund Equity	<u>\$2,425,463</u>	<u>\$2,404,228</u>

The accompanying notes are an integral part of these statements.

Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED  
RETAINED EARNINGS (BUDGET AND ACTUAL) PROPRIETARY FUND TYPE  
Year Ended December 31, 1999  
and Actual for the Year Ended December 31, 1998

	Enterprise Fund			
	1999 Budget	1999 Actual	Variance Favorable (Unfavorable)	1998 Actual
Operating Revenues				
Sewerage fees	\$400,000	\$405,086	\$ 5,086	\$ 366,399
Maintenance fees - Landfill	6,000	6,000	-	12,000
Interest income	6,000	10,207	4,207	6,282
Miscellaneous revenue	-	-	-	5,846
Total Operating Revenues	<u>412,000</u>	<u>421,293</u>	<u>9,293</u>	<u>390,527</u>
Operating Expenses				
Salaries	60,000	64,033	(4,033)	56,094
Payroll taxes	1,850	1,823	27	2,309
Retirement contributions	5,000	4,903	97	4,364
Board meetings	4,600	4,749	(149)	4,600
Office supplies	600	494	106	425
Telephone	6,200	5,457	743	6,711
Fuel and lubricants	1,000	756	244	678
Operating supplies	30,000	14,892	15,108	7,674
Uniforms	1,600	1,847	(247)	1,720
Equipment rentals	10,000	114	9,886	401
Sewer Plant maintenance	157,600	90,421	67,179	92,743
Equipment maintenance	6,500	6,868	(368)	4,545
Fees, charges, and services	15,000	14,252	748	12,431
Professional services	32,600	36,520	(3,920)	51,089
Insurance	16,735	15,244	1,491	14,668
Travel	8,000	7,335	665	7,454
Official publications	1,000	103	897	105
Bad debt expense	-	1,072	(1,072)	1,127
Miscellaneous	4,350	150	4,200	150
Depreciation expense	80,000	86,945	(6,945)	82,255
Total Operating Expense	<u>442,635</u>	<u>357,978</u>	<u>84,657</u>	<u>351,543</u>
Net Operating Income (loss)	<u>(30,635)</u>	<u>63,315</u>	<u>93,950</u>	<u>38,984</u>
Non-Operating Revenue (expenses)				
Interest expense	(45,000)	(44,374)	626	(44,971)
Total Non-Operating Revenue (expenses)	<u>(45,000)</u>	<u>(44,374)</u>	<u>626</u>	<u>(44,971)</u>
Net Income (Loss)	<u>\$ (75,635)</u>	18,941	<u>\$ 94,576</u>	<u>\$ (5,987)</u>
Amortization of Contributed Capital		56,256		
Increase in Reserve for Contingencies		(4,990)		
Retained Earnings - Unreserved, December 31, 1998, as restated		<u>66,146</u>		
Retained Earnings - Unreserved December 31, 1999		<u>\$136,353</u>		

The accompanying notes are an integral part of these statements.

Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

COMPARATIVE STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE  
December 31, 1999 and 1998

	1999	1998
<i>Cash Flows from Operating Activities:</i>		
Operating Income	\$ <u>63,315</u>	\$ <u>38,984</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	86,945	82,255
<i>Changes in Assets and Liabilities:</i>		
Accounts Receivable	9,211	(22,756)
Due from Other Funds	1,972	(1,972)
Accounts Payable	(12,245)	10,714
Due to Other Funds	-	535
Salaries and Wages Payable	773	(230)
Accrued Bond Interest	(33)	281
Total Adjustments	<u>86,623</u>	<u>68,827</u>
Net Cash Provided by Operating Activities	<u>149,938</u>	<u>107,811</u>
 <i>Cash Flows from Capital and Capital-Related Financing Activities:</i>		
Proceeds from State Grant	25,000	-
Principal Repayments -		
Bonds	(7,690)	(7,582)
Capital Leases	(9,646)	(9,531)
Interest Payments -		
Bonds	(43,381)	(43,489)
Capital Leases	(993)	(1,482)
Payments for Capital Additions	<u>(59,910)</u>	<u>(4,340)</u>
Net Cash (Used For) Capital and Capital-Related Financing Activities	<u>(96,620)</u>	<u>(66,424)</u>
 Net Increase in Cash and Cash Equivalents	53,318	41,387
Prior Period Adjustment	12,284	30,273
Cash and Cash Equivalents at Beginning of Year	<u>95,087</u>	<u>23,427</u>
 Cash and Cash Equivalents at End of Year	<u>\$160,689</u>	<u>\$ 95,087</u>

The accompanying notes are an integral part of these statements.

