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Financial Report

St. Tammany Parish Sewerage District No. 7

September 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or receiver, 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 1-12-00

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September 30, 1999

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors,
St. Tammany Parish Sewerage District No. 7,
State of Louisiana,
Slidell, Louisiana.

We have audited the accompanying general-purpose financial statements of St. Tammany Parish Sewerage District No.7, State of Louisiana (the District), a component unit of St. Tammany Parish, State of Louisiana as of and for the year ended September 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards required 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 St. Tammany Parish Sewerage District No. 7 as of September 30, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 17, 1999 on our consideration of the St. Tammany Parish Sewerage District No. 7's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The 1998 financial statements were compiled by us, and our report thereon, dated February 8, 1999, stated that we did not audit or review those financial statements and, accordingly, expressed no opinion or other form of assurance on them.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
November 17, 1999.

**BALANCE SHEETS - PROPRIETARY FUND TYPE -
ENTERPRISE FUND**

St. Tammany Parish Sewerage District No. 7

September 30, 1999 (Audited) and 1998 (Unaudited)

ASSETS

	<u>1999</u> <u>(Audited)</u>	<u>1998</u> <u>(Unaudited)</u>
Current		
Cash	\$ 13,822	\$ 12,808
Accounts receivables, net of allowance for doubtful accounts of \$34,000 in 1999 and \$66,000 in 1998	11,432	11,234
Prepaid insurance	2,000	1,940
Total current assets	<u>27,254</u>	<u>25,982</u>
Restricted Assets		
Cash and cash equivalents	140,760	82,761
Current portion of assessment receivables, including billed interest	188,425	203,964
Noncurrent portion of assessment receivables	65,480	94,060
Less allowance for assessment adjustment	(200,000)	(225,000)
Accrued interest on assessments	2,900	4,100
Real estate holdings	22,606	13,365
Total restricted assets	<u>220,171</u>	<u>173,250</u>
Sewer System, Building and Equipment		
Land	10,000	10,000
Sewerage system	4,085,373	4,061,683
Building	86,450	86,450
Furniture and fixtures	16,385	22,502
Transportation	-	20,173
Total sewer system, building and equipment	<u>4,198,208</u>	<u>4,200,808</u>
Accumulated depreciation	<u>(1,684,448)</u>	<u>(1,570,921)</u>
Net book value	<u>2,513,760</u>	<u>2,629,887</u>
Total assets	<u>\$ 2,761,185</u>	<u>\$ 2,829,119</u>

See notes to financial statements.

LIABILITIES

	1999 (Audited)	1998 (Unaudited)
Current Liabilities		
Due to EPA	\$ 128,599	\$ 124,461
Accounts payable	3,294	6,518
Accrued payroll taxes	-	397
Deposits	8,600	7,800
Total current liabilities	140,493	139,176

FUND EQUITY

Contributed Capital	2,353,375	2,484,392
Retained Earnings	267,317	205,551
Total fund equity	2,620,692	2,689,943

Total liabilities and fund equity	\$ 2,761,185	\$ 2,829,119
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**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE -
ENTERPRISE FUND**

St. Tammany Parish Sewerage District No. 7

For the years ended September 30, 1999 (Audited) and 1998 (Unaudited)

	1999 (Audited)	1998 (Unaudited)
Operating Revenues		
Sewerage fees	\$ 136,179	\$ 136,097
Late fees	2,466	2,434
Other	1,190	1,286
	<u>139,835</u>	<u>139,817</u>
Operating Expenses		
Personal services:		
Salaries	12,978	13,521
Board of Supervisor fees	3,240	2,940
Payroll taxes	1,272	1,304
	<u>17,490</u>	<u>17,765</u>
Supplies and materials:		
Repairs and replacement	22,543	16,368
Office expense	2,299	2,997
Postage	1,414	1,351
Truck expense	59	58
	<u>26,315</u>	<u>20,774</u>
Outside services:		
Treatment plant usage	40,217	44,922
Professional fees	6,129	7,874
Provision for bad debts (recovery)	(11,388)	(2,500)
Utilities	11,904	19,818
Insurance	6,113	6,933
Telephone	701	781
Security	360	360
	<u>54,036</u>	<u>78,188</u>
Depreciation	<u>139,817</u>	<u>138,634</u>
Total operating expenses	<u>237,658</u>	<u>255,361</u>
Operating loss (carried forward)	<u>(97,823)</u>	<u>(115,544)</u>

