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SEWERAGE DISTRICT NO. 6
ST. TAMMANY PARISH, LOUISIANA

COMPONENT UNIT FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

FOR THE YEARS 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 JUL 26 2000

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INDEPENDENT AUDITOR'S 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, 1999, and the related statements of revenues, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit 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, 1999, 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 8, 2000 on our consideration Sewerage District No. 6's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Smith, Huval & Associates, L.L.C.

June 8, 2000

Sewerage District No. 6
St. Tammany Parish, Louisiana

BALANCE SHEET

December 31, 1999

ASSETS

Current Assets

Certificates of deposit	\$ 30,196
Trade accounts receivable (note A-6)	20,728
Ad valorem taxes receivable (note E)	30,486
Other receivable	7,886
Interest receivable	<u>2,916</u>
Total current assets	92,212

Restricted Assets (note C)

Cash in bank	49,993
Certificates of deposit (note A-5)	<u>161,445</u>
Total restricted assets	211,438

Fixed Assets (notes A-3 and D)

Lines and equipment at cost, net of accumulated depreciation of \$721,042	1,123,402
Land - right of way	<u>70,288</u>
Total fixed assets	<u>1,193,690</u>
	<u>\$1,497,340</u>

The accompanying notes are an integral part of this statement.

Sewerage District No. 6
St. Tammany Parish, Louisiana

BALANCE SHEET

December 31, 1999

LIABILITIES AND FUND EQUITY

Current Liabilities	
Cash deficit	\$ 23,004
Accounts payable - trade	35,319
Due to other governmental agency	3,300
Total current liabilities	61,623
Current Liabilities (payable from restricted assets)	
Interest payable on bonds	21,422
Sewer deposits	16,393
Current maturities on bonds payable (note F)	14,928
Total current liabilities (payable from restricted assets)	52,743
Long-Term Debt, net of current maturities (note F)	
Revenue bonds payable	565,103
General obligation bonds payable	81,840
Total long-term debt	646,943
Total liabilities	761,309
Fund Equity	
Contributed Capital - EPA	1,385,027
Accumulated deficit (note H)	(648,996)
Total fund equity	736,031
	<u>\$1,497,340</u>

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, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating Revenue		
Service revenue	\$ 156,090	\$ 157,071
Ad valorem revenue	31,874	13,959
Other	<u>136,481</u>	<u>69,473</u>
Total operating revenue	<u>324,445</u>	<u>240,503</u>
Operating Expenses		
Sludge removal	91,223	26,624
Supplies	61,603	31,745
Depreciation	45,992	45,765
Consulting	38,922	41,198
Utility usage fees	37,255	36,965
Utilities	17,881	21,108
Legal and professional	8,854	14,879
Repairs and maintenance	3,185	14,563
Board meetings	2,160	2,160
Insurance	2,080	3,495
Miscellaneous	1,486	1,552
Secretary expense	<u>600</u>	<u>610</u>
Total operating expenses	<u>311,241</u>	<u>240,664</u>
Net operating income (loss)	13,204	(161)
Other Revenue (Expenses)		
Interest income	8,831	6,977
Interest expense	<u>(34,224)</u>	<u>(34,739)</u>
Total other revenue (expenses)	<u>(25,393)</u>	<u>(27,762)</u>
NET LOSS	(12,189)	(27,923)
Accumulated deficit at beginning of year	<u>(636,807)</u>	<u>(608,884)</u>
Accumulated deficit at end of year	<u>\$ (648,996)</u>	<u>\$ (636,807)</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, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Net operating income (loss)	\$ 13,204	\$ (161)
Adjustments to reconcile net operating income (loss) to cash provided by operations		
Depreciation	45,992	45,765
Decrease (increase) in trade accounts receivable	828	(1,556)
Increase in ad valorem taxes receivable	(14,609)	(222)
Increase in accounts payable	18,110	12,569
Total adjustments	50,321	56,556
Net cash provided by operating activities	<u>63,525</u>	<u>56,395</u>
 Cash flows from non-capital financing activities:		
Net receipts from customer deposits	<u>1,157</u>	<u>523</u>
Net cash provided by non-capital financing activities	<u>1,157</u>	<u>523</u>
 Cash flows from capital and related financing activities:		
Increase (decrease) in bank overdraft	(3,029)	3,886
Principal paid on bonds	(14,102)	(13,431)
Interest paid on bonds	(34,708)	(35,204)
Purchase of fixed assets	<u>(3,847)</u>	<u>(3,149)</u>
Net cash used in capital and related financing activities	<u>(55,686)</u>	<u>(47,898)</u>
 Cash flows from investing activities:		
Interest earned on investments	8,831	6,977
Increase in certificates of deposit	(14,559)	(5,646)
Net cash provided (used) in investing activities	<u>(5,728)</u>	<u>1,331</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	3,268	10,351
 Cash and cash equivalents at beginning of year	<u>46,725</u>	<u>36,374</u>
 Cash and cash equivalents at end of year	<u>\$ 49,993</u>	<u>\$ 46,725</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, 1999

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 includes:

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, 1999

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 exhaustible 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 lines	40 years

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Basis of accounting

The accompanying component unit 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, 1999, 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. Federal 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 and political subdivisions.