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA  
TANGIPAHOA PARISH COUNCIL  
Amite, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999

**INTRODUCTION**

*Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana was established May 12, 1985, by an ordinance of the Tangipahoa Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:3881 et seq., describes and defines the boundaries of the sewer district, and per amendment to the original ordinance, provides for a 5-member governing Board of Commissioners appointed by the Tangipahoa Parish Council. Subsequent revisions and amendments of the original ordinance have extended the boundaries of the district to all unincorporated areas of Tangipahoa Parish.*

Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana was thus created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the power and privileges granted by the constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana serves approximately 1,300 sewer customers. The district currently has three employees with responsibility for operation and maintenance of the sewer systems. The district contracts the billings and collections of sewer customers to outside billing agents.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying general purpose financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, a component unit of the Tangipahoa Parish Council, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Notes to Financial Statements (Continued)

**B. REPORTING ENTITY**

The district is a component unit of the Tangipahoa Parish Council, the financial reporting entity. The council is financially accountable for the district because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**C. FUND ACCOUNTING**

The Sewerage District No. 1 of Tangipahoa Parish, Louisiana is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

**Revenues**

Fees for sewer services are recorded as revenues when fees are charged to the customers. All other revenues are recorded when the service has been provided.

**Expenses**

All operating expenses, except depreciation, are recorded when they are incurred. Depreciation is recorded each month over the life of the asset.

Notes to Financial Statements (Continued)

**E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**F. INVESTMENTS**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the district's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, are maintained in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of Louisiana, and operates as a local government investment pool. LAMP invests its assets only in securities and other obligations that are permissible under Louisiana State law for local governments. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or otherwise backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises, or instrumentalities.

**G. INVENTORIES**

Purchase of various operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

**H. PREPAID ITEMS**

Purchase of items regarded as having a future economical use are expensed when purchased and prepaid amounts for such items are not recorded as assets at the close of the fiscal year.

**I. RESTRICTED ASSETS**

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

Notes to Financial Statements (Continued)

**J. FIXED ASSETS**

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction (if any) are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of 20 to 40 years for sewer systems and 5 to 10 years for equipment.

**K. COMPENSATED ABSENCES**

Employees of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, are paid by the parish council and classified as employees of the parish council. The Tangipahoa Parish Council has the following policy relating to vacation and sick leave:

Parish Council employees are entitled to certain compensated absences based on their length of employment and overtime worked. Vested compensated absences are recorded as expenditures when the liability is incurred. Sick leave has not been accrued as the employee's right to sick leave does not vest.

The cost of current leave privileges, computed in accordance with GASB Statement No.16, is recognized as a current year expenditure when the leave is actually taken. Any accumulated leave privileges of employees of the district, at fiscal year-end, are recorded as a fund liability and salary expense.

**L. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.

**M. FUND EQUITY**

**Contributed Capital**

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This amortization is closed to the contributed capital account and is reflected as an adjustment to net income.

**Reserves**

Reserves represent those portions of fund equity legally segregated for a specific future use.

Notes to Financial Statements (Continued)

**N. USE OF ESTIMATES**

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 1999, the district maintained its cash and cash equivalent deposits in demand deposit accounts, and deposited excess funds as an investment within the Louisiana Asset Management Pool (LAMP). The demand deposits of the district are maintained in a central depository account of the Tangipahoa Parish Council, and the LAMP investment is maintained as a part of the LAMP investment of the Tangipahoa Parish Council. At December 31, 1999, the district had cash and cash equivalents (book balances) totaling \$160,689, as follows:

Interest-bearing demand deposits	\$ 24,733
Investment in Louisiana Asset Management Pool	<u>135,956</u>
Total	<u>\$160,689</u>

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the parish council may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

These interest bearing demand deposits of the parish council are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1999, the parish council had \$876,142 in deposits (collected bank balances), with a total of \$862,254 deposited in interest-bearing accounts, and \$13,888 in non-interest bearing accounts. The total of \$862,254 deposited in interest-bearing accounts is secured from risk by \$100,000 of federal deposit insurance and \$762,254 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3), with the total of \$13,888 in non-interest bearing accounts secured from risk by \$100,000 of federal deposit insurance.

Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

Notes to Financial Statements (Continued)

The investments in the Louisiana Asset Management Pool (LAMP) are stated at cost, which approximates market. The investments of the district are maintained as part of the investment account of the Tangipahoa Parish Council. The total of the LAMP investment account for the Tangipahoa Parish Council at December 31, 1999, was \$4,946,767.

LAMP is a local government pool (see Summary of Significant Accounting Policies). In accordance with GASB Codification, the investment in LAMP at December 31, 1999, is not categorized in the three risk categories provided by GASB codification because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. The Corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of funds in short-term, highly liquid investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

**3. RECEIVABLES**

Amounts due from customers for sewer user charges at December 31, 1999, follows:

Due from sewer customers	\$ 59,985
Allowance for uncollectible accounts	<u>(2,199)</u>
Total	\$ <u>57,786</u>

The billing and collection of sewer charges is contracted to five different agencies. Approximately 71 percent of the billing/collections are handled by Tangipahoa Water District, a component unit of the Tangipahoa Parish Council.

**4. RESTRICTED ASSETS**

Restricted assets at December 31, 1999, consisted of cash reserved for bond requirements totaling \$24,097.

Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

Notes to Financial Statements (Continued)

## 5. FIXED ASSETS

A summary of fixed assets at December 31, 1999, follows:

Land	\$ 54,981
Sewerage collection systems	2,718,624
Machinery and equipment	<u>78,801</u>
Sub-total	2,852,406
Less accumulated depreciation	<u>645,418</u>
Net	<u>\$2,206,988</u>

Depreciation for the current year was \$86,945. All assets are depreciated by the straight-line method. During the fiscal year additions were \$59,910; there were no deletions.

## 6. PENSION PLAN

*Plan Description.* Employees of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana participate in the pension plan for the Tangipahoa Parish Council. Substantially all employees of the Tangipahoa Parish Council are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Tangipahoa Parish Council are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to 1% of final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980, plus 3% of final-average salary for each year of service credited after the revision date. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

Sewerage District No. 1 of the  
 Parish of Tangipahoa, Louisiana  
 Tangipahoa Parish Council  
 Amite, Louisiana

Notes to Financial Statements (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the district is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual covered payroll. Contributions to the System also include one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the district are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The district's contributions to the System under Plan A for the years ending December 31, 1999, 1998, and 1997, were \$4,903, \$4,364, and \$4,276, respectively, equal to the required contributions for each year.

**7. COMPENSATED ABSENCES**

At December 31, 1999, employees of the district have accumulated and vested \$1,477 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

**8. LEASES**

The district records items under capital leases as assets and obligations in the accompanying financial statements. At December 31, 1999, two equipment items had been purchased under capital leases, at a purchase price of \$27,650 in 1996, and at a purchase price of \$12,783 in 1997.

The following is a summary of future minimum lease payments under capital leases and the present value of the net minimum lease payments as of December 31, 1999:

<u>Fiscal Year</u>	<u>Total</u>
2000	\$11,057
2001	<u>1,456</u>
Total Minimum Lease Payments	\$12,513
Less Amount Representing Interest	<u>(454)</u>
Present Value of Net Minimum Lease Payments	<u>\$12,059</u>

Sewerage District No. 1 of the  
 Parish of Tangipahoa, Louisiana  
 Tangipahoa Parish Council  
 Amite, Louisiana

Notes to Financial Statements (Continued)

**9. LONG-TERM LIABILITIES**

The following is a summary of bond transactions of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana for the year ended December 31, 1999:

	1993 RUS Sewer Revenue <u>\$733,000</u>	1993 RUS Sewer Revenue <u>\$67,000</u>	<u>Total</u>
Bonds Payable January 1, 1999	\$709,985	\$64,769	\$774,754
Bonds Retired/Adjustments	<u>(7,039)</u>	<u>(651)</u>	<u>(7,690)</u>
Bonds Payable December 31, 1999	<u>\$702,946</u>	<u>\$64,118</u>	<u>\$767,064</u>

Bonds Payable at December 31, 1999, are comprised of the following individual Issues:

