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Financial Report

St. Tammany Parish Sewerage District No. 7

September 30, 1996

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September 30, 1996

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Louisiana Account

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, 1996, 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. The general purpose financial statements of St. Tammany Parish Sewerage District No. 7, State of Louisiana as of September 30, 1995, were audited by other auditors whose opinion dated January 27, 1996 on these statements were qualified because of the departure from generally accepted accounting principles describe in the third paragraph.

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

As more fully described in Note 3 to the general purpose financial statements, the District has not determined an allowance for doubtful assessment receivables in accordance with generally accepted accounting principles. The effect of that departure on the general purpose financial statements is not reasonably determinable.

In our opinion, except for the effects of the matter as discussed in the preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of St. Tammany Parish Sewerage District No. 7 as of September 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Bougein Bennett, LLC.

Certified Public Accountants.

New Orleans, La.,
November 27, 1996.

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

St. Tammany Parish Sewerage District No. 7

September 30, 1996 and 1995

ASSETS

| | 1996 | 1995 |
|---|--------------------|--------------------|
| Current | | |
| Cash | \$ 5,916 | \$ 11,450 |
| Accounts receivable (net of \$81,000 in 1996 and \$83,000 in 1995 allowance for doubtful accounts) | 9,308 | 9,937 |
| Prepaid insurance | 2,653 | 2,058 |
| Total current assets | <u>17,477</u> | <u>23,445</u> |
| Restricted Assets | | |
| Cash and cash equivalents | 171,376 | 70,308 |
| Current portion of assessment receivables including billed interest | 179,300 | 175,737 |
| Noncurrent portion of assessment receivables | 151,516 | 208,017 |
| Less allowance for assessment adjustment | (195,000) | (195,000) |
| Accrued interest on assessments | 6,400 | 11,149 |
| Real estate holdings | 15,516 | 7,485 |
| Total restricted assets | <u>288,208</u> | <u>273,467</u> |
| Sewer System, Building and Equipment | | |
| Land | 10,000 | 10,000 |
| Sewerage system | 4,061,689 | 4,061,683 |
| Building | 86,450 | 86,450 |
| Furniture and fixtures | 22,592 | 22,592 |
| Transportation | 20,373 | 20,173 |
| Total sewer system, building and equipment | <u>4,200,904</u> | <u>4,200,908</u> |
| Accumulated depreciation | <u>1,283,654</u> | <u>1,155,921</u> |
| Net book value | <u>2,917,154</u> | <u>3,045,787</u> |
| Totals | <u>\$3,213,829</u> | <u>\$3,342,699</u> |

See notes to financial statements.

LIABILITIES AND FUND EQUITY

| | <u>1996</u> | <u>1995</u> |
|---|--------------------|--------------------|
| Current | | |
| Current liabilities (payable from current assets): | | |
| Due to EPA | \$ 106,187 | \$ 112,059 |
| Accounts payable | 3,739 | 1,119 |
| Deposits | <u>6,480</u> | <u>4,700</u> |
| | <u>116,406</u> | <u>117,869</u> |
| Current liabilities (payable from recycled assets): | | |
| Current maturity of long-term debt | 103,289 | 97,432 |
| Accrued interest | <u>17,661</u> | <u>22,613</u> |
| | <u>120,950</u> | <u>120,045</u> |
| Total current liabilities | <u>237,356</u> | <u>237,914</u> |
| Long-Term Liabilities | <u>83,464</u> | <u>204,763</u> |
| Total liabilities | <u>320,820</u> | <u>442,677</u> |
| Fund Equity | | |
| Contributed capital | 2,746,425 | 2,877,442 |
| Retained earnings | <u>138,664</u> | <u>62,509</u> |
| Total fund equity | <u>2,885,089</u> | <u>2,940,012</u> |
| Totals | <u>\$3,203,832</u> | <u>\$3,342,699</u> |

