



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

**TANGIPAHOA PARISH COUNCIL  
AMITE, LOUISIANA**

Component Unit Financial Statements  
As of and for the Year Ended December 31, 1997  
With Supplemental Schedules

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

Component Unit Financial Statements  
As of and For the Year Ended December 31, 1997  
With Supplemental Schedules

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
Sewerage 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 Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, a component unit of the Tangipahoa Parish Council, as of December 31, 1997, and for the year then ended, as listed in the Table of Contents. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 statements 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 Sewerage District No. 1 as of December 31, 1997, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 1998, on our examination of the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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 are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Sewerage 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 & Co.*

Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

March 13, 1998

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

STATEMENT A

**BALANCE SHEET - PROPRIETARY FUND TYPE**  
December 31, 1997

**Assets**

**Current Assets:**

|                          |               |
|--------------------------|---------------|
| Cash                     | \$ 18,023     |
| Accounts Receivable, Net | 44,241        |
| Total Current Assets     | <u>62,264</u> |

**Restricted Assets:**

|  |               |
|--|---------------|
| Cash - RUS Depreciation & Contingency Fund | 7,388         |
| Cash - RUS Bond Reserve Fund               | 8,910         |
| Total Restricted Assets                    | <u>16,298</u> |

**Property, Plant and Equipment:**

|                                     |                  |
|-------------------------------------|------------------|
| Land                                | 54,381           |
| Sewerage Systems                    | 2,079,888        |
| Total Property, Plant and Equipment | <u>2,134,269</u> |

**Less: Accumulated Depreciation**

|                                   |                     |
|-----------------------------------|---------------------|
|                                   | <u>(481,854)</u>    |
| Net Property, Plant and Equipment | 1,652,415           |
| Total Assets                      | <u>\$ 2,332,985</u> |

**Liabilities and Fund Equity**

**Liabilities:**

**Current Liabilities (Payable From Current Assets):**

|   |               |
|---|---------------|
| Accounts Payable  | \$ 6,879      |
| Cash Overdraft  | 713           |
| Salaries and Wages Payable                              | 2,182         |
| Current Obligations-Capital Lease                       | 9,451         |
| Due to Others   | -             |
| Total Current Liabilities (Payable From Current Assets) | <u>18,225</u> |

**Current Liabilities (Payable From Restricted Assets):**

|  |               |
|--|---------------|
| Current RUS Bond Payable                                   | 7,251         |
| Accrued RUS Bond Interest                                  | 3,282         |
| Total Current Liabilities (Payable From Restricted Assets) | <u>10,533</u> |

Continued on the following page

The accompanying notes are an integral part of these statements.

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

STATEMENT A

**BALANCE SHEET - PROPRIETARY FUND TYPE**  
(Continued)  
December 31, 1987

|  |                  |
|--|------------------|
| <b>Long-Term Liabilities:</b>                      |                  |
| Revenue Bonds Payable -                            |                  |
| RUS Loan 83-81                                     | \$ 710,288       |
| RUS Loan 83-82                                     | 84,797           |
| Capital Lease                                      | 21,780           |
| Total Long-Term Liabilities                        | <u>796,865</u>   |
| Total Liabilities                                  | <u>828,118</u>   |
| <b>Fund Equity:</b>                                |                  |
| Contributed Capital                                | 1,688,842        |
| Less: Accumulated Amortization                     | (377,917)        |
| Net Contributed Capital                            | <u>1,310,925</u> |
| <b>Retained Earnings:</b>                          |                  |
| Reserved for RUS Bond Depreciation and Contingency | 7,368            |
| Reserved for RUS Bond Reserve Fund                 | 8,810            |
| Unreserved - (Deficit)                             | (18,980)         |
| Total Retained Earnings (Deficit)                  | <u>(4,802)</u>   |
| Total Fund Equity                                  | <u>1,306,123</u> |
| <br>Total Liabilities and Fund Equity              | <br>\$ 2,134,241 |

(Continued)

The accompanying notes are an integral part of these statements.