	Current Amount <u>12/31/99</u>	Long-Term Amount <u>12/31/99</u>	Total Principal Balance <u>12/31/99</u>
1993 Revenue Bonds: \$733,000 utility bonds sold to RUS, dated 3/3/93; due in monthly install- ments of \$3,900, through Feb.3, 2033; interest at 5.625%	\$7,444	\$695,502	\$702,946
1993 Revenue Bonds: \$67,000 utility bonds sold to RUS, dated 3/3/93; due in monthly install- ments of \$356, through Feb. 3, 2033; interest at 5.625%	<u>688</u> <u>\$8,132</u>	<u>63,430</u> <u>\$758,932</u>	<u>64,118</u> <u>\$767,064</u>

Sewerage District No. 1 of the  
 Parish of Tangipahoa, Louisiana  
 Tangipahoa Parish Council  
 Amite, Louisiana

Notes to Financial Statements (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 1999, including interest payments of \$928,644 are as follows:

Year Ending December 31,	1993 RUS Revenue <u>\$733,000</u>	1993 RUS Revenue <u>\$67,000</u>	Total
2000	\$ 46,795	\$ 4,277	\$ 51,072
2001	46,795	4,277	51,072
2002	46,795	4,277	51,072
2003	46,795	4,277	51,072
2004	46,795	4,277	51,072
2005-2009	233,974	21,386	255,360
2010-2014	233,974	21,386	255,360
2015-2019	233,974	21,386	255,360
2020-2024	233,974	21,386	255,360
2025-2029	233,974	21,386	255,360
2030-2033	<u>150,645</u>	<u>12,903</u>	<u>163,548</u>
	<u>\$1,554,490</u>	<u>\$141,218</u>	<u>\$1,695,708</u>

**10. REVENUE BOND RESOLUTION COVENANTS**

As of December 31, 1999, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, has two Rural Utilities Service (RUS) Revenue Bonds. The total authorized issue of \$800,000 consists of two bonds issued on March 3, 1993, of \$733,000 and \$67,000, both issued at an annual interest rate of 5.625%. The original bond resolution specifies that the bonds shall be secured and payable in principal and interest exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system. Other specific legal requirements and bond restrictions are summarized below:

- a) Provides that all income and revenues derived by the Issuer from the operation of the system shall be deposited in a separate and special bank account with the regularly designated fiscal agent bank of the Issuer.
- b) The issuer, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, covenants to fix, establish, and maintain such rates and collect such fees, rents, or other charges for the services and facilities of the System, and all parts thereof, and to revise the same from time to time whenever necessary, to pay the reasonable and necessary expenses of operating and maintaining the system in each year, all reserves or sinking funds required, and all other obligations or indebtedness payable out of the revenues of the System, and which will provide revenues in each year, after paying all reasonable and necessary expenses of

Notes to Financial Statements (Continued)

operating and maintaining the System, at least equal to 120% of the largest amount of principal and interest maturing on the bonds in any future fiscal year and on any parity bonds issued thereafter.

For the fiscal year ending December 31, 1999, the bond debt coverage factor indicated net revenues (before interest expense and depreciation) were 294% of the required bond principal and interest payments.

- c) The establishment and maintenance of a "Sewer Bond and Interest Sinking Fund" (the Sinking Fund) sufficient in amount to pay promptly and fully the principal and interest on the bonds.

The actual creation of a sinking fund was not required since the district pays required bond installments directly to Rural Utilities Service, on a monthly basis.

- d) The establishment of the "Sewer Revenue Bond Reserve Fund" (the Reserve Fund) by transferring from the Sewer Revenue Fund, the operating account of the district, monthly in advance on or before the 20<sup>th</sup> of each month a sum of at least equal to five percent (5%) of the amount to be paid each month for bond principal and interest payments. The amount to be transferred is \$212.80 per month. Deposit of funds shall continue until such time as there has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements of any succeeding twelve month period or \$51,072. The money in the Reserve Fund is required to be retained solely for the purpose of paying the principal and interest on bonds payable, upon approval by the Rural Utilities Service office, for which there would otherwise be default.

For the fiscal year ending December 31, 1999, the district made the twelve required deposits of \$212.80 per month, for a total balance of \$11,917 at fiscal year end.

