

**BRUCE HARRELL & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Accounting Corporation

Bruce C. Harrell, CPA

Wayne A. Webb, CPA

Michael F. Dwyer, CPA

Dale H. Jones, CPA

Charles F. Helms, CPA

108 West Missouri Park

Park Place Suite 7

Hammond, LA 70403

PHONE: (504) 542-6372

FAX: (504) 542-2126

REPTWOOD OFFICE:

P.O. Box 43 - 400 Park St.

Baton Rouge, LA 70802

PHONE: (504) 338-2415

FAX: (504) 339-2021

MEMBER

American Institute of CPAs

Society of Louisiana CPAs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN  
AUDIT OF COMPONENT UNIT 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

We have audited the component unit financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, for the year ended December 31, 1996, and have issued our report thereon dated March 12, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, "Standards for Financial Statements of State and Local Governments". These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit 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 under Government Auditing Standards.

This report is intended solely for the use of management, the Legislative Auditor, and Rural Economic and Community Development/Farm Service Agency. This limitation is not intended to limit the distribution of this report, which, upon acceptance by the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, is a matter of public record.



Bruce Harrell and Company, CPAs

A Professional Accounting Corporation

Baton Rouge, Louisiana

March 12, 1997

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOLA, LOUISIANA  
TANGIPAHOLA PARISH COUNCIL  
Amite, Louisiana  
Notes to the Financial Statements  
(Continued)**

**E. CASH AND 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 district 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 district may invest in United States bonds, treasury notes, or certificates. These are classified as investments if the original maturity exceed 90-days; however, if the original maturity are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

**F. 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.

**G. 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.

**H. RESTRICTED ASSETS**

Certain proceeds of the Escarpment Bond 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.

**I. FIXED ASSETS**

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all depreciable 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.

**J. COMPENSATED ABSENCES**

Employees of the Sewerage District No. 1 of the Parish of Tangipahola, Louisiana, are paid by the parish council and classified as employees of the parish council. The Tangipahola 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. Unused 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.

SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA  
TANGIPAHOA PARISH COUNCIL  
Amite, Louisiana  
(State-to-the-Financier) Statements  
(Continued)

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.

**K. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the Enterprise Fund.

**L. 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 charged to the contributed capital account.

**Reserves**

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

**2. CASH AND CASH EQUIVALENTS**

At December 31, 1996, the district has cash and cash equivalents (book balances) totaling \$41,371, as follows:

Interest-bearing Demand Deposits	\$ 8,128
Louisiana Asset Management Pool (LAMP)	33,209
Total	<u>\$ 41,371</u>

Cash and cash equivalents are included in the central depository account of the Tangipahoa Parish Council, and within the Louisiana Asset Management Pool (LAMP) account maintained by the Tangipahoa Parish Council. 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. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool Inc. (LAMPI), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of Louisiana, which operates a local government investment pool. Investments are stated at cost.

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 collateral bank that is mutually acceptable to both parties. At December 31, 1996,

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOLA, LOUISIANA  
TANGIPAHOLA PARISH COUNCIL  
Amite, Louisiana  
Notes to the Financial Statements  
(Continued)**

the parish covered has \$7,156,862 in deposits (polluted bank balances). Of the \$7,156,862, a total of \$6,820,690 are cash equivalents within the Louisiana Asset Management Pool Inc., LAMP account, and are restricted to securities issued, guaranteed or otherwise backed by the United States Treasury, the U.S. Government or one of its agencies, corporations, or instrumentalities, as well as repurchase agreements collateralized by these securities. The remaining cash deposits of \$336,170 (polluted bank balance) are secured from risk by \$180,000 of federal deposit insurance and \$156,170 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 2).

Even though the pledged securities are considered uncollateralized (Category 2) under the provisions of GASB Statement 3, Louisiana Revised Statute 19:1125 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 90 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

### **3. INVESTMENTS**

Investment in the Louisiana Asset Management Pool (LAMP) are categorized as cash equivalents and included in Footnote (2) above.

### **4. RECEIVABLES**

Pursuant to an ordinance adopted April 3, 1996, by the Tangipahola Parish Council, all water companies operating within the unincorporated portions of Tangipahola Parish must collect sewerage billings for Sewerage District No. 1 of the Parish of Tangipahola, Louisiana. The ordinance requires that the water company shall provide that any person failing to timely pay the water billing of sewerage charges within the prescribed time period for utility payments of said water company, then in that event, their water service shall be discontinued until all past due sewerage charges and account charges for sewerage billings are paid in full.

Each billing agent for the sewerage district issues a check for collections on account, along with a copy of the billing journal, directly to the Tangipahola Parish Council. As of December 31, 1996, the Sewerage District No. 1 of the Parish of Tangipahola, Louisiana, recorded accounts receivable of \$39,056. Pursuant to the above-stated ordinance, past due accounts are discontinued directly by the water company providing billing services, and the water company writes off bad debts as they become uncollectible. At fiscal year-end, the district had not established an allowance for uncollectible accounts.

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

Notes to the Financial Statements  
(Continued)

5. **FIXED ASSETS**

A summary of fixed assets at December 31, 1996, follows:

Description	Life Yrs	Cost	Accumulated Depreciation	Net	Depreciation Current
Land	-	\$ 34,981	\$ -	\$ 34,981	\$ -
Sewerage Systems	20	64,300	37,080	27,220	3,213
Sewerage Systems	24	50,400	25,200	25,200	2,100
Sewerage Systems	20	601,700	307,560	294,140	33,490
Sewerage Systems	40	791,288	68,636	681,612	68,782
Treatment Plants' Lift Stat.	20	30,000	5,500	4,500	300
Treatment Plants' Lift Stat.	24	40,000	20,000	18,000	1,600
Treatment Plants' Lift Stat.	30	317,150	64,130	253,020	30,472
Treatment Plants' Lift Stat.	40	90,000	18,750	71,250	2,250
Valves Sewerage Systems	40	695,688	13,681	643,007	13,681
Domestic Systems-1996	30	186,261	1,760	184,607	1,794
Machinery & Equipment	7	28,484	2,830	25,653	3,000
<b>Totals</b>		<u>\$2,574,264</u>	<u>\$ 383,830</u>	<u>\$ 2,190,434</u>	<u>\$ 71,084</u>

All assets are depreciated by the straight-line method. Total depreciation expense of \$71,084 was recorded for the fiscal year ending December 31, 1996.