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

**STATEMENT B**

**STATEMENT OF REVENUES, EXPENSES AND CHARGES IN UNRESERVED  
RETAINED EARNINGS - PROPRIETARY FUND TYPE**  
Year Ended December 31, 1997

|   |                    |
|---|--------------------|
| Operating Revenues  |                    |
| Sewerage Fees   | \$ 303,719         |
| Maintenance Fees - Landfill                               | 12,000             |
| Interest Income   | 1,980              |
| Miscellaneous Revenue                                     | -                  |
| Total Operating Revenues                                  | <u>317,700</u>     |
| Operating Expenses  |                    |
| Salaries  | 52,787             |
| Payroll Taxes   | 2,819              |
| Retirement Contributions                                  | 4,276              |
| Board Meetings  | 4,803              |
| Office Supplies   | 371                |
| Telephone   | 4,580              |
| Operating Supplies  | 8,000              |
| Equipment Rentals   | 1,888              |
| Sewer Plant Maintenance                                   | 81,837             |
| Equipment Maintenance                                     | 8,135              |
| Fees, Charges, and Services                               | 11,287             |
| Professional Services                                     | 58,130             |
| Insurance   | 14,287             |
| Travel  | 8,400              |
| Official Publications                                     | 1,489              |
| Depreciation Expense                                      | 75,214             |
| Miscellaneous   | 38                 |
| Total Operating Expense                                   | <u>324,592</u>     |
| Net Operating Income (Loss)                               | <u>(6,792)</u>     |
| Non-Operating Revenue (Expenses):                         |                    |
| Interest Expense  | (15,000)           |
| Total Non-Operating Revenue (Expenses)                    | <u>(15,000)</u>    |
| Net Income (Loss)   | (21,792)           |
| Amortization of Contributed Capital                       | 48,580             |
| Increase in Reserve for Contingencies                     | (4,800)            |
| (Deficit) Retained Earnings-Unreserved<br>January 1, 1997 | <u>(18,182)</u>    |
| (Deficit) Retained Earnings-Unreserved December 31, 1997  | \$ <u>(18,182)</u> |

The accompanying notes are an integral part of these statements.

Sewerage District No. 1  
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STATEMENT C

STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE  
Year Ended December 31, 1997

|   |                  |
|---|------------------|
| Cash Flows from Operating Activities:   |                  |
| Operating Income (Loss)   | \$ (7,727)       |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities: |                  |
| Depreciation  | 78,214           |
| Changes in Accounts Receivable  | (5,184)          |
| Changes in Accounts Payable   | 1,635            |
| Changes in Due to Other Funds   | -                |
| Changes in Salaries and Wages Payable   | (810)            |
| Changes in Due to Others  | (24,897)         |
| Changes in Accrued RUS Bond Interest  | 382              |
| Total Adjustments   | <u>48,824</u>    |
| Net Cash Provided by (Used For) Operating Activities  | <u>38,887</u>    |
| Cash Flows from Capital and Related Financing Activities:                                   |                  |
| Proceeds from Capital Lease   | 12,760           |
| Principal Repayments:-  |                  |
| RUS Bond - 92-01  | (6,687)          |
| RUS Bond - 92-02  | (517)            |
| Capital Lease   | (3,418)          |
| Interest Payments - RUS Loan  | (44,761)         |
| Interest Payments Capital Lease   | (865)            |
| Changes in Cash Overdraft   | (362)            |
| Payments for Capital Additions  | <u>(123,188)</u> |
| Net Cash Provided by Capital and Related Financing Activities                               | <u>(77,353)</u>  |
| Net Cash Increase for Year  | <u>(38,466)</u>  |
| Cash at Beginning of Year   | <u>42,337</u>    |
| Cash at End of Year   | <u>\$ 3,871</u>  |

Note 1: During the fiscal year ending December 31, 1997, Sewerage District No. 1 of Tangipahoa Parish assumed ownership and responsibility for maintenance of three additional sewerage systems. These sewerage systems, totaling \$133,500 and recorded as asset additions by the sewerage district, were donated to the sewerage district, and as such, did not generate cash flows, and are not recorded in the above statement of cash flows.

The accompanying notes are an integral part of these statements.



**SEWERAGE DISTRICT NO. 1  
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Amite, Louisiana**

**Notes to the Financial Statements  
As of and For the Year Ended December 31, 1993**

**INTRODUCTION**

Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana was established May 12, 1885, by an ordinance of the Tangipahoa Parish Council. The ordinance, enacted pursuant to Louisiana Revised Statutes 33:1881 et seq., describes and defines the boundaries of the sewer district, and provides for the original ordinance, provides for a 5-member governing Board of Commissioners appointed by the Tangipahoa Parish Council. Subsequent revisions and amendments of the original ordinance have extended the boundaries of the district to all unincorporated areas of Tangipahoa Parish.

Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana was then created and constitutes a public corporation and political subdivision of the State of Louisiana, and has all the powers and privileges granted by the constitution and statutes of this state to such subdivision, including the authority to incur debt, to issue bonds, and to levy taxes and assessments.

Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana serves 1,187 sewer customers. The district currently has three employees with responsibility for operation and maintenance of the sewer system. The district contracts the billings of sewer customers to outside billing agents.

**I. 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.

**II. REPORTING ENTITY**

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

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

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the parish council to impose its will on that organization and/or

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

**Notes to the Financial Statements**

**(Continued)**

*As of and for the Year Ended December 31, 1897*

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.
2. 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 Tangipahoa 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 Tangipahoa, 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 cost (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 after 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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TANGIPAHOA PARISH COUNCIL,  
Amite, Louisiana**  
**Notes to the Financial Statements  
(Continued)**  
*As of and for the Year Ended December 31, 1987*

**K. 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 maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

**L. 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.

**M. PREPAID ITEMS**

Payments 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.

**N. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund 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.

**O. 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 28 to 40 years for sewer systems and 5 to 18 years for equipment.

**P. COMPENSATED ABSENCES**

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

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TANGIPAHOLA PARISH COUNCIL  
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As of and for the Year Ended December 31, 1997**

The cost of current leave privileges, computed in accordance with GASB Statement No. 36, 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, endowments, 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 closed to the contributed capital account.

**Reserves**

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

**M. USE OF ESTIMATES**

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

**N. CASH AND CASH EQUIVALENTS**

At December 31, 1997, the district has cash and cash equivalents (book balances) totaling \$24,141, as follows:

|  |                  |
|--|------------------|
| Interest-bearing Demand Deposits       | \$ 14,118        |
| Louisiana Asset Management Pool (LAMP) | 10,023           |
| Total                                  | <u>\$ 24,141</u> |

**SEWERAGE DISTRICT NO. 1  
OF THE  
PARISH OF TANGIPAHOA, LOUISIANA  
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Amite, Louisiana  
Notes to the Financial Statements  
(Continued)  
As of and for the Year Ended December 31, 1993**

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., (LAMP), 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 custodial bank that is mutually acceptable to both parties. As December 31, 1993, the parish council has \$5,581,442 in deposits (collected bank balances). Of the \$5,501,442 a total of \$3,038,985 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, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The remaining cash deposits of \$262,449 (collected cash balances) are secured from risk by \$180,000 of federal deposit insurance and \$182,449 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 3).

Even though the pledged securities are considered uncollateralized (Category 2) under the provisions of GASB Statement 3, Louisiana Revised Statute 38:1129 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 18 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

### **3. INVESTMENTS**

Investments 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 8, 1996, by the Tangipahoa Parish Council, all water companies operating within the unincorporated portions of Tangipahoa Parish must collect sewerage billings for Sewerage District No. 1 of the Parish of Tangipahoa, 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 disconnected until all past due sewerage charges and reconnect charges for sewerage billings are paid in full.

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*As of and for the Year Ended December 31, 1997*

Each billing agent for the sewerage district sends a check for collections on account, along with a copy of the billing journal, directly to the Tangipahoa Parish Council. As of December 31, 1997, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana recorded accounts receivable of \$44,241. Pursuant to the above-stated ordinance, past due accounts are disconnected 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, although sufficient data was available to categorize receivables as current or past due, as follows:

|                                  |                  |
|----------------------------------|------------------|
| Current (0-30 Days Past Due)     | \$ 37,896        |
| Past Due (Over 30 Days Past Due) | 16,345           |
| Total                            | <u>\$ 44,241</u> |

**5. FIXED ASSETS**

A summary of fixed assets at December 31, 1997, follows:

| Description                | Life<br>Yrs | Cost               | Accumulated<br>Depreciation | Net                 | Depreciation<br>Current |
|----------------------------|-------------|--------------------|-----------------------------|---------------------|-------------------------|
| Land                       | -           | \$ 54,981          | \$ -                        | \$ 54,981           | \$ -                    |
| Sewerage Systems           | 20          | 64,308             | 49,293                      | 14,065              | 3,215                   |
| Sewerage Systems           | 24          | 50,408             | 27,380                      | 23,028              | 2,180                   |
| Sewerage Systems           | 20          | 494,702            | 139,792                     | 354,910             | 13,480                  |
| Sewerage Systems           | 40          | 751,288            | 88,158                      | 663,130             | 18,782                  |
| Treatment Plant/Lift Stat. | 20          | 10,808             | 6,080                       | 4,808               | 500                     |
| Treatment Plant/Lift Stat. | 24          | 40,808             | 21,671                      | 19,139              | 1,607                   |
| Treatment Plant/Lift Stat. | 30          | 317,158            | 104,782                     | 212,348             | 18,572                  |
| Treatment Plant/Lift Stat. | 40          | 90,808             | 21,080                      | 69,808              | 2,259                   |
| Velma Sewerage System      | 40          | 626,688            | 38,088                      | 588,598             | 16,417                  |
| Domestic Systems           | 15          | 244,261            | 4,830                       | 239,431             | 3,816                   |
| Machinery & Equipment      | 7           | 41,237             | 4,218                       | 37,019              | 3,185                   |
| Totals                     |             | <u>\$2,725,047</u> | <u>\$ 461,864</u>           | <u>\$ 2,263,183</u> | <u>\$ 75,214</u>        |