- e) The establishment and maintenance of the "Sewer Depreciation and Contingency Fund" (the Contingency Fund) is organized to care for depreciation, extensions, additions, improvements, and replacements necessary to operate properly the System, by transferring from the Sewer Revenue Fund, the operating account of the district, monthly in advance on or before the 20<sup>th</sup> of each month the sum of \$203 per month. Money in the Contingency Fund may also be used, upon approval, to pay the principal and interest on any bond for which there is not sufficient money in the Sinking Fund or the Reserve Fund.

For the fiscal year ending December 31, 1999, the district made the twelve required deposits of \$203 per month, and for a total balance of \$12,180 at fiscal year end.

Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
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Amite, Louisiana

Notes to Financial Statements (Continued)

- f) The district, in the bond resolution dated January 6, 1993, obligated itself to abide by the following covenants:
1. The district will shut off service if the delinquent charge, with interest and penalties accrued thereon, is not paid within thirty days from the date on which such charges become delinquent.
  2. A penalty of 10% will be charged on all delinquent accounts and interest of not less than 5% per annum will be charged on delinquent accounts after 10 days from the date of delinquency.
  3. The district will charge a residential rate of \$16.50 per month and a commercial rate of \$30.00 per month.
  4. The district agrees to maintain the System in first class repair and working order and condition.
  5. The district will carry full insurance coverage on the System in the manner required by the Government, with a company licensed to do business under the laws of Louisiana.
  6. The district will maintain separate and correct records and accounts and will have the books audited no later than 150 days after the end of the fiscal year.
  7. The district will not sell, lease, or in any manner dispose of the System or any substantial part thereof, provided the district may dispose of property that in its judgment is worn-out, unserviceable, unsuitable, or unnecessary in the operation of the System.
  8. The district will not, except as provided by this bond resolution, voluntarily create or cause to be created any debt, lien, pledge, mortgage, assignment, encumbrance, or any other charges having priority over or parity with the liens of the Bonds upon the income and revenues of the System pledged as security thereof.
  9. That, to the extent permitted by law, the district will not grant a franchise to any utility for operation within the boundaries of the district.
  10. In operation of the System, the district will require all officers and employees in a position of authority or in possession of money derived from operations of the System to be covered by a blanket fidelity bond or faithful performance bond.

Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

Notes to Financial Statements (Continued)

11. That the district will take all action necessary to require connection to its sewer system to the extent permitted by law.
12. No free services or facilities will be furnished to any persons et al, or even to the issuer itself.

In connection with items (1) and (2) above, concerning the disconnect of accounts, and the charges to delinquent accounts, the Tangipahoa Parish Council approved an ordinance on April 8, 1996, requiring water companies in the rural and unincorporated portions of Tangipahoa Parish to enter into contracts with Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana to collect sewerage billings for the sewerage district. The ordinance states that the water company shall provide that any person failing to timely pay the entire billing of sewerage charges within the prescribed time period for utility payment of said water company, then in that event the customer's water service shall be disconnected until all past due sewerage charges and reconnect charges for sewerage are paid in full. The said water company shall also be authorized to collect a penalty for reconnect charges associated with its disconnection of the said customer from water service due to the customer's failure to pay sewerage charges.

Sewerage District No. 1 has not complied with certain requirements of the Revenue Bond Resolution covenants and agreements as set-forth below:

- In connection with item (a), the revenues are not deposited into a separate bank account. The revenues are collected by contracted billing agents who remit their collections to the Tangipahoa Parish Council, a contracted accounting service. The Tangipahoa Parish Council deposits these collections into their "pool" bank/investment accounts.
- In connection with items f1, f2, and f10 listed above, the District is not in full compliance with these requirements.
- The loan agreement requires the District to submit annual management reports to Rural Utilities Service (RUS) as follows:
  - Form RD 442-2, Statement of Budget, Income, and Equity
  - Form RD 442-3, Balance Sheet
  - Copy of the rate schedule in effect at the time of submission

These annual management reports were not submitted to RUS as required.