**Exhibit B
(Continued)**

	1999 (Audited)	1998 (Unaudited)
Operating loss (brought forward)	(97,823)	(115,544)
Non-Operating Revenue (Expense)		
Interest income from:		
Assessment receivables	16,695	24,153
Cash equivalents	4,351	2,519
Recovery of attorney and late fees on assessments	-	2,577
Sale of surplus equipment	4,810	-
Interest expense - EPA claim	(4,138)	(4,137)
Provision for assessment adjustments	6,854	-
Total non-operating revenue (expense)	28,572	25,112
Net loss	(69,251)	(90,432)
Transferred To Contributed Capital		
Depreciation	131,017	131,017
Increase In Retained Earnings	61,766	40,585
Retained Earnings		
Beginning of year	205,551	164,966
End of year	\$ 267,317	\$ 205,551

See notes to financial statements.

**STATEMENTS OF CASH FLOWS -
PROPRIETARY FUND TYPE - ENTERPRISE FUND**

St. Tammany Parish Sewerage District No. 7

For the years ended September 30, 1999 (Audited) and 1998 (Unaudited)

	1999 (Audited)	1998 (Unaudited)
Cash Flows From Operating Activities		
Operating loss	\$ (97,823)	\$ (115,544)
Adjustments to reconcile operating loss to cash provided by operating activities:		
Depreciation	139,817	138,634
Decrease (increase) in assets:		
Accounts receivable	(198)	823
Prepaid insurance	(60)	384
Increase (decrease) in current liabilities:		
Accounts payable	(3,224)	2,884
Accrued payroll taxes	(397)	217
Deposits	800	350
Total adjustments	136,738	143,292
Net cash provided by operating activities	38,915	27,748
Cash Flows From Capital and Related Financing Activities		
Collection of assessment receivable	34,627	39,437
Proceeds from sale of surplus equipment	4,810	-
Net cash provided by capital and related financing activities	39,437	39,437

**Exhibit C
(Continued)**

	1999 (Audited)	1998 (Unaudited)
Cash Flows From Investing Activities		
Interest income	4,351	2,519
Purchase of sewer lines and equipment	(23,690)	-
Net cash provided by (used in) investing activities	(19,339)	2,519
Net Increase In Cash	59,013	69,704
Cash and Cash Equivalents		
Beginning of year	95,569	25,865
End of year	\$ 154,582	\$ 95,569

Noncash Investing and Financing Activities:

During 1999 the District acquired real estate holdings of \$9,241 by seizing property on a delinquent assessment. In addition, interest on the EPA claim was accrued (\$4,138 in 1999 and \$4,137 in 1998).

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**St. Tammany Parish Sewerage District No. 7**

September 30, 1999 (Audited) and 1998 (Unaudited)

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Basis of Presentation**

The accompanying general-purpose financial statements of the St. Tammany Parish Sewerage District No. 7 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.

b. Reporting Entity

St. Tammany Parish Sewerage District No. 7 is a component unit of the St. Tammany Parish Police Jury, the governing body of the parish and the governmental body with oversight responsibility. The accompanying general-purpose 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 governmental reporting entity.

c. Fund Accounting

The St. Tammany Parish Sewerage District No. 7 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 continued basis be financed or recovered primarily through user charges.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is 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.

e. Use of Estimates

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

f. Cash and Cash Equivalents

Cash includes amounts in regular checking accounts and short-term investments in certificates of deposit.