6. **CONSTRUCTION IN PROGRESS**

As of December 31, 1996, the district had no construction in progress.

7. **PENSION PLAN**

*Plan Description:* Employees of the Sewerage District No. 1 of the Parish of Tangipahola, Louisiana participate in the pension plan for the Tangipahola Parish Council. Substantially all employees of the Tangipahola Parish Council, with the exception of the district attorney and assistant district attorneys, are members of the Parishwide 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 Tangipahola Parish Council are members of Plan A.

All permanent employees working at least 26 hours per week who are paid wholly or in part from parish funds and all elected officials are eligible to participate in the System. Under Plan A, employees who retire after age 60 with at least 10 years of creditable service, or at or after age 55 with at least 15 years of 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 percent of their final-average salary for each year of creditable service. However, for those employees that were members of the

**BERNARDINE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA  
TANGIPAHOA PARISH COUNCIL  
Amity, Louisiana  
Notes to the Financial Statements  
(Continued)**

supplemental plan only before January 1, 1988, the benefit is equal to one percent of the final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1985. Final average salary is the employee's average salary over the 36 consecutive or joint 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.

The System issues an annually publicly available financial report that includes financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parishal Employees Retirement System, Post Office Box 14639, Baton Rouge, Louisiana 70808-4639, or by calling (504) 938-1361.

**Funding Policy.** Under Plan A, members are required by state statute to contribute 5.5 per cent of their annual covered salary and the district is required to contribute at an actuarially determined rate. The current rate is 7.25 per cent of annual covered payroll. Contributions to the System also include one-fourth of one percent of the taxes to be shown 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 Louisiana Revised Statute 11:1105, the employee 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, 1996, 1995, and 1994, were \$3,235, \$3,293, and \$3,194, respectively, equal to the required contributions for each year.

#### **8. COMPENSATED ABSENCES**

At December 31, 1996, the district recorded accrued payroll of \$2,780. This amount consisted of \$2,088 in accrued payroll at December 31, 1995, and \$692 in accrued leave, computed in accordance with GASB Codification Section 530.

#### **9. LEASES**

The district records items under capital leases as assets and obligations in the accompanying financial statements. At December 31, 1996, one equipment item had been purchased under a capital lease, at a purchase price of \$17,659.

SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHULA, LOUISIANA  
TANGIPAHULA PARISH COUNCIL  
Amite, Louisiana  
Notes to the Financial Statements  
(Continued)

The following is a summary of future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of December 31, 1996:

Fiscal Year	Total
1997	\$ 4,200
1998	4,420
1999	4,420
2000	4,420
2001	1,600
Total Minimum Lease Payments	\$ 19,140
Less Amount Representing Interest	(2,890)
Present Value of Net Minimum Lease Payments	\$ 16,250

**10. LONG-TERM DEBT**

The following is a summary of bond transactions of the Sewerage District No. 1 of the Parish of Tangipahula, Louisiana for the year ended December 31, 1996:

	1995 RECD Sewer Revenue \$103,000	1993 RECD Sewer Revenue \$67,800	Total
Bonds Payable January 1, 1996	\$ 732,884	\$ 40,967	\$ 773,851
Bonds Retired/Adjustments	(6,982)	1,661	(5,321)
Bonds Payable December 31, 1996	\$ 725,902	\$ 42,628	\$ 768,530

The schedule above includes a correction by the lender (Rural Economic and Community Development) in the application of payments to the two outstanding bonds for the fiscal year ending December 31, 1996.

SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOLA, LOUISIANA  
TANGIPAHOLA PARISH COUNCIL  
Amite, Louisiana  
Notes to the Financial Statements  
(Continued)

Bonds Payable at December 31, 1996, are comprised of the following individual issues:

	Current Amount 12/31/96	Long-Term Amount 12/31/96	Total Principal Balance 12/31/96
<b>1993 Revenue Bonds:</b>			
\$733,000 utility bonds sold to RECID, dated 8/23/93; due in monthly installments of \$3860, through Feb. 3, 2003; interest at 5.625%	\$ 8,291	\$ 710,761	\$ 723,613
<b>1993 Revenue Bonds:</b>			
\$67,000 utility bonds sold to RECID, dated 10/29/93; due in monthly installments of \$364, through Feb. 3, 2003; interest at 5.625%	378	65,458	66,038
	\$ 6,229	\$ 782,813	\$ 789,080

The annual requirements to amortize all debt outstanding as of December 31, 1996, including interest payments of \$1,061,004 are as follows:

Year Ending December 31,	1993 RECID Revenue \$733,000	1993 RECID Revenue \$67,000	Total
1997	\$ 46,795	\$ 4,277	\$ 51,072
1998	46,795	4,277	51,072
1999	46,795	4,277	51,072
2000	46,795	4,277	51,072
2001	46,795	4,277	51,072
2002-2006	233,974	21,386	255,360
2007-2011	233,974	21,386	255,360
2012-2016	233,974	21,386	255,360
2017-2021	233,974	21,386	255,360
2022-2026	233,974	21,386	255,360
2027-2031	233,974	21,386	255,360
2032-2036	58,469	4,634	63,124
	\$ 1,678,369	\$ 154,335	\$ 1,832,704



Board of Commissioners  
Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Page 3

**Management Response:**

Management has provided to the Rural Economic and Community Development (RECD) office, a copy of the "Public Employee Discretionary Coverage" bond. This bond provides Market coverage of \$50,000 for public officials and employees of the Tangipahoa Parish Council. Receipts of funds for sewerage fees are received and recorded by the parish council, and disbursement of funds is made under the direction of the parish council.

**FINDING # 2:**

With the issuance of the 1995 Revenue Bonds, the Sewerage District contemplates that they will provide revenues sufficient to pay the reasonable expenses of operating and maintaining the system, and to fund all obligations of the district, including required reserves or sinking funds for bonded indebtedness. The district further contemplates that they will provide revenues, after paying all reasonable and necessary expenses of operating and maintaining the system, at least equal to 120% of the largest amount of principal and interest maturing on the bonds, and any subsequently issued parity bonds, in any succeeding fiscal year. The district contemplates to show a deficit in unreserved retained earnings of \$(10,181) for the fiscal year ending December 31, 1996, although the bond debt coverage factor of 120% was exceeded for the fiscal year ending December 31, 1996.

**Recommendation:**

For the fiscal year ending December 31, 1996, the bond debt coverage factor indicated net revenues (before interest expense and depreciation of 202% of the required bond and interest payments, compared to 114% for the fiscal year ending December 31, 1995. Although this shows a significant improvement in financial operation, the district still shows a deficit in unreserved retained earnings of \$(10,181). However, this also represents an improvement for the district, since the deficit decreased by \$27,177, from the prior fiscal year. We recommend that the district continue to monitor the level of revenues and expenses and the adequacy of the rate structure to further reduce the deficit in unreserved retained earnings.

**Management Response:**

We will continue to review the level of revenues and expenses, on a monthly basis, in order to reduce the deficit in unreserved retained earnings.

**FINDING # 3:**

Within the prior fiscal year audit, it was noted that sewerage customer rates are being disconnected for non-payment, within 30 days from the date on which such charges become delinquent, in accordance with requirements of the original bond resolution. In response, the Tangipahoa Parish Council approved an ordinance requiring water companies in Tangipahoa Parish to provide billing services for the sewerage district and to disconnect past due accounts in accordance with the prescribed time period for utility payment of said water company. The ordinance provides that all sewerage fees must be paid before re-cesses of water service. This ordinance was a positive step in complying to bond covenants, but the sewerage district is still required, under the terms specified in a letter dated August 29, 1996, from the Rural Economic and Community Development office, to amend the approved bond resolution to reflect changes in disconnect policy.

Board of Commissioners  
Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Page 3

**Recommendation:**

We recommend that the sewerage district revise the original bond resolution to reflect the change in discount policy, submit the change to the bond holder for approval, and then bring the resolution to the board of commissioners of the sewerage district for final approval.

**Management Response:**

We will revise the original bond resolution to conform to established policy for discounting of accounts, and will obtain the necessary approvals from the bond holder.

**FINDING # 4:**

The original bond covenants specified that a penalty will be charged on past due accounts, interest will be charged on past due accounts, and a reconnect charge will be assessed when the delinquent account is reconnected. We found no evidence to indicate that these charges were being assessed by the water companies providing billing services for the sewer district.

**Recommendation:**

Since billing services must be provided by municipal water companies, the Tangipahoa Parish Council has taken a prudent step in passage of the above described ordinance. However, the original bond covenants require a 10% penalty on past due accounts and interest of not less than 5% per annum on delinquent accounts after 10 days from the date of the delinquency, and a reconnect charge. We recommend that the district either notify the water companies providing billing services of these requirements, or request a specific waiver of these requirements from the Rural Economic and Community Development bond requirements.

**Management Response:**

The board of commissioners of the sewerage district will meet to determine the appropriate response to the Rural Economic and Community Development bond requirements.

**FINDING # 5:**

It was noted in the prior year audit, that some customers were not being billed for services.

**Recommendation:**

The recommendation was that all customers be billed.

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

Page 4

**Management Response:**

In response, the Tangipahoa Parish Council enacted the above-referenced ordinance requiring "water companies" to provide billing services for the sewerage district.

In our opinion, except for those instances of non-compliance noted above, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, complied, in all material respects, with the requirement governing reporting that is applicable to its major federal financial assistance program for the year ended December 31, 1996.

This report is intended for the information of management, the Legislative Auditor, and Rural Economic and Community Development/Farm Service Agency. However, this report is a matter of public record and its distribution is not limited.

  
Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

Kennerly, Louisiana  
March 12, 1997

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CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

Bruce C. Harrell, CPA

Myron S. Wood, CPA  
Richard P. King, CPA  
Dale H. Jones, CPA  
Charles P. Nelson, CPA

100 West Mississippi Park  
Park Plaza, Suite 7  
Baton Rouge, LA 70803  
Office: (504) 344-8172  
Fax: (504) 344-8174

KENTWOOD OFFICE  
P.O. Box 61 - 580 5th St.  
Kenner, LA 70146  
Phone: (504) 225-1800  
Fax: (504) 225-1801

**MEMBER**  
American Institute of CPAs  
Society of Louisiana CPAs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL  
REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Board of Commissioners  
Sovereign District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Tangipahoa Parish Council  
Avoye, Louisiana

We have audited the component unit financial statements of the Sovereign District No. 1 of the Parish of Tangipahoa, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated March 12, 1997.

We have applied procedures to test the Sovereign District No. 1 of the Parish of Tangipahoa, Louisiana's compliance with the following requirements applicable to its Federal financial assistance programs, which is identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1996: political activity; Davis-Bacon Act; civil rights; cash management; federal financial reports; or administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Sovereign District No. 1 of the Parish of Tangipahoa, Louisiana's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Sovereign District No. 1 of the Parish of Tangipahoa, Louisiana, had not complied, in all material respects, with those requirements.

This report is intended for the information of the management, the Legislative Auditor, and Rural Economic and Community Development/Parks Service Agency. However, this report is a matter of public record and its distribution is not limited.

  
Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

Kennerwood, Louisiana  
March 12, 1997

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA  
TANGIPAHOA PARISH COUNCIL  
Amite, Louisiana  
Notes to the Financial Statements  
(Continued)**

For the fiscal year ending December 31, 1986, the district made the twelve required deposits of \$212.80 per month, and also deposited a total of \$1,702.80, for the period of May, 1985, through December, 1985, for a total balance of \$8,186 at December 31, 1986.

- d) The establishment and maintenance of the "Sewer Depreciation and Contingency Fund" (the Contingency Fund) to pay 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 25<sup>th</sup> of each month the sum of \$100 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. The system improvements financed with the 1985 Revenue Bonds became serious projecting on April 15, 1985, although the district began making deposits to this fund in January, 1985.

For the fiscal year ending December 31, 1985, the district made the twelve required deposits of \$200, and maintained a balance of \$4,872 at fiscal year end.

- e) The district, in the bond resolution dated January 6, 1983, also 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 18% will be charged on all delinquent accounts, and interest of not less than 1% per annum will be charged on delinquent accounts after 18 days from the date of delinquency.
  3. The district will charge a residential rate of \$10.50 per month, and a commercial rate of \$38.00 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 three months 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, uncollectible, unsalable, or unnecessary to 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, or any other charge having priority or parity with the liens of the Bonds upon the income and revenues of the System pledged as security therefor.
  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 liability bond or district performance bond.
  11. That the district will take all action necessary to require connection to its sewer system to the extent permitted by law.

In relation to items (1) and (2) above, concerning the discounting of accounts, and the charges to delinquent accounts, the Tangipahoa Parish Council approved an ordinance on April 8, 1986, 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

accounts maintained on the books as past due. Also, we recommend that the sewerage district obtain information from the water companies as to the recovery of bad debts written off, to determine if the interests of the sewerage district are properly protected.

**C. Management Response to Audit Recommendations:**

We will review the policies of the water companies for write-off of bad debts, and send the notifications of policy, as required. We will also review the water companies' policies for collection of bad debts to determine that the interests of the sewerage district are taken into consideration.

**FIDELITY BONDS FOR BILLING AGENTS**

**A. Weaknesses in Internal Controls:**

We noted that fidelity bonds are provided for all parish employees and officials of the Tangipahoa Parish Council, as required by the Rural Economic and Community Development (RECD) office. However, a substantial part of the risk for loss would be with the water companies, since the water companies collect the fees for sewerage billings and then remit these fees to the Tangipahoa Parish Council.

**B. Current Year Audit Recommendations:**

It is likely that most of the water companies have obtained their own fidelity bond coverage. However, we recommend that the sewerage district immediately obtain verification of fidelity coverage from the water companies, and also obtain assurance that the interests of the sewerage district are protected under the terms of the fidelity bonds. The amount of fidelity bond coverage should be in an amount that covers the maximum exposure, usually the total cash on hand for sewer collections, at any one time during the fiscal year.

**C. Management Response to Audit Recommendations:**

We will obtain the information on fidelity bond coverage to insure that the interests of the sewerage district are properly protected.

It has been our pleasure to perform this financial audit for you. We will be glad to meet with you in trying to provide assistance in implementing the above recommendations.

Respectfully submitted,



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

Board of Commissioners  
Sewerage District No. 1 of the  
Parish of Tangipahoa, Louisiana  
Page 2

be material to the financial statements being audited may have 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 operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the sewerage district in a separate letter dated March 12, 1997.

This report is intended solely for the information of the management, the Legislative Auditor, and Rural Economic and Community Development/Voice Service Agency. However, this report is a matter of public record and its distribution is not limited.

  
Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

Erstwood, Louisiana  
March 12, 1997

SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOLA, LOUISIANA  
TANGIPAHOLA PARISH COUNCIL  
Amite, Louisiana  
Notes to the Financial Statements  
(Continued)

**11. FLOW OF FUNDS, RESTRICTIONS ON USE**

As of December 31, 1996, the Sewerage District No. 1 of the Parish of Tangipahola, Louisiana, has two Rural Economic Community Development (RECD) Revenue Bonds. The total authorized issue of \$200,000 consists of two bonds (issued on March 3, 1993, of \$70,000 and \$67,000, both issued at an annual interest rate of 5.625%. The original bond resolutions 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:

- c) The issuer, the Sewerage District No. 1 of the Parish of Tangipahola, 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 make the same then 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 operating and maintaining the System, at least equal to 100% 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, 1996, the bond-debt coverage factor indicated net revenues (before interest expense and depreciation) were 202% of the required bond principal and interest payments, as compared to a ratio of 134% for the fiscal year ending December 31, 1995. The deficit in retained earnings is identified in Paragraph 13 (Deficit-Retained Earnings), and in the "Independent Auditor's Report on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs".

- f) 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 Economic and Community Development, on a monthly basis.

- g) The establishment of the "Sewer Revenue Bond Reserve Fund" (the Reserve Fund) by transferring from the Sewer Revenue Fund, the opening account of the district, monthly in advance on or before the 20<sup>th</sup> of each month a sum at least equal to five per cent (5%) of the amount to be paid each month for bond principal and interest payments. The actual amount to be transferred for bonds outstanding at December 31, 1996, per the RECD Letter of Conditions, was a total of \$212.50 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 outstanding twelve month period. 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 Economic and Community Development office, for which there would otherwise be default. Deposits to the Reserve Fund were required to commence with the month following completion and acceptance of the improvements and associated financed with the proceeds of the bonds. The system improvements financed with the 1993 Revenue Bonds became revenue producing on April 18, 1995. The district began making the required deposits in May, 1995.



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

For the purpose of this report, we have classified the significant internal control policies and procedures used in administering federal financial assistance programs in the following categories:

- 1) Cash Receipts
- 2) Cash Disbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1986, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, expended 100% of its total federal financial assistance under major federal financial assistance programs.

We performed test of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the sewer district in a separate letter dated March 12, 1987.

This report is intended for the information of management, the Legislative Authority, and Rural Economic and Community Development-Plans Service Agency. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

Kennerly, Louisiana  
March 12, 1987

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

STATEMENT A

**COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE**  
December 31, 1998 and 1997

	Enterprise Fund	
	1998	1997
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 35,208	\$ 11,582
Accounts Receivable, Net	32,058	37,280
Total Current Assets	<u>67,266</u>	<u>48,862</u>
<b>Restricted Assets:</b>		
Cash - RECD Depreciation & Contingency Fund	4,872	2,428
Cash - RECD Bond Reserve Fund	4,258	-
Total Restricted Assets	<u>9,130</u>	<u>2,428</u>
<b>Property, Plant and Equipment:</b>		
Land	34,881	32,180
Sewerage Systems	2,519,253	1,737,041
Total Property, Plant and Equipment	<u>2,554,134</u>	<u>1,769,221</u>
<b>Less: Accumulated Depreciation</b>		
Net Property, Plant and Equipment	<u>(285,850)</u>	<u>(214,793)</u>
Total Assets	<u>\$ 3,289,807</u>	<u>\$ 1,496,291</u>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities:</b>		
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts Payable	\$ 5,058	\$ 5,080
Cash Overdraft	1,875	-
Salaries and Wages Payable	2,978	3,421
Current Installment-Capital Lease	5,415	-
Due to Other Funds	-	32,580
Due to Others	34,607	-
Total Current Liabilities (Payable From Current Assets)	<u>51,933</u>	<u>41,501</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Current RECD Bond Payable	5,828	-
Accrued RECD Bond Interest	2,680	5,093
Total Current Liabilities (Payable From Restricted Assets)	<u>8,508</u>	<u>5,093</u>

Continued on the following page.

The accompanying notes are an integral part of these statements.

**BRUCE BARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Organization

Steve C. Barrell, CPA

Warren A. Webb, CPA  
Michael F. Denny, CPA  
Dale H. Zook, CPA  
Charles F. Helms, CPA

100 West Mississippi Park  
Park Place, Suite 7  
Harrison, LA 70460  
WCAC# 15841 542-6079  
EAC# 15041 343-3135

**KENTWOOD OFFICE**  
P.O. Box 43 • 803 Park St.  
Kenner, LA 70146  
WCAC# 15069 519-9910  
EAC# 15041 519-9911

**MEMBERS**  
American Institute of CPAs  
Society of Louisiana CPAs

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

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

We have audited the component unit financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, for the year ended December 31, 1996, and have issued our report thereon dated March 12, 1997. We have also audited the compliance of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 12, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments". These standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement and whether the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended December 31, 1996, we considered the internal control structure of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, in order to determine our auditing procedures for the purpose of expressing our opinions on the component unit financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, and on the compliance of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs.

The management of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, is responsible for establishing and maintaining an internal control structure. In carrying 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, that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any system of internal control structure, errors, irregularities, or instances of noncompliance 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.

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

STATEMENT C

**COMPARATIVE STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE**  
Years Ended December 31, 1998 and 1997

	1998	1997
<b>Cash Flows from Operating Activities:</b>		
Operating Income (Loss)	\$ 25,493	\$ (12,626)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
<b>Provided by Operating Activities:</b>		
Depreciation	71,264	62,366
Changes in Accounts Receivable	11,760	13,825
Changes in Accounts Payable	(55)	(24,834)
Changes in Cash Over/short	1,874	-
Changes in Accrued Expenses	-	(29,898)
Changes in Due to Other Funds	(32,500)	4,800
Changes in Salaries and Wages Payable	(442)	-
Changes in Due to Others	24,887	-
Changes in Accrued RECD Bond Interest	(2,374)	-
<b>Total Adjustments</b>	58,017	17,563
<b>Net Cash Provided by (Used For) Operating Activities</b>	84,121	5,937
<b>Cash Flows from Non-capital Financing Activities:</b>		
Operating Transfer In	-	25,080
<b>Net Cash Provided by Non-capital Financing Activities</b>	-	25,080
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Proceeds from Revenue Bonds	-	58,580
Proceeds from Capital Lease	27,650	-
Proceeds from Sale of Assets	-	14,500
Principal Repayments-		
RECD Bond - 92-01	(6,182)	(3,082)
RECD Bond - 92-02	3,881	(8,022)
Capital Lease	(5,398)	-
Interest Payments - RECD Loan	(44,022)	(44,550)
Interest Payments Capital Lease	(1,527)	-
Payments for Capital Additions	(28,690)	(18,842)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	(53,972)	(22,894)
<b>Net Cash Increase for Year</b>	30,149	(16,957)
<b>Cash at Beginning of Year</b>	13,738	31,895
<b>Cash at End of Year</b>	\$ 43,887	\$ 14,938

The accompanying notes are an integral part of these statements.

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOLA, LOUISIANA  
TANGIPAHOLA PARISH COUNCIL  
Amite, Louisiana  
Notes to the Financial Statements  
(Continued)**

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 discontinued until all past due sewerage charges and payment charges for sewerage billings are paid in full. The said water company shall also be authorized to collect a penalty for sewerage charges associated with its discontinuation of the said customer from water service due to the customer's failure to pay sewerage charges.

The sewer rate schedule (Item 2), the schedule of sewerage coverage (Item # 3) and fidelity bond coverage (Item 6) are disclosed in the "Supplemental Information" schedules included as a part of this audit report. Non-compliance was not noted in the review of the remaining bond covenants.

## **12. FUND EQUITY**

Reserved Retained Earnings 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.

## **13. DEFICIT UNRESERVED RETAINED EARNINGS**

The sewer district has an unreserved retained earnings deficit of \$(18,199) for the fiscal year ending December 31, 1996. However, during the current year, the sewer district's deficit unreserved retained earnings decreased by \$21,117. The sewer district will continue to monitor its revenues and expenses in order to reduce its unreserved retained earnings.

## **14. SEWER SYSTEM MANAGEMENT**

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

SUPPLEMENTAL INFORMATION

Coverage District No. 1 of the Parish of Tangipahoa, Louisiana  
 Tangipahoa Parish Council  
 Bogalusa, Louisiana

SCHEDULE 1

Schedule of Federal Financial Assistance  
 For the Year Ended December 31, 1988

Federal Grant or Contract Agency or Account	Federal CFDA Number	Program or Account	Cash Accrued Amount at December 31, 1988	Receipts or Revenues Recognized	Debtors' and Expenses	Cash Accrued Amount at December 31, 1988
Federal Grants in excess of Budget Under Program Title	10418	\$ 735,280	\$ 129,874	\$ -	\$ 6,192	\$ 729,812
U. S. Department of Agriculture Water and Waste Disposal Systems For Rural Communities	10418	67,285	67,285	-	(2,087)	65,198
-Loan Repayments						
-Loan Repayments (Adjustments)						
Total Loan Activity			\$ 197,170	\$ -	\$ 3,137	\$ 194,033

Note 1: The Schedule of Federal Assistance presented above is a summary of the cash activity of the Parish's federal award programs, and does not report transactions that would be included in the financial statements of the Parish, based on the accrual basis. This schedule does include a correction by the Parish (Parish Economic and Community Development) in the application of payments to the loan repaying bonds for the fiscal year ending December 31, 1988.

The accompanying notes are an integral part of these statements.

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

Schedule 2

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS**  
For the Year Ended December 31, 1998

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 44 of the 1979 Session of the Louisiana Legislature.

<u>NAME</u>	<u>Amount</u>
Jimmy Reid, President	\$1,340
Paul Stropola, Vice-President	1,300
James Harpot, Secretary	800
Raymond Wheeler, Commissioner	1,300
Kenny Schatzle, Commissioner	700
Louis Hoover, Commissioner	680
Harold Hodges, Commissioner	880
	<u>\$6,640</u>

<u>Board of Commissioners</u>	<u>Address</u>	<u>Term of Office</u>
Jimmy Reid, President	21148 North Ave. Bossier, La. 70605	Expires March 1998
Paul Stropola, Vice-President	42308 Cottonwood Drive Houma, LA 70403	Expires March 1998
James Harpot, Secretary	21054 Harpot Lane Loringo, LA 70446	Expires March 2000
Raymond Wheeler	61002 Beech Road Amite, LA 70402	Expires March 1998
Kenny Schatzle	39183 Dutch Lane Fouchatoula, LA 70454	Expires March 2000
Louis Hoover	29803 Louis Hoover Ln. Fouchatoula, LA 70454	Term Expired
Harold Hodges	1170 Hwy. 1663 Independence, LA 70440	Term Expired

The accompanying notes are an integral part of this statement.



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

Schedule 3

SCHEDULE OF INSURANCE  
For the Year Ended December 31, 1998

Insurance Company	Coverage	Amount	Period
National Casualty Company Policy # CP90016209	Commercial General Liability: General Aggregate Limit (other than Products / Completed Operations)	\$300,000	3/01/96 3/01/97
	Products / Completed Operations Aggregate Limit	\$300,000	
	Personal and Advertising Injury	\$100,000	
	Each Occurrence Limit	\$100,000	
	Risk Damage Limit	\$ 50,000	
National Casualty Company Policy # CP 80816209	Commercial Property: Underground L&B Pumps	\$ 25,000	3/01/96 3/01/97
	Accidents	\$ 10,000	
National Casualty Company Policy # CP 00016209	Commercial Inland Marine: \$25,000 - 1994 1300 Backhoe Loader	\$ 25,000	3/01/96 3/01/97
Public Government Risk Management Agency Policy # 8049 (See Note 1 Below)	Workers' Compensation and Employers' Liability	100/500/100	3/01/96 3/01/97
Western Surety Policy # 1828467 (Note 1)	Public Employee Dishonesty Coverage	\$ 50,000	1/01/92 Until Cancelled

Note 1: Workers' Compensation and Public Employee Dishonesty coverages are provided for the Tangipahoa Parish Council, as named insured.

The accompanying notes are an integral part of this statement.

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

Schedule 4

SCHEDULE OF SEWERAGE CUSTOMERS  
For the Year Ended December 31, 1996

As of December 31, 1996, the sewerage district had the following number of customers.

Sewer-Residential	1,219
Sewer-Commercial	<u>9</u>
Total Customers	<u>1,228</u>

SCHEDULE OF SEWERAGE RATES  
For the Year Ended December 31, 1996

At December 31, 1996, the sewerage district had adopted the following rate schedule.

<u>Category of Service</u>	<u>Flat Rate/Year</u>
Sewer-Residential	\$20.00
Sewer-Commercial	\$20.00

The accompanying notes are an integral part of this statement.

**BRUCE HARBELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

Bruce C. Harbell, CPA

William A. Wood, CPA  
Michael P. Dwyer, CPA  
Dale H. Jones, CPA  
David E. Wilmore, CPA

100 West Mississippi Park  
Park Place Suite 7  
Harrington, LA 70440  
OFFICE: (504) 310-8170  
FAC: (504) 341-1134

KENTWOOD OFFICE  
P.O. Box 43 - 803 106 St.  
Greenville, LA 70444  
OFFICE: (504) 310-0044  
FAC: (504) 310-5831

**MEMBER**  
American Institute of CPAs  
Society of Louisiana CPAs

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF COMPONENT UNIT 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

We have audited the component unit financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, for the year ended December 31, 1996, and have issued our report thereon dated March 12, 1997.

We have conducted our audit in accordance with generally accepted auditing standards, *Governments Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audit of State and Local Governments." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatements.

The management of the Sewerage District No. 1 of the Parish of Tangipahoa, 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 recorded 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 and irregularities may nevertheless occur and not be detected. Also, perception 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 effect of errors of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the component unit financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, for the year ended December 31, 1996, we obtained an understanding of the 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 component unit financial statements and not to provide assurance 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 one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would

**BRUCE BARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

Bruce C. Barrell, CPA

Walter A. Ward, CPA

Michael P. Boley, CPA

Deb H. Jarrin, CPA

Charles P. Silver, CPA

100 West Mississippi Park  
Park Place Suite 7  
Hammond, LA 70401  
VOICE: (504) 942-6372  
FAX: (504) 343-3156

MEMPHIS OFFICE  
P.O. Box 67 • 662 Park St.  
Birmingham, LA 70444  
VOICE: (504) 879-0893  
FAX: (504) 879-5953

MEMBER  
American Institute of CPAs  
Society of Louisiana CPAs

**MANAGEMENT LETTER**

March 12, 1997

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

We have examined the component unit financial statements of the Sewerage District No. 1, as of and for the years ended December 31, 1996, and 1995. In planning and performing our audit, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure. However, we noted certain weaknesses in the internal control structure, that, if corrected, would improve the ability of management of the Sewerage District No. 1 to record, process, summarize, and report financial data consistent with the objectives of management. The format below lists "Weaknesses in Internal Controls", and "Current Year Audit Recommendations", followed by "Management Response to Audit Recommendations".

**UTILITY BILLING SYSTEM - STANDARDIZATION OF BILLING PROCESS**

**A. Weaknesses in Internal Controls:**

Since the fees for sewerage services are billed and collected by separate water companies, policies that relate to the disconnection of sewerage services are controlled by the water company. To allow more control over the billing process, the Tangipahoa Parish Council enacted an ordinance requiring water companies in the rural and unincorporated areas of Tangipahoa Parish to provide billing services for the sewerage district, to disconnect sewerage services in accordance with the disconnection policy for the water company, and to require that all sewerage service fees be paid in full before reconnecting the water service. Although this ordinance increases the sewerage district's control over the billing process, the district still does not have final control over the write-off of bad debts for the sewerage district. Write-off of bad debts are written off by the water companies as the debt becomes uncollectible.

**B. Current Year Audit Recommendations:**

We recommend that the sewerage district notify the water companies providing billing services that the write-off of bad debts of the sewerage district requires the approval of the Board of Commissioners of Sewerage District No. 1 of Tangipahoa Parish, Louisiana. Although it may not be practical to write-off uncollectible debts each month, we recommend that each water company submit, at a minimum, a listing of accounts for write-off at least by the end of the fiscal year. These accounts should be carried on the books of the water district until formal approval of the write-off by the board of commissioners of the sewerage district. Monthly billing reports submitted to the Tangipahoa Parish Council should list, in addition to the current billings, the

**BRUCE HARBELL & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL ACCOUNTING CORPORATION

Bruce C. Harbell, CPA

Wesley A. Wood, CPA

Michael P. Emery, CPA

Dale H. Jones, CPA

Charles P. Nelson, CPA

109 West Minnesota Park

Park Place Suite 7

Hammond, LA 70403

PHONE: (504) 942-0172

FAX: (504) 343-3156

KENTWOOD OFFICE

P.O. Box 45 - 404 Park St.

Gretnada, LA 70044

PHONE: (504) 228-0911

FAX: (504) 228-0911

MEMBERS

American Institute of CPAs

Society of Louisiana CPAs

**INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

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

We have audited the component unit financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated March 12, 1997. These component unit financial statements are the responsibility of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audit of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the component unit financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.



Bruce Harbell and Company, CPAs  
A Professional Accounting Corporation

Kentwood, Louisiana

March 12, 1997

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOLA, LOUISIANA  
TANGIPAHOLA PARISH COUNCIL,  
Amite, Louisiana  
Notes to the Financial Statements  
(Continued)**

5. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.
3. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.
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.

Because the parish council appoints the governing board and the scope of public service is determined by the parish council, the district was determined to be a component unit of the Tangipahola Parish Council, the financial reporting entity. The accompanying financial statements present information only on the fund maintained by the district and does not present information on the parish council, the general governmental 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 the Parish of Tangipahola, 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 net 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 the meters are read. 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.

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

TANGIPAHOLA PARISH COUNCIL  
AMITE, LOUISIANA

ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 1996

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the parish, its members, 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: 4-2-97

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

**TANGIPAHOLA PARISH COUNCIL  
AMITE, LOUISIANA**

*Component Unit Financial Statements  
As of and for the Year Ended December 31, 1996  
With Supplemental Schedules*

**CONTENTS**

	Statement	Schedule	Page
INDEPENDENT AUDITOR'S REPORT .....			4
INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE .....			5
<b>COMPONENT UNIT FINANCIAL STATEMENTS:</b>			
<b>PROPRIETARY FUND - ENTERPRISE FUND:</b>			
COMPARATIVE BALANCE SHEET .....	A		6
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN UNRESERVED RETAINED EARNINGS (BUDGET AND ACTUAL) ....	B		8
COMPARATIVE STATEMENT OF CASH FLOWS .....	C		9
NOTES TO THE FINANCIAL STATEMENTS .....			10
<b>SUPPLEMENTARY INFORMATION:</b>			
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE .....		1	23
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS .....		2	34
SCHEDULE OF INSURANCE .....		3	35
SCHEDULE OF SEWERAGE CUSTOMERS AND SCHEDULE OF SEWERAGE RATES .....		4	36
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....			23
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS .....			19



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

TANGIPAHOLA PARISH COUNCIL  
AMITE, LOUISIANA

Component Unit Financial Statements  
As of and for the Year Ended December 31, 1996  
With Supplemental Schedules

CONTENTS  
(Continued)

	Statement	Schedule	Page
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS .....			31
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS .....			32
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS .....			36

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOLA, LOUISIANA  
TANGIPAHOLA PARISH COUNCIL  
Ardit, Louisiana**

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1998

**INTRODUCTION**

Sewerage District No. 1 of the Parish of Tangipahola, Louisiana was established May 12, 1985, by an ordinance of the Tangipahola Parish Council. The ordinance, created 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 Tangipahola Parish Council. Subsequent revisions and amendments of the original ordinance have extended the boundaries of the district to all unincorporated areas of Tangipahola Parish.

Sewerage District No. 1 of the Parish of Tangipahola, Louisiana was then created and constituted 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 subdivisions, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Sewerage District No. 1 of the Parish of Tangipahola, Louisiana serves 1,218 sewer customers. The district currently has two employees with responsibility for operation and maintenance of the sewer systems. The district contracts the billing of sewer customers to outside billing agents.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying component unit financial statements of the Sewerage District No.1 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**

As the governing authority of the parish, the Tangipahola Parish Council is the financial reporting entity for Tangipahola Parish. The financial reporting entity consists of (a) the primary government (parish itself), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which such unit is 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 Tangipahola Parish Council for financial reporting purposes. The basic criteria 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 parish council to impose its will on that organization and/or

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
*a Professional Accounting Corporation*

Bruce C. Harrell, CPA

Thomas A. Wood, CPA  
Michael P. Bray, CPA  
Dale H. Isaac, CPA  
Charles J. Hefner, CPA

107 West Minnesota Park  
Park Place Suite 7  
Hammond, LA 70403  
PHONE: (504) 343-8373  
FAX: (504) 343-3334

MEMPHIS OFFICE  
P.O. Box 43 • 689 Park St.  
Birmingham, LA 70804  
PHONE: (504) 399-0505  
FAX: (504) 399-2931

MEMBERS  
American Institute of CPAs  
Society of Louisiana CPAs

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying component unit financial statements of the Sovereign District No. 1 of the Parish of Tangipahoa, Louisiana, as of December 31, 1998 and 1997, and for the years then ended. These component unit financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133, "Audits of State and Local Governments". These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit 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 the Sovereign District No. 1 as of December 31, 1998 and 1997, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The schedules listed in the table of contents and presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Sovereign District No. 1 of the Parish of Tangipahoa, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

Hammond, Louisiana  
March 12, 1999

**BRUCE HARRELL & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
Accounting • Auditing • Tax Services

Bruce C. Harrell, CPA

Warren A. Webb, CPA

Michael P. Emery, CPA

Dale H. Jones, CPA

Charles F. Helms, CPA

109 West Minnesota Park  
Park Place Suite 7  
Harmon, LA 70403  
VOICED: (504) 343-6632  
FAX: (504) 343-8156

WESTWOOD OFFICE  
P.O. Box 45 • 400 Park St.  
Bossier, LA 70604  
VOICED: (504) 228-2100  
FAX: (504) 228-2101

MEMBER  
American Institute of CPAs  
Society of Louisiana CPAs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

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

We have audited the component unit financial statements of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated March 12, 1997.

We have also audited the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's compliance with the requirements governing reporting and bond reserve requirements that is applicable to its major Federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1996. The management of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana is responsible for the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-133, "Audit of State and Local Governments." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed the following material instances of non-compliance with the requirements referred to in the second paragraph above:

**FINDING # 1:**

It was noted in the prior fiscal year that no officers or employees of the Sewerage District are covered by a fidelity or theft performance bond.

**Recommendation:**

The recommendation was that fidelity bonds be obtained for officers or employees in positions of authority or in possession of money derived from the operation of the system.

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

STATEMENT A

**COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE**

(continued)

December 31, 1998 and 1997

	Enterprise Fund	
	1998	1997
<b>Long-Term Liabilities:</b>		
<del>Revenue Bonds Payable -</del>		
RRCO-Loan 82-01	\$ 717,381	\$ 328,854
RRCO-Loan 82-02	85,450	62,987
Capital Lease	18,837	-
Total Long-Term Liabilities	821,668	391,841
Total Liabilities	821,668	391,841
<b>Fund Equity:</b>		
Contributed Capital	1,750,042	858,112
Lease Accumulated Amortization	(328,337)	(219,823)
Net Contributed Capital	1,421,705	638,289
<b>Retained Earnings:</b>		
Reserved for RRCO Bond Depreciation and Contingency	4,872	2,436
Reserved for RRCO Bond Reserve Fund	4,296	-
Unreserved - (Deficit)	(10,185)	(21,339)
Total Retained Earnings (Deficit)	(1,017)	(18,903)
Total Fund Equity	1,420,688	619,386
 Total Liabilities and Fund Equity	\$ 2,242,356	\$ 1,011,227

(Continued)

The accompanying notes are an integral part of these statements.

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

STATEMENT B

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED  
RETAINED EARNINGS (BUDGET AND ACTUAL) PROPRIETARY FUND TYPE**  
Year Ended December 31, 1995  
And Actual for the Year Ended December 31, 1994

	Enterprise Fund			
	1994 Budget	1994 Actual	Variance- Favorable (Unfavorable)	1995 Actual
<b>Operating Revenues</b>				
Storage Fees	\$ 281,500	\$ 281,600	\$ 6,000	\$ 230,087
Maintenance Fees - Landfill	6,000	6,000	6,000	-
Interest Income	1,200	2,200	800	11
Miscellaneous Revenue	1,200	2,400	1,200	52
<b>Total Operating Revenues</b>	<u>291,900</u>	<u>292,200</u>	<u>11,800</u>	<u>230,150</u>
<b>Operating Expenses</b>				
Salaries	51,000	51,001	(7)	42,387
Payroll Taxes	2,800	2,536	264	1,656
Pensioners Contributions	3,400	3,206	194	3,299
Board Meetings	6,700	6,845	145	3,668
Office Supplies	200	-	200	100
Telephone	3,200	3,627	(327)	1,828
Operating Supplies	5,800	3,841	1,959	2,835
Equipment Rentals	9,800	2,878	6,924	6,818
Server Plant Maintenance	71,000	71,708	2,844	80,542
Equipment Maintenance	7,800	6,454	1,346	2,404
Fuels, Charges, and Rentals	8,000	9,873	(1,873)	10,558
Professional Services	20,100	20,100	(8,871)	22,844
Insurance	14,200	10,830	3,370	11,100
Taxes	10,800	9,852	948	9,806
Membership Dues & Fees	100	-	100	100
Official Publications	1,000	900	100	179
Advertising	500	-	500	208
Delegative Expense	70,100	71,084	(7,000)	52,260
Miscellaneous	1,400	-	1,400	180
<b>Total Operating Expense</b>	<u>259,500</u>	<u>276,830</u>	<u>(28,000)</u>	<u>240,101</u>
<b>Net Operating Income</b>	<u>42,400</u>	<u>20,000</u>	<u>(17,570)</u>	<u>(10,000)</u>
<b>Non-Operating Revenue (Expense):</b>				
Interest Expense	(48,000)	(48,140)	(8,140)	(44,800)
Gain (Loss) on Sale of Assets	-	-	-	(8,200)
<b>Total Non-Operating Revenue (Expense)</b>	<u>(48,000)</u>	<u>(48,140)</u>	<u>(8,140)</u>	<u>(53,000)</u>
<b>Net Income (Loss) before</b>				
Operating Transfer-Out	3,000	(28,600)	(25,220)	(52,800)
Operating Transfer-In	-	-	-	28,000
<b>Net Income (Loss)</b>	<u>\$ 3,000</u>	<u>(28,600)</u>	<u>\$ (25,220)</u>	<u>\$ (28,800)</u>
Amortization of Contributed Capital		45,400		
Increase in Reserve for Contingencies		6,600		
(Deficit) Retained Earnings-Unreserved				
January 1, 1995		(21,210)		
(Deficit) Retained Earnings-Unreserved December 31, 1995		<u>\$ (30,180)</u>		

The accompanying notes are an integral part of these statements.