Sewerage District No. 1 of the  
 Parish of Tangipahoa, Louisiana  
 Tangipahoa Parish Council  
 Amite, Louisiana

Notes to Financial Statements (Continued)

**11. CHANGES IN CONTRIBUTED CAPITAL**

The following is a summary of changes in contributed capital for the year ended December 31, 1999:

Balance at January 1, 1999, net of amortization	\$1,505,457
Additions:	
Grant from Office of Rural Development	25,000
Correction of prior year amortization	2,329
Deductions:	
Depreciation on fixed assets acquired with capital grants	<u>(58,584)</u>
Balance at December 31, 1999, net of amortization	<u>\$1,474,202</u>

**12. RETAINED EARNINGS - RESERVED**

Retained Earnings – Reserved is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account, based on assets held by the sewer district that are restricted for bond payments. The purpose of the reserved retained earnings is to service the revenue bonds. Reserved retained earnings totaled \$24,097 at December 31, 1999.

**13. RESTATED UNRESERVED RETAINED EARNINGS**

The beginning unreserved retained earnings have been restated to reflect the retroactive recording of the following prior period adjustments to the December 31, 1998, balances:

Unreserved retained earnings at December 31, 1998		\$53,863
Electricity refunds, net of collection expense	18,403	
Electricity refunds recorded in prior year at gross rather than net of collection expense	<u>(6,120)</u>	<u>12,283</u>
Unreserved retained earnings at December 31, 1998, as restated		<u>\$66,146</u>

Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

Notes to Financial Statements (Continued)

#### **14. RISK MANAGEMENT**

The Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district attempts to minimize risk from significant losses through the purchase of commercial insurance.

#### **15. SEWER SYSTEM MANAGEMENT**

The sewer district is operated by a manager hired by the district, but as an employee of the Tangipahoa Parish Council. Accounting and financial records of the district are maintained by the Tangipahoa Parish Council.

#### **16. LITIGATION AND CLAIMS**

At December 31, 1999, the district is the plaintiff in a lawsuit concerning the use of a certain road right-of-way. This suit was settled by the court in the district's favor, but is being appealed by the defendant. In the event the district is not successful in the appeal, the loss will involve the costs of expropriation of a road for the district's use, or other legal action.

#### **17. SUBSEQUENT EVENTS**

Sewerage District No. 1 of the Parish Tangipahoa, Louisiana is in the process of applying for a loan from Rural Utilities Service for \$800,000 for the Southwest Hammond project, which will combine Happywoods and Bon Aire sewerage treatment facilities into a regional plant.

The Sewerage District is negotiating with the City of Hammond, Louisiana for the sale by the District to the City of Hammond rights to service certain sewer customers presently serviced by the District.

The Sewerage District has offered to build a sewerage treatment plant and sewer lines for a distribution center expected to be built in Tangipahoa Parish. Funding would be provided by the Louisiana Department of Economic Development if the project is completed.

On February 25, 2000, the Tangipahoa Parish Council received authorization for a Rural Development Grant for the purpose of sewer upgrade to the maximum grant amount of \$15,500.

On April 10, 2000, the Tangipahoa Parish Council adopted T.P. Ordinance No. 00-18 donating Booker II / Woodland Park Sewerage System to Sewerage District No. 1.

**SUPPLEMENTAL INFORMATION**

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA  
TANGIPAHOA PARISH COUNCIL  
Amite, Louisiana**

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
For the Year Ended December 31, 1999**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

<u>Name</u>	<u>Amount</u>
James Harper, President	\$ 720
Raymond Wheeler (Term expired March 1999)	180
Mark Mobley	720
Raymond Brown	120
Wesley Ridgdell	480
Sonny Thompson	<u>480</u>
	<u>\$2,700</u>

**OTHER INDEPENDENT AUDITOR'S REPORT AND FINDINGS**

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

Board of Commissioners  
Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Amite, Louisiana

I have audited the general purpose financial statements of Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, a component unit of the Tangipahoa Parish Council, as of and for the year ended December 31, 1999, and have issued my report thereon dated May 16, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's general purpose financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 99-1, 99-2, 99-3, and 99-4.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider

Sewerage District No. 1  
Report on Compliance and Internal Control - continued

to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Sewerage District No. 1 of Tangipahoa Parish, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings as items 99-1.

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 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. My 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, of the reportable conditions described above, I consider items 99-1 to be a material weakness.