g. Accounts Receivable

Accounts receivable represent uncollected sewerage and late fees which are billed monthly. An allowance for doubtful account has been provided for the District's estimate of possible charge-offs as adjustments for sewer receivables.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Restricted Assets

Restricted assets were originally set aside to retire long-term debt which was fully paid in 1997 with collections from assessments and operations. Since operations have funded long-term debt in excess of restricted assets, the restricted assets can be transferred to operations. The Board has restricted these funds until the claim with EPA is settled and then intends to use the balance of the funds for upgrading the sewerage system.

i. Sewer System, Building and Equipment

Fixed assets of the District are included on the balance sheet of the Fund. Interest costs incurred during construction were capitalized. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of 5 to 30 years.

Depreciation expense applicable to those fixed assets acquired through capital contributions is closed out to the related contributed capital accounts rather than retained earnings. It is considered preferable under the matching concept, as receipts of these fixed assets have been recorded as additions to contributed capital.

j. Compensated Absences

The District does not have a formal policy relating to vacation and sick leave.

k. Retirement

All employees are covered by social security.

l. Concentration of Credit Risk

The District provides services to an area near Slidell, Louisiana. This area is dependent on the New Orleans, Louisiana industries, fishing and tourism. The primary area of risk is in accounts receivable. Service fees are basically unsecured. Front footage assessments are secured by lien.

Note 2 - CASH AND CASH EQUIVALENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposit. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

For the year ended September 30, 1999, all of the District's cash and certificates of deposits were either insured by FDIC/FSLIC insurance or collateralized by securities held by the Federal Reserve Bank, of New Orleans.

Note 3 - ASSESSMENT RECEIVABLES

When the Sewer System was constructed, property owners were assessed for \$2,012,580 to help pay for the system. The property owners had the option of paying their assessment in full or the District would bill them over a 20-year period for their assessment including interest at 9%. Assessments are billed on or about May 1 each year and payment is due shortly thereafter. Current portion of assessment receivable at September 30, 1999 and 1998 includes an estimated May 1, 1999 and 1998 billing of principal of \$13,096 and \$15,678, respectively. The remaining portion represents unpaid interest and assessments previously billed.

Note 3 - ASSESSMENT RECEIVABLES (Continued)

Noncurrent assessment receivables represents assessments that are not scheduled to be billed until the following May. This principal amount will be billed in equal annual installments through May 2005 plus interest at 9%.

As of September 30, 1999, the District's assessment accounts were as follows:

<u>Delinquent</u>	<u>Number of Accounts</u>	<u>Current Portion of Assessment Receivables</u>	<u>Noncurrent Portion of Assessment Receivables</u>	<u>Total</u>
Never paid	7	\$108,746	\$ 11,873	\$120,619
Eleven years	1	2,559	424	2,983
Twelve	2	8,457	1,338	9,795
Ten years	8	23,451	5,778	29,229
Nine years	4	10,494	2,484	12,978
Eight years	-	-	-	-
Seven years	7	11,438	3,813	15,251
Six years	-	-	-	-
Five years	3	3,105	1,445	4,550
Four years	4	3,816	3,344	7,160
Three years	3	1,232	1,304	2,536
Two years	3	904	2,120	3,024
One year	7	1,127	4,045	5,172
Current	<u>61</u>	<u>-</u>	<u>40,608</u>	<u>40,608</u>
Subtotals	<u>110</u>	175,329	78,576	<u>\$253,905</u>
Amount to be billed May 1, 2000		<u>13,096</u>	<u>(13,096)</u>	
Totals		<u>\$188,425</u>	<u>\$ 65,480</u>	

The District has recorded \$200,000 in 1999 and \$225,000 in 1998 as an allowance for assessments adjustment on these receivables.