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

NOTE B - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 1999:

Demand deposits (including cash deficit)	<u>\$26,989</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, 1999, the District has \$220,050 in deposits, of which \$191,641 are certificates of deposit classified as investments. These deposits are secured from risk by \$128,409 of federal deposit insurance and \$91,641 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 2).

NOTE C - RESTRICTED ASSETS

Resolutions authorizing the issuance of two revenue bonds and one general obligation bond dated May 14, 1984; for \$672,000, \$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, 1999.

NOTE D - FIXED ASSETS

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

Property, plant and equipment	\$1,844,444
Less: accumulated depreciation	<u>(721,042)</u>
Balance at end of year	<u>\$1,123,402</u>

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

NOTE E - AD VALOREM TAXES

For the year ended December 31, 1999, the Sewerage District No. 6 was authorized to levy a special ad valorem tax of 14.00 mills on all property subject to taxation. The proceeds of this ad valorem tax is for the purpose of paying and securing 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 assessor of St. Tammany Parish, Louisiana.

NOTE F - LONG-TERM DEBT

The following is a summary of bond transactions of the Sewerage District No. 6 as of December 31, 1999.

	1999	1998
Revenue:		
Bonds payable at January 1	\$ 590,731	\$ 602,586
Bonds retired	12,447	11,855
Bonds payable at December 31	\$ 578,284	\$ 590,731
General Obligation:		
Bonds payable at January 1	\$ 85,242	\$ 86,818
Bonds retired	1,655	1,576
Bonds payable at December 31	\$ 83,587	\$ 85,242

Revenue Bonds:

\$672,000 Sewer District Revenue Bond dated May 14, 1984; balance due in annual principal installments beginning May, 1987 of \$39,843 including principal and interest, with interest at 5%. Final payment due May, 2024.

1999

\$ 561,504

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

NOTE F - LONG-TERM DEBT - Continued

Revenue Bonds - Continued: 1999

\$28,000 Sewer District Revenue Bond dated May 14, 1984; balance due in annual installments beginning May 1987 of \$3,037 including principal and interest, with interest at 9.5%. Final payment due May, 2009. 16,779

578,283

Less current maturities 13,180

\$ 565,103

General obligation bonds:

\$100,000 Sewer District General Obligation Bond dated May 14, 1984 balance due in annual installments beginning May 1987, of \$5,929 including principal and interest, with interest at 5%; secured by ad valorem taxes. Final payment due May, 2024. \$ 83,587

Less current maturities: 1,747

\$ 81,840

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

NOTE F - LONG-TERM DEBT - Continued

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

Year Ending <u>December 31</u>	Revenue <u>Bonds</u>	General Obligation <u>Bonds</u>
2000	\$ 42,880	\$ 5,929
2001	42,880	5,929
2002	42,880	5,929
2003	42,880	5,929
2004	42,880	5,929
Thereafter	<u>808,329</u>	<u>118,580</u>
	1,022,729	148,225
Less: Interest	<u>444,446</u>	<u>64,638</u>
	<u>\$ 578,283</u>	<u>\$ 83,587</u>

NOTE G - BOARD MEMBERS' PER DIEM PAYMENTS

	<u>1999</u>	<u>1998</u>
Walter Clairain, President	\$ 720	\$ 720
Theodore Hays	720	720
Charles Pounds	<u>720</u>	<u>720</u>
	<u>\$ 2,160</u>	<u>\$ 2,160</u>

NOTE H - ACCUMULATED DEFICIT

Accumulated deficit for the year ended December 31, 1999, consisted of the following:

Reserved	
Reserve for revenue and general obligation bond	\$ 137,900
Reserve for meter deposits	-
Reserve for contingency	20,795
Unreserved	<u>(807,691)</u>
	<u>\$ (648,996)</u>

Sewerage District No. 6
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1999

NOTE 1 - CONTINGENCY

One of the District's commercial customers, a local brewery, discharges incompatible substances which causes difficulty in the system's treatment of waste. To solve this problem, the District has entered into an agreement with the brewery to share the costs of monitoring the system. Additionally the brewery has constructed a pretreatment plant to allocate the burden on the system. At times during the year, effluent from the brewery exceeded that stipulated in the contract. On one instance, this condition caused the District's system to be in noncompliance with Louisiana Department of Environmental Quality (DEQ) standards.

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

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

We have audited the financial statements of the St. Tammany Parish Sewerage District No. 6 as of and for the two years ended December 31, 1999 and have issued our report thereon dated June 8, 2000. We conducted our audit in accordance with generally accepted auditing 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 St. Tammany Parish Sewerage District No. 6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 St. Tammany Parish Sewerage District No. 6'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 of 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 for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Huval & Associates, L.L.C.

June 8, 2000