This report is intended for the information of the governing council, management, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

May 16, 2000

SEWERAGE DISTRICT NO. 1 OF THE  
PARISH OF TANGIPAHOA, LOUISIANA  
TANGIPAHOA PARISH COUNCIL

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 1999

<b>SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
96-1 Failure to comply with bond requirements to disconnect past due accounts	Unresolved - see current year Finding No. 99-1
96-2 Failure to comply with bond requirements for charging penalties and interest on past due accounts.	Unresolved - see current year Finding No. 99-1
97-1 District unable to determine amount of uncollectible accounts and to prepare an aging of accounts receivable.	Unresolved - see current year Finding No. 99-1
<b>SECTION 2. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</b>	
Not applicable	
<b>SECTION 3. MANAGEMENT LETTER</b>	
96M-1 Failure to determine if billing agents are covered by fidelity bonds to protect the District's financial interest.	Unresolved - see current year Finding No. 99-1.

SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA

Tangipahoa Parish Council  
Amite, Louisiana

Schedule of Current Year Audit Findings  
Year Ended December 31, 1999

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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I have audited the financial statements of Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana as of and for the year ended December 31, 1999, and have issued my report thereon dated May 16, 2000. I conducted my 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. My audit of the financial statements as of December 31, 1999, resulted in an unqualified opinion.

Financial Statements

Type of auditor's report issued:	unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Reportable conditions identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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**Finding No. 99-1**

**Condition** - Failure to comply with requirements of the Revenue Bond Resolution covenants and loan agreement.

**Criteria** - The Reserve Bond Resolution set forth requirements that Sewerage District No. 1 agreed to comply with in connection with revenue bonds issued on March 3, 1993.

**Effect** - The District failed to comply with the following bond requirements:

## Schedule of Current Year Audit Findings - continued

- a. The District is required to have a separate and special bank account. The District's funds are deposited into a single "pool" bank/investment account maintained by the Tangipahoa Parish Council for all funds.
- b. Section 10 of the Bond Resolution sets forth the criteria for determining when a past due customer is to be cut-off and the amount of penalties and interest on delinquent accounts.

The Tangipahoa Parish Council adopted Ordinance No. 15 of 1996 on April 8, 1996, in an attempt to bring about compliance with the cut-off of delinquent accounts, penalty, and interest requirements. However, it appears that the ordinance was prepared without following the actual requirements contained in the bond resolution.

It appears that the District has not monitored compliance with the Ordinance.

Also, the financial records of the District are not being kept in a manner that allows determination of the amount of user charges, penalties, interest, connect charges, and reconnect charges.

- c. The Bond Resolution also requires the District to cover all officers and employees in a position of authority or in possession of money to be covered by a fidelity bond or faithful performance bond.

The District's management is unable to provide assurances that the various billing agents are covered by the required fidelity bonds.

- d. The loan agreement requires the District to submit annual management reports to Rural Utilities Service (RUS) as follows:
  - Form RD 442-2, Statement of Budget, Income, and Equity
  - Form RD 442-3, Balance Sheet
  - A copy of the rate schedule in effect at the time of submission

These annual management reports were not submitted to RUS as required.

## Recommendation -

- a. Have the District's legal counsel attempt to obtain a written waiver of the separate bank account requirement from Rural Utility Service. If a waiver is not possible, ask the Tangipahoa Parish Council's accounting department for compliance assistance.
- b. The Sewerage District should request its legal counsel review the Revenue Bond Resolution and loan agreement/letter on conditions pertaining to the revenue bonds and T. P. Ordinance No. 15 adopted April 8, 1996.

After legal counsel's review, request that a suggested Ordinance be drafted to be considered by the Tangipahoa Parish Council and also a procedure guide for the District to implement compliance with the Bond Resolution.

## Schedule of Current Year Audit Findings - continued

I then recommend that a committee made up of the District President, the District's legal counsel, and a representative from the Tangipahoa Parish Council meet with the appropriate official of Rural Utilities Service (RUS) in order to come up with documents that will make compliance workable. If the final documents differ from the bond resolution, I suggest that a written variance be obtained from Rural Utilities Service. A Tangipahoa Parish Council representative needs to be involved so that T. P. Ordinance No. 15 of 1996 can be amended to require the various billing agents to comply. Sewerage District No. 1 has no authority over the billing agents, Tangipahoa Parish Council does.

After this has been accomplished the District's management should monitor compliance.

I also recommend that collection reports being sent to Tangipahoa Parish Council's accounting department be itemized so that connect, reconnect fees, penalties, and interest can be recorded separately. This will provide information needed to monitor compliance. The accounting department should prepare the transmittal forms for the billing agents in order to insure uniformity of information.