Note 4 - DUE TO EPA

On February 17, 1993, the United States Environmental Protection Agency (EPA) issued an audit report regarding the District's construction grant for the Sewer Plant. The report requested a refund of \$103,428. The District had requested a hardship waiver of the assessment. On April 20, 1999, the EPA communicated to the District that its hardship waiver had been denied and on June 10, 1999 issued a demand for payment of \$126,788. The EPA has expressed a willingness to allow the District to repay the debt over a period of up to five years and waive any interest. Until a resolution of this matter made, the District has accrued the entire claim as a liability. Beginning in September 1993, interest at 4% accrues on this claim. Interest in the amount of \$4,138 in 1999 and \$4,137 in 1998 was accrued. Accrued interest at September 30, 1999 was \$25,171.

Note 5 - CONTRIBUTED CAPITAL

A cumulative summary of the Enterprises Fund contributed capital is as follows:

Contributions in aid of constructing from:	
Environmental Protection Agency	\$ 2,058,651
Property owners	<u>2,012,580</u>
	4,071,231
Less depreciation on and write off of assets constructed substantially from funds supplied by contributions in aid of construction	<u>(1,717,856)</u>
Total	<u>\$ 2,353,375</u>

A summary of changes in the Enterprise Fund contributed capital is as follows:

Contributed capital at October 1, 1997	\$2,615,409
Depreciation - 1998	<u>(131,017)</u>
Contributed capital at September 30, 1998	2,484,392
Depreciation - 1999	<u>(131,017)</u>
Contributed capital at September 30, 1999	<u>\$2,353,375</u>

Note 6 - BOARD OF SUPERVISORS MEETINGS

Attendance and payment for Board of Supervisors meetings were as follows:

	Number of		Payment	
	<u>Meetings Attended</u>			
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Peter W. Amadeo	11	-	\$ 660	\$ -
Iris Calogero	13	13	780	780
Estelle Chretien	14	12	840	720
Robert A. Doll	3	13	180	780
Lois Mock	-	11	-	660
Donald Nach	10	-	600	-
Frank Skiles	-	13	-	-
Ricky Vice	3	-	<u>180</u>	<u>-</u>
Totals			<u>\$3,240</u>	<u>\$2,940</u>

Note 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction to assets, errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance in amounts it believes sufficient to cover the risks of loss to which it is exposed.

Note 8 - ECONOMIC DEPENDENCY

The District is dependent on the services of the City of Slidell for treatment plant usage.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

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

To the Board of Supervisors,
St. Tammany Parish Sewerage District No. 7,
State of Louisiana,
Slidell, Louisiana.

We have audited the general-purpose financial statements of St. Tammany Parish Sewerage District No. 7, State of Louisiana (the District), as of and for the year ended September 30, 1999, and have issued our report thereon dated November 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

This report is intended for the information of management, the State of Louisiana and the Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
November 17, 1999.

SCHEDULE OF FINDINGS

St. Tammany Parish Sewerage District No. 7

For the year ended September 30, 1999

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

St. Tammany Parish Sewerage District No. 7 did not receive any federal awards during the year ended September 30, 1999.

Section II - Financial Statement Findings

No financial statement findings were noted during the audit of the general-purpose financial statements for the year ended September 30, 1999.

Section III - Federal Award Findings and Questioned Cost

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

St. Tammany Parish Sewerage District No. 7

For the year ended September 30, 1999

St. Tammany Parish Sewerage District No. 7 was not audited for the year ended September 30, 1998.

MANAGEMENT'S CORRECTIVE ACTION PLAN

St. Tammany Parish Sewerage District No. 7

For the year ended September 30, 1999

Section I - Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were noted during the audit of the general-purpose financial statements for the year ended September 30, 1999. No reportable conditions were reported during the audit of the general-purpose financial statements for the year ended September 30, 1999.

Compliance

No compliance findings material to general-purpose the financial statements were noted during the audit for the year ended September 30, 1999.

Section II - Internal Control and Compliance Material To Federal Awards

St. Tammany Parish Sewerage District No. 7 did not receive any federal awards during the year ended September 30, 1999.

Section III - Management Letter

A management letter was not issued in connection with the audit of the general-purpose financial statements for the year ended September 30, 1999.