**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, 1996 and 1995

| | 1996 | 1995 |
|------------------------------------|----------------|----------------|
| Operating Revenues | | |
| Sewerage fees | \$ 132,807 | \$ 96,328 |
| Late fees | 4,169 | 24,219 |
| Other | 2,430 | 1,254 |
| | <u>139,406</u> | <u>121,801</u> |
| Operating Expenses | | |
| Personal services: | | |
| Salaries | 10,373 | 8,589 |
| Board of Supervisor fees | 1,559 | 350 |
| Contract labor | 834 | 1,135 |
| Payroll taxes | 825 | 349 |
| | <u>13,591</u> | <u>10,423</u> |
| Supplies and materials: | | |
| Repairs and replacement | 19,581 | 27,421 |
| Office expense | 1,684 | 1,706 |
| Postage | 1,293 | 1,374 |
| Travel expense | 709 | 32 |
| | <u>23,267</u> | <u>30,533</u> |
| Outside services: | | |
| Treatment plant usage | 25,329 | 20,779 |
| Professional fees | 10,368 | 3,788 |
| Provision for bad debts (recovery) | (743) | 16,782 |
| Utilities | 10,891 | 11,541 |
| Insurance | 6,599 | 8,094 |
| Telephone | 785 | 345 |
| Security | 380 | 360 |
| | <u>59,904</u> | <u>68,772</u> |
| Depreciation | <u>138,832</u> | <u>138,812</u> |
| Total operating expenses | <u>279,804</u> | <u>249,302</u> |
| Operating loss (carried forward) | (89,968) | (127,541) |

**Exhibit B
(Continued)**

| | 1996 | 1995 |
|--|-------------------|------------------|
| Operating loss (brought forward) | <u>(80,068)</u> | <u>(127,547)</u> |
| Non-Operating Revenue (Expense) | | |
| Interest income from: | | |
| Assessment receivables | 28,715 | 34,021 |
| Cash equivalents | 3,892 | 1,084 |
| Recovery of attorney and late fees on assessments | 7,216 | 4,291 |
| Interest expense - long term debt | (17,881) | (22,613) |
| Interest expense - EPA claim | (4,137) | (4,137) |
| Provision for assessment adjustments | <u>-</u> | <u>(8,882)</u> |
| Total non-operating revenue (expense) | <u>15,025</u> | <u>4,660</u> |
| Net loss | <u>(74,943)</u> | <u>(122,940)</u> |
| Transferred To Contributed Capital Depreciation | <u>131,017</u> | <u>131,016</u> |
| Increase In Retained Earnings | 56,074 | 8,070 |
| Retained Earnings | | |
| Beginning of year | <u>62,990</u> | <u>54,870</u> |
| End of year | <u>\$ 119,064</u> | <u>\$ 62,940</u> |

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, 1996 and 1995

| | 1996 | 1995 |
|---|--------------|--------------|
| Cash Flows From Operating Activities | | |
| Operating loss | \$ (893,968) | \$ (127,547) |
| Adjustments to reconcile operating loss to cash provided by operating activities: | | |
| Depreciation | 138,633 | 138,817 |
| Decrease (increase) in assets: | | |
| Accounts receivable | 629 | (1,846) |
| Prepaid insurance | (595) | 580 |
| Increase (decrease) in current liabilities: | | |
| Accounts payable | 2,620 | (1,945) |
| Deposits | 1,700 | 1,000 |
| Total adjustments | 142,987 | 136,608 |
| Net cash provided by operating activities | 52,019 | 9,061 |
| Cash Flows From Capital and Related Financing Activities | | |
| Collection of assessment receivable | 79,658 | 64,169 |
| Interest paid on long-term debt | (22,613) | (14,586) |
| Payment on long-term debt | (37,422) | (138,746) |
| Net cash used for capital and related financing activities | (377) | (109,157) |
| Cash Flows From Investing Activities | | |
| Interest income | 2,892 | 1,084 |
| Investment in seized properties | - | (894) |
| Net cash provided by investing activities | 2,892 | 190 |
| Net Increase (Decrease) In Cash | 55,534 | (99,506) |
| Cash and Cash Equivalents | | |
| Beginning of year | 81,358 | 181,464 |
| End of year | \$ 137,892 | \$ 81,958 |

See notes to financial statements.

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

September 30, 1996 and 1995

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 these 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 fire fees which are billed monthly. In 1996, the District increased rates for sewerage fees by approximately 40% and changed the monthly fire fees from 3% of the outstanding balance to a \$2 charge. An allowance account has been provided for the District's estimate of possible charge-offs as adjustments for sewer receivables.

h. **Restricted Assets**

Restricted assets are set aside to retire long-term debt. Restricted cash and cash equivalents represents collections on assessments.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Absence

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. Fleet storage assessments are secured by lien.

m. Reclassification

Certain 1995 amounts have been reclassified to conform with 1996 classifications. Such reclassifications had no effect on reported increase in retained earnings.

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, 1996, 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 Home Loan Bank of Atlanta.

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 amount in full or the District would bill them over a 30-year period for their assessment including interest at 9%. Assessments are billed on or about May 1st each year and payment is due shortly thereafter. Current portion of assessment receivable at September 30, 1995 and 1996 includes an estimated May 1, 1997 and 1998 billing of principal of \$18,540 and \$23,498, respectively. The remaining portion represents unpaid interest and assessments previously billed.

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%.

Note 3 - ASSESSMENT RECEIVABLES (Continued)

As of September 30, 1995, the District's assessment accounts were as follows:

| Delinquent | Number of Accounts | Current Portion of Assessment Receivables | Noncurrent Portion of Assessment Receivables | Total |
|---------------------------------------|-----------------------|---|--|------------------|
| Never paid | 7 | \$ 84,380 | \$ 17,981 | \$102,361 |
| Ten years | 3 | 14,206 | 2,560 | 17,766 |
| Nine years | 5 | 9,531 | 4,560 | 13,791 |
| Eight years | 2 | 3,548 | 2,008 | 7,556 |
| Seven years | 9 | 22,362 | 10,408 | 32,770 |
| Six years | 6 | 8,958 | 6,038 | 15,036 |
| Five years | 2 | 794 | 3,194 | 3,988 |
| Four years | 11 | 3,085 | 10,339 | 13,334 |
| Three years | 1 | 641 | 1,288 | 1,927 |
| Two years | 5 | 1,399 | 3,699 | 4,498 |
| One year | 19 | 3,266 | 17,384 | 20,650 |
| Current | 81 | — | 93,693 | 93,693 |
| Subtotal | 151 | 160,269 | 170,436 | \$330,739 |
| Amount to be billed May 1, 1997 | | — | (18,940) | |
| Total | | \$179,200 | \$151,516 | |

The District is reviewing various alternatives to resolve the above delinquent assessments. At the present time, there is not sufficient information for the District to make a reasonable estimate of the collectibility of the above accounts in accordance with generally accepted accounting principles.

The District has recorded \$195,000 in 1996 and 1995 as an allowance for assessments adjustment on these receivables.

Note 4 - DUE TO EPA

On February 13, 1983, 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 plans on contesting certain areas of the report. Until a resolution of the audit is made, the District has accrued the entire claim as a liability. Beginning in September 1983, interest at 4% accrues on this claim. For the years ended September 30, 1986 and 1985, \$4,137 in interest was accrued for each year. Accrued interest at September 30, 1986 was \$12,788.

Note 5 - LONG-TERM DEBT

The following is a summary of bond transactions of the St. Tammany Parish Sewerage District No. 7 for the years ended September 30, 1985 and 1986:

| | <u>Sewer Certificates</u> |
|-------------------------------------|-------------------------------|
| Bonds payable at October 1, 1984 | \$400,838 |
| Bonds retired - 1985 | <u>138,346</u> |
| Bonds payable at September 30, 1985 | 262,492 |
| Bonds retired - 1986 | <u>57,422</u> |
| Bonds payable at September 30, 1986 | <u>\$205,070</u> |

Sewer Certificates:

| | |
|--|------------------|
| \$1,330,000 Sewer Certificates dated October 4, 1985; balance due in annual principal installments of \$65,500 plus annual interest payment through June 1, 2005, with interest at 8-5/8%. | <u>\$204,363</u> |
|--|------------------|

Note 5 - LONG-TERM DEBT (Continued)

The annual requirement to amortize this debt as of September 30, 1996 is as follows:

| <u>Year Ending</u> | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|--------------------|-----------------|------------------|------------------|
| 1997 | \$17,661 | \$119,299 | \$136,960 |
| 1998 | 7,661 | 65,900 | 73,561 |
| 1999 | 1,722 | 19,964 | 21,686 |
| 2000 | - | - | - |
| 2001 | - | - | - |
| 2002 | - | - | - |
| 2003 | - | - | - |
| 2004 | - | - | - |
| 2005 | - | - | - |
| Total | \$27,044 | \$204,763 | \$231,807 |

The District has made some prepayment of principal on this debt (including \$53,799 for the year ending September 30, 1997). Annual requirements of principal payments are reflected based on the original amortization schedule. The District believes the annual minimum amount may be waived or lowered in future years because of prepayments made. Interest has been reflected based on the scheduled principal payments. Any additional prepayment will lower total interest expense. A waiver or reduction in future years of scheduled principal payments will increase total interest cost.

The letter of condition from U. S. Department of Agriculture (Formerly Farmers Home Administration) for the Sewer Certificates issued required two separate accounts which are:

- a. Reserve account where 5% of the annual debt service per year is deposited until there is an accumulated amount equal to the highest annual debt service payable in any future year.
- b. Depreciation and contingency reserve fund where \$8,400 annually would be deposited.

In 1994, the District was given permission to use the funds in these separate accounts to prepay principal. Since that time, instead of funding these two accounts, the District has used excess funds to prepay principal.

Note 6 - CONTRIBUTED CAPITAL

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

| | |
|--|---------------------|
| Contributions in aid of constructing from: | |
| Environmental Protection Agency | \$ 2,058,631 |
| Property owners | <u>2,012,580</u> |
| | 4,071,211 |
| Less depreciation on and write off | |
| of assets constructed substantially | |
| from funds supplied by contributions | |
| in aid of construction | <u>(1,324,896)</u> |
| Total | <u>\$ 2,746,415</u> |

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

| | |
|---|--------------------|
| Contributed capital at October 1, 1994 | \$3,668,438 |
| Depreciation - 1995 | <u>(131,613)</u> |
| Contributed capital at September 30, 1995 | 2,877,442 |
| Depreciation - 1996 | <u>(131,613)</u> |
| Contributed capital at September 30, 1996 | <u>\$2,746,425</u> |

Note 7 - BOARD OF SUPERVISORS MEETINGS

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

| | Number of Meetings Attended | | Payment | |
|------------------|-----------------------------|------|----------------|--------------|
| | 1996 | 1995 | 1996 | 1995 |
| Robert A. Doll | 10 | 11 | \$ 500 | \$550 |
| Frank Skiles | 11 | 11 | - | - |
| Jim Calogero | 7 | N/A | 350 | - |
| Estelle Christie | 8 | N/A | 400 | - |
| Lois Mack | 6 | N/A | 300 | - |
| Totals | | | <u>\$1,550</u> | <u>\$550</u> |

Note 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft, 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 9 - ECONOMIC DEPENDENCY

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



BOURGEOIS BARNETT

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE 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,
Slidell, Louisiana

We have audited the general purpose financial statements of St. Tammany Parish Sewerage District No. 7 (the District), a component unit of St. Tammany Parish, State of Louisiana, as of and for the year ended September 30, 1996, and have issued our report thereon dated November 27, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the District, for the year ended September 30, 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 general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters, which are listed in the accompanying schedule, involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted that all reportable conditions which are described in the accompanying schedule involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the general purpose financial statements of the District, for the year ended September 30, 1996.

This report is intended solely for the use of management, the State of Louisiana and the Legislative Auditor for the State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board of Supervisors, is a matter of public records.

Burgess Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
November 27, 1996.

SCHEDULE OF REPORTABLE CONDITIONS

St. Tammany Sewerage District No. 7

For the year ended September 30, 1996

1) Condition

Accounts Receivable - Sewer Fees

Past due accounts represents over 50% of the receivable balance.

Recommendation

Collection efforts are needed on past due accounts.

Response

Recommendation to be followed. District has implemented plans to take past due accounts to small claims court.

2) Condition

Assessment Receivable

At September 30, 1996, sewerity assessments accounts are delinquent. These sewerity accounts represent \$207,675 of which \$160,228 is currently due.

Recommendation

Collection efforts are needed on past due accounts.

Response

Recommendation to be followed. District attorney's office has been retained to collect past due accounts.

SCHEDULE OF REPORTABLE CONDITIONS (Continued)

St. Tammany Sewerage District No. 7

For the year ended September 30, 1996

3) Condition

Internal Control Structure

Separation of duties is difficult to achieve because of limited office staff.

Recommendation

Since it appears that the District will only have one employee, separation of duties cannot be obtained. Therefore, it is essential that a properly designed accounting system with balancing controls be designed and maintained.

Response

The management of the District believes its present system is adequate.

All reportable conditions were findings in the prior year.



Emergentis Bennett

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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,
Slidell, Louisiana.

We have audited the general purpose financial statements of St. Tammany Parish Sewerage District No. 7 (the District), a component unit of St. Tammany Parish, State of Louisiana, as of and for the year ended September 30, 1996, and have issued our report thereon dated November 27, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws and regulations. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

This report is intended solely for the use of management, the State of Louisiana and the Legislative Auditor for the State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board of Supervisors is a matter of public records.

Bongers Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.
November 27, 1996



Bourgeois Bennett

November 27, 1996

To the Board of Supervisors
St. Tammany Parish Sewerage District No. 7
P. O. Box 3118
Slidell, Louisiana 70459

**STATEMENT ON AUDITING STANDARDS NO. 60 -
COMMUNICATION OF REPORTABLE CONDITIONS TO THE AUDIT
COMMITTEE**

Reportable Conditions

In planning and performing our audit of the general purpose financial statements of the St. Tammany Parish Sewerage District No. 7 for the year ended September 30, 1996, we considered its internal control structure 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 structure. However, we noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Generally accepted accounting principles (GAAP) requires management to make judgments and accounting estimates on certain matters. One such estimate, allowance for doubtful accounts, must be made for the general purpose financial statements to be in accordance with GAAP. As of September 30, 1996, the aging status of assessment receivables were as follows:

| Delinquent | Number of Accounts | Current Portion of Assessment Receivables | Noncurrent Portion of Assessment Receivables | Total |
|---------------|-----------------------|---|--|------------------|
| Never paid | 7 | \$ 84,380 | \$ 17,981 | \$102,361 |
| Ten years | 3 | 14,200 | 3,560 | 17,760 |
| Nine years | 5 | 9,531 | 4,260 | 13,791 |
| Eight years | 2 | 3,348 | 2,008 | 7,556 |
| Seven years | 9 | 22,962 | 10,406 | 32,368 |
| Six years | 6 | 8,938 | 6,038 | 15,036 |
| Five years | 2 | 794 | 1,094 | 1,888 |
| Four years | 11 | 9,095 | 10,239 | 19,334 |
| Three years | 1 | 641 | 1,286 | 1,927 |
| Two years | 5 | 1,299 | 3,099 | 4,498 |
| One year | 19 | 3,266 | 17,384 | 20,650 |
| Current | 81 | 40 | 93,082 | 93,082 |
| Totals | 151 | \$100,280 | \$120,456 | \$220,736 |

Seventy delinquent accounts total \$237,675. These accounts must be reviewed by management and a determination made on the collectibility of the assessments and the enforcement of property liens. During the year ended September 30, 1996, the District has worked with the District Attorney's office in an attempt to follow-up on delinquent accounts. This effort has had some success and we understand that renewed efforts are planned for the current year.

As of September 30, 1996, the District has not been able to quantify what an adequate reserve for doubtful accounts should be. At September 30, 1995, an estimate of \$195,000 was made. This same estimate was used for 1996.

Included in the never paid category is assessment #1780 due from the State Park in the amount of \$87,403. Management should determine if this is a valid assessment enforceable and collectible.

To the Board of Supervisors
St. Tammany Parish Sewerage District No. 7
November 27, 1996
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A manual subsidiary ledger exists for control of assessment receivables. This record must be posted timely and balanced to the general ledger control. Computerization of this ledger would provide for greater control.

The District also has an outstanding claim from EPA in the amount of \$100,428 plus accrued interest to September 30, 1996 of \$12,759. If this is not resolved, the District has to find a source of revenue to pay the claim.

This report is intended solely for the information and use of Board of Supervisors and management of St. Tammany Parish Sewerage District No. 7, the State of Louisiana and the Legislative Auditor for the State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board of Supervisors, is a matter of public records.


Benjamin B. Smith, L.P.A.
Certified Public Accountants



BOURQUELLIS BENEDETTI

November 23, 1996

To the Board of Supervisors
St. Tammany Parish Sewerage District No. 7
P. O. Box 3118
Slidell, Louisiana 70459

**STATEMENT ON AUDITING STANDARDS NO. 61
MATTERS REQUIRED TO BE COMMUNICATED TO THE AUDIT COMMITTEE**

1) Auditor's responsibility under generally accepted auditing standards

Our audit was conducted in accordance with generally accepted auditing standards, and was designed to obtain reasonable, rather than absolute, assurance about whether the general purpose financial statements are free of material misstatement.

An audit includes the evaluation of the internal control structure which includes the following three elements:

a) Control environment

The control environment reflects the overall attitude, awareness, and actions of the board of supervisors and management concerning the importance of control and its emphasis in the entity.

b) Accounting system

The accounting system consists of the methods and records established to identify, assemble, analyze, classify, record, and report an entity's transactions and to maintain accountability for the related assets.

c) Control procedures

Control procedures are those policies and procedures, in addition to the control environment and accounting system, that management has established to provide reasonable assurance that specific entity objectives will be achieved. Generally, they pertain to:

- Proper authorization of transactions and activities.

To the Board of Supervisors
St. Tammany Parish Sewerage District No. 7
November 27, 1996
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This report is intended solely for the information and use of Board of Supervisors and management of St. Tammany Parish Sewerage District No. 7, the State of Louisiana and the Legislative Auditor for the State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board of Supervisors, is a matter of public record.



Certified Public Accountant

CLAF