- c. Management should purchase a fidelity bond to cover the billing agents. If this is not possible, then obtain certificates of fidelity bond insurance coverage from billing agents.
- d. The District's management should provide the required management reports to Rural Utilities Service.

### Finding No. 99-2

**Condition** - Failure to include the agenda in the written public notice of meetings.

**Criteria** - LSA-RS 42:1-12 (the open meetings law) requires that a written public notice be given by all public bodies to include:

Posting a copy of the notice and agenda at the principal office of the public body or publishing the notice and agenda in the official journal of the public body no less than twenty-four hours before the meeting.

**Effect** - The District is in violation of the open meetings law.

**Recommendation** - Comply with the law immediately.

### Finding No. 99-3

**Condition** - Failure to select an official journal and to publish the proceedings of the board meeting.

**Criteria** - LSA-RS-171 requires sewerage districts to publish the proceeding of their board in a newspaper. The newspaper shall be selected at their first meeting in June of each year for a term of one year.

Schedule of Current Year Audit Findings - continued

**Effect** - The District is in violation of Louisiana Revised Statutes requiring the selection of an official journal and publishing of the minutes of its meeting.

**Recommendation** - Select an official journal in June 2000 and begin publishing the minutes of your meetings.

**Finding No. 99-4**

**Condition** - Failure to comply with the Public Bid Law

**Criteria** - LSA-RS 38:2212 requires, in part, that contracts for public works in excess of \$10,000 but less than \$100,000 shall be let in accordance with the following provisions:

- b. The public entity shall send out written invitations for quotations to at least five bona fide, qualified bidders.
- c. Written invitations for quotations shall contain complete specifications and the quantity required, and any other information, including the delivery point, which is necessary for a supplier to make an acceptable bid.
- d. Quotations shall be publicly opened and read at a specific date, time, and location. Each bidder shall be notified of the date, time, and location.
- e. The public entity, at its discretion, may advertise for bids.

**Effect** - On April 19, 1999, the Board awarded a contract for the Cypress Cove renovation in the amount of \$37,700. Although the minutes of the board meeting indicated that "bids were opened" and the contract was awarded to the lowest bidder - - no proof of compliance was furnished the auditor.

**Recommendation** -

- a. Have your legal counsel advise you on the Public Bid Law requirements (Public works or materials and supplies)
- b. Established a bid file for each item or public works contract. Keep copies of published advertisement for bids, copies of all bids received, and the contract awarded the successful bidder.

If the public works project is less than \$100,000 and you choose to follow the criteria set forth above, keep copies of all five written invitations for quotations.

SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA

Tangipahoa Parish Council  
Amite, Louisiana

MANAGEMENT'S CORRECTIVE ACTION PLAN  
for Current Year Audit Findings

For the Year Ended December 31, 1999

<b>SECTION 1. INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS</b>	
Finding Reference No.	Management's Corrective Action Plan
99-1 Failure to comply with Revenue Bond Resolution requirements  See specific items below.	Management will submit a Corrective Action Plan in a separate document at a later date.
99-1a. Separate bank account	Management will submit a Corrective Action Plan in a separate document at a later date.
99-1b. Cut-off of past due customers	Management will submit a Corrective Action Plan in a separate document at a later date.
99-1c. Assessment of penalties and interest	Management will submit a Corrective Action Plan in a separate document at a later date.
99-1d. Incomplete accounting records	Management will submit a Corrective Action Plan in a separate document at a later date.
99-1e. Fidelity bonds on billing agents	Management will submit a Corrective Action Plan in a separate document at a later date.
99-1f. Submission of management reports to Rural Utilities Service	Management will submit a Corrective Action Plan in a separate document at a later date.

Sewerage District No. 1  
 Management's Corrective Action Plan - continued

Finding Reference No.	Management's Corrective Action Plan
99-2 Include agenda in published notice of meetings	Management will submit a Corrective Action Plan in a separate document at a later date.
99-3 Select official journal and publish minutes	Management will submit a Corrective Action Plan in a separate document at a later date.
99-4 Comply with Public Bid Law	Management will submit a Corrective Action Plan in a separate document at a later date.

The audit findings were discussed with James Harper and Mark Mobley, president and board member, respectively, of Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana.