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GENERAL PURPOSE
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS

SEWERAGE DISTRICT NO. 6
ST. TAMMANY PARISH, LOUISIANA

FOR THE YEAR ENDED
DECEMBER 31, 1995

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

Release Date 7-24-96

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Smith, Huvall & Associates, L.L.C.

AN LIMITED LIABILITY COMPANY

Certified Public Accountants

P.O. Box 1668

Covington, Louisiana 70004-1668

Samuel E. Smith, CPA
Patrick Wayne Huvall, CPA

(504) 833-4675 - Covington
(504) 833-4666 - MOBILE

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sewerage District No. 6
St. Tammany Parish, Louisiana

We have audited the accompanying balance sheet of Sewerage District No. 6, St. Tammany Parish, Louisiana, a component unit of the St. Tammany Parish Police Jury, as of December 31, 1995, and the related statements of assets, expenses and accumulated deficit and cash flows for the two years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sewerage District No. 6, St. Tammany Parish, Louisiana, as of December 31, 1995, and the results of its operations and cash flows for the two years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 24, 1996 on our consideration of the internal control structure of Sewerage District No. 6 and a report dated June 24, 1996 on its compliance with laws and regulations.

Smith, Huvall & Associates, L.L.C.

June 24, 1996

Sewerage District No. 6
St. Tammany Parish, Louisiana

BALANCE SHEET

December 31, 1995

ASSETS

Current Assets

Trade accounts receivable (note A-6)	\$ 18,147
All valuation taxes receivable (note D)	20,483
Other receivable	17,306
Interest receivable	2,598
Total current assets	<u>58,534</u>

Restricted Assets (note C)

Cash in bank	66,803
Certificates of deposit (note A-5)	<u>147,658</u>
Total restricted assets	214,461

Fixed Assets (notes A-3 and D)

Lines and equipment at cost, net of accumulated depreciation of \$337,368	1,298,789
Land - right of way	<u>70,388</u>
Total fixed assets	<u>1,369,177</u>
	<u>\$ 2,593,172</u>

The accompanying notes are an integral part of this statement.

Newryge District No. 6
St. Tammany Parish, Louisiana

BALANCE SHEET

December 31, 1995

LIABILITIES AND FUND EQUITY

Current Liabilities	
Cash deficit	\$ 2,289
Accounts payable - trade	4,587
Due to other governmental agency	<u>3,200</u>
Total current liabilities	10,076
Current Liabilities (payable from restricted assets)	
Interest payable on bonds	22,031
Sewer deposits	15,000
Current maturities on bonds payable (note F)	<u>22,058</u>
Total current liabilities (payable from restricted assets)	49,089
Long-Term Debt, net of current reserves (note F)	
Revenue bonds payable	300,094
General obligation bonds payable	<u>1,432</u>
Total long-term debt	<u>301,526</u>
Total Liabilities	760,691
Fund Equity	
Contributed Capital - HPA	1,385,027
Accumulated deficit (note H)	<u>(532,351)</u>
Total fund equity	<u>852,676</u>
	\$ 1,583,313

The accompanying notes are an integral part of this statement.

Sewerage District No. 6
St. Tammany Parish, Louisiana

STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED DEFICIT

For the Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Operating Revenue		
Service revenue	\$ 123,797	\$ 123,644
Ad valorem revenues	22,075	17,108
Other	<u>34,632</u>	<u>482</u>
Total operating revenue	<u>180,502</u>	<u>141,232</u>
Operating Expenses		
Depreciation	45,858	43,770
Utility usage fees	39,272	34,914
Consulting	25,640	-
Utilities	17,813	16,785
Testing, inspection	18,344	2,521
Supplies	8,734	5,421
Legal and professional	1,603	7,514
Board meetings	2,480	2,968
Insurance	2,125	2,144
Repairs and maintenance	2,076	1,106
Rents	1,822	-
Postage	668	551
Travel	629	666
Secretary expense	638	650
Miscellaneous	648	1,336
Contract labor	<u>225</u>	<u>-</u>
Total operating expenses	<u>164,891</u>	<u>122,099</u>
Net operating income	17,611	19,133
Other Revenues (Expenses)		
Interest income	6,244	4,548
Interest expense	<u>(26,817)</u>	<u>(25,739)</u>
Total other revenues (expenses)	<u>(20,573)</u>	<u>(21,191)</u>
NET LOSS	(12,862)	(12,034)
Accumulated deficit at beginning of year	<u>(329,489)</u>	<u>(322,455)</u>
Accumulated deficit at end of year	<u>\$316,627</u>	<u>\$138,489</u>

The accompanying notes are an integral part of this statement.

Sewerage District No. 6
St. Tammany Parish, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1993 and 1994

	<u>1993</u>	<u>1994</u>
Cash flows from operating activities:		
Net operating income	\$ 17,818	\$ 19,187
Adjustments to reconcile net operating income to cash provided by operations:		
Depreciation	45,850	45,770
Increase in trade accounts receivable	(482)	(1,577)
Increase in other receivables	(17,356)	-
Increase in delinquent taxes receivable	(3,988)	(684)
Decrease in accounts payable	3,478	1,108
Total adjustments	<u>27,562</u>	<u>44,797</u>
Net cash provided by operating activities	<u>45,380</u>	<u>63,984</u>
Cash flows from non-capital financing activities:		
Net receipts from customer deposits	<u>1,361</u>	<u>1,250</u>
Net cash provided by non-capital financing activities	<u>1,361</u>	<u>1,250</u>
Cash flows from capital and related financing activities:		
Increase (decrease) in bank overdraft	1,280	(954)
Draw to other governmental agencies	95	3,285
Principal paid on bonds	(11,214)	(12,219)
Interest paid on bonds	(37,290)	(38,182)
Purchase of fixed assets	<u>(3,203)</u>	<u>(3,288)</u>
Net cash used in capital and related financing activities	<u>(49,332)</u>	<u>(49,368)</u>
Cash flows from investing activities:		
Interest earned on investments	6,005	6,007
Increase in certificates of deposit	<u>(14,200)</u>	<u>(13,020)</u>
Net cash used in investing activities	<u>(8,195)</u>	<u>(13,090)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,147)	2,687
Cash and cash equivalents at beginning of year	<u>27,598</u>	<u>24,911</u>
Cash and cash equivalents at end of year	<u>\$ 17,451</u>	<u>\$ 27,598</u>

The accompanying notes are an integral part of this statement.

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1993

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Sewerage District No. 6 of St. Tammany Parish conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of certain significant accounting policies:

1. Reporting Entity

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria include:

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

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Reporting Entity - Continued

Because the police jury appoints commissioners of the District and the District provides sewerage services to residents within St. Tammany Parish, the District was determined to be a component unit of the St. Tammany Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

2. Fund Accounting

The accounts of Sewerage District No. 6 of St. Tammany Parish are organized on the basis of Enterprise Fund accounting used by governmental entities. The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fixed Assets

Fixed assets of the Enterprise Fund are capitalized in the fund account because the fixed assets are used in the production of goods or services sold. Fixed assets consist of property, plant, and equipment. All fixed assets are recorded at cost. Depreciation of all depreciable fixed assets is charged as an expense against their operations. Depreciation has been provided using the straight-line method.

The estimated lives are as follows:

Machinery and equipment	10 years
Construction line	40 years

Severage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Basis of accounting

The accompanying general purpose financial statements are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

5. Cash, Cash Equivalents and Investments

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 municipality 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.

Under state law, the entity may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

6. Trade Accounts Receivable

At December 31, 1995, all trade accounts receivable are considered to be 100% collectible. Uncollectible amounts are recognized as a bad debt through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of an account.

7. Expend Income Taxes

The District is not subject to federal income taxes in accordance with the Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, political subdivisions, etc.

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

NOTE D - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (bank balances) at December 31, 1995:

Demand deposits (including cash deficit)	\$ 14,533
Time deposits	<u>147,638</u>
Total	<u>\$ 162,171</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 1995, the District has \$158,786 in deposits. These deposits are secured from risk by \$200,000 of federal deposit insurance and \$45,949 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GAASD Category 2).

Even though pledged securities are considered uncollateralized - Category 3 - under the provisions of GAASD Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

NOTE E - RESTRICTED ASSETS

Resolutions authorizing the issuance of two revenue bonds and one general obligation bond dated May 14, 1984; for \$472,000, \$28,000, and \$100,000 respectively, provided for certain restrictions of assets of Sewerage District No. 6. These requirements have been met as of December 31, 1995.

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

NOTE D - FIXED ASSETS

Fixed assets are shown at net on the balance sheet and consist of the following:

Property, plant and equipment	\$ 1,907,243
Less accumulated depreciation	<u>537,366</u>
Balance at end of year	<u>\$ 1,369,877</u>

NOTE E - AD VALOREM TAXES

For the year ended December 31, 1995, the Sewerage District No. 6 was authorized to levy a special ad valorem tax of 11.80 mills on all property subject to taxation. The 11.80-mill tax has been approved for 1995 ad valorem taxes. The proceeds of this ad valorem tax is for the purpose of paying and retiring the general obligation bond.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District on December 1. Billed taxes are delinquent on January 1.

The St. Tammany Parish Tax Collector bills and collects the District's ad valorem taxes using the assessed value determined by the tax assessors of St. Tammany Parish, Louisiana.

NOTE F - BOND/DEBT

The following is a summary of bond transactions of the Sewerage District No. 6 as of December 31, 1995.

	<u>1995</u>	<u>1994</u>
Revenue:		
Bonds payable at January 1	\$ 634,603	\$ 645,000
Bonds retired	<u>9,879</u>	<u>10,433</u>
Bonds payable at December 31	<u>\$ 624,724</u>	<u>\$ 634,567</u>
 General Obligations:		
Bonds payable at January 1	\$ 91,142	\$ 92,946
Bonds retired	<u>1,313</u>	<u>1,804</u>
Bonds payable at December 31	<u>\$ 89,829</u>	<u>\$ 91,142</u>

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

NOTE F - LONG-TERM DEBT - Continued

Revenue Bonds: 1992

\$672,000 Sewer District Revenue Bond dated May 14, 1984; balance due in annual principal installments beginning May, 1987 of \$28,843 including principal and interest, with interest at 5%. Final payment due May, 2004. \$ 602,213

\$28,800 Sewer District Revenue Bond dated May 14, 1984; balance due in annual installments beginning May 1987 of \$2,857 including principal and interest, with interest at 9.5%. Final payment due May, 2009. 28,411
630,724

Less current maturities 18,661

\$ 614,863

General obligation bonds: 1992

\$100,000 Sewer District General Obligation Bond dated May 14, 1984; balance due in annual installments beginning May 1987, of \$5,919 including principal and interest, with interest at 5%; secured by ad valorem taxes. Final payment due May, 2004. \$ 88,805

Less current maturities: 1,427

\$ 88,368

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1995

NOTE F - LONG-TERM DEBT - Continued

The following is a schedule of annual maturities, including interest, for long-term debt:

Year Ending December 31,	Revenue Bonds	General Obligation Bonds
1996	\$ 42,880	\$ 5,909
1997	42,880	5,909
1998	42,880	5,909
1999	42,880	5,909
2000	42,880	5,909
Thereafter	<u>679,808</u>	<u>142,214</u>
	1,194,258	171,858
Less: Interest	<u>569,526</u>	<u>82,854</u>
	<u>\$ 624,732</u>	<u>\$ 89,004</u>

NOTE G - BOARD MEMBERS' PER DIEM PAYMENTS

	1995	1994
Neil Richardson, President	\$ 720	\$ 840
Walter Christie, Secretary/Treasurer	720	840
Theodore Hays	720	780
	<u>\$ 2,160</u>	<u>\$ 2,460</u>

NOTE H - ACCUMULATED DEFICIT

Accumulated deficit for the year ended December 31, 1995, consisted of the following:

Reserved	
Reserve for revenue bonds	\$ 61,778
Reserve for general obligation bond	49,783
Reserve for water deposits	1,384
Reserve for contingency	3,500
Unreserved	<u>(668,785)</u>
	<u>\$ (552,339)</u>

Smith, Hurval & Associates, L.L.C.

A LIMITED LIABILITY COMPANY

Chartered Public Accountants

P.O. Box 1880

Covington, Louisiana 70444-1880

James H. Smith, CPA
Firm: "Sign" Board, CPA

(504) 892-4433 - Covington
(504) 892-4480 - P.O.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

To the Board of Commissioners
Sewerage District No. 4
St. Tammany Parish, Louisiana

We have audited the general purpose financial statements of Sewerage District No. 4, St. Tammany Parish, Louisiana, a component unit of the St. Tammany Parish Police Jury, as of and for the year ended December 31, 1995 and have issued our report thereon dated June 24, 1996.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Sewerage District No. 4, St. Tammany Parish, Louisiana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Sewerage District No. 4, St. Tammany Parish, Louisiana for the year ended December 31, 1995, we obtained an understanding of its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the management and others within the organization as well as the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Hunsel & Associates, L.L.C.

June 24, 1996

Smith, Hurst & Associates, L.L.C.

AN EQUAL OPPORTUNITY CORPORATION

Corporate/Public Accountants

P.O. Box 1480

Covington, Louisiana 70434-1480

Samuel E. Smith, CPA
Patrick "Bobby" Broussard, CPA

(504) 892-4441 • Covington
(504) 892-4440 • Baton Rouge

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

To the Board of Commissioners
Sewerage District No. 6
St. Tammany Parish, Louisiana

We have audited the general purpose financial statements of Sewerage District No. 6, St. Tammany Parish, Louisiana, a component unit of the St. Tammany Parish Police Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated June 24, 1996.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Sewerage District No. 6, St. Tammany Parish, Louisiana, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed tests of the District's compliance with certain provisions of laws, regulations and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of management and others within the organization as well as the Louisiana Legislative Auditors. This opinion is not intended to limit the distribution of this report, which is a matter of public record.

Smith, Hurst & Associates, L.L.C.

June 24, 1996