All assets are depreciated by the straight-line method. Total depreciation expenses of \$75,214 was recorded for the fiscal year ending December 31, 1997.

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TANGIPAHOA PARISH COUNCIL**

*Amite, Louisiana*

**Notes to the Financial Statements**

**(Continued)**

*As of and for the Year Ended December 31, 1997*

**6. CONSTRUCTION IN PROGRESS**

*As of December 31, 1997, the district had no construction in progress.*

**7. PENSION PLAN**

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

All permanent employees working at least 28 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 68 with at least 10 years of creditable service, or at or after age 55 with at least 25 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 supplemental plan only before January 1, 1980, the benefit is equal to one percent of the final average salary plus \$14 for each year of supplemental-plan-only service earned before January 1, 1980. Final average salary is the employee's average salary over the 36 consecutive or joined 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 statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70816-4619, or by calling (224) 918-1311.

*Funding Policy.* Under Plan A, members are required by state statute to contribute 9.5 per cent of their annual covered salary and the district is required to contribute at an actuarially determined rate. The current rate is 7.75 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 11:1181, the employer 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, 1997, 1996, and 1995, were \$4,276, \$3,253, and \$3,295, respectively, equal to the required contributions for each year.

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

**Notes to the Financial Statements  
(Continued)**

*As of and for the Year Ended December 31, 1997*

**8. COMPENSATED ABSENCES**

At December 31, 1997, the district recorded accrued payroll of \$2,181. This amount consisted only of accrued payroll at December 31, 1997, computed in accordance with GASB Codification Section C60. Employees of Sewerage District No. 1 of the Parish of Tangipahola, Louisiana, did not have accumulated leave at December 31, 1997.

**9. LEASES**

The district records items under capital leases as assets and obligations in the accompanying financial statements. At December 31, 1997, two equipment items had been purchased under capital leases, at a purchase price of \$17,650 in 1996, and at a purchase price of \$13,787 in 1997.

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, 1997:

| <u>Fiscal Year</u>                          | <u>Total</u>     |
|---|------------------|
| 1998  | \$ 11,817        |
| 1999  | 11,817           |
| 2000  | 11,817           |
| 2001  | 1,604            |
| Total Minimum Lease Payments                | \$ 34,713        |
| Less Amount Representing Interest           | (3,500)          |
| Present Value of Net Minimum Lease Payments | <u>\$ 31,214</u> |

**10. LONG-TERM DEBT**

The following is a summary of bond transactions of the Sewerage District No. 1 of the Parish of Tangipahola, Louisiana for the year ended December 31, 1997:

|                                    | <u>1997 BLS<br/>Street Revenue<br/>\$331,000</u> | <u>1997 BLS<br/>Street Revenue<br/>\$27,000</u> | <u>Total</u>      |
|------------------------------------|--|---|-------------------|
| Bonds Payable<br>January 1, 1997   | \$ 723,612                                       | \$ 68,028                                       | \$ 789,640        |
| Bonds Retired/Adjustments          | <u>(6,687)</u>                                   | <u>(617)</u>                                    | <u>(7,304)</u>    |
| Bonds Payable<br>December 31, 1997 | <u>\$ 716,925</u>                                | <u>\$ 67,411</u>                                | <u>\$ 782,336</u> |



**SEWERAGE DISTRICT NO. 1  
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**Notes to the Financial Statements**

(Continued)

As of and for the Year Ended December 31, 1997

Bonds Payable at December 31, 1997, are comprised of the following individual issues:

|   | Current<br>Amount<br>12/31/97 | Long-Term<br>Amount<br>12/31/97 | Total<br>Principal<br>Balance<br>12/31/97 |
|---|-------------------------------|---------------------------------|---|
| <b>1993 Revenue Bonds:</b>  |                               |                                 |   |
| \$721,600 utility bonds sold to RUS, dated 3/93/93; due in monthly installments of \$3900, through Feb. 1, 2033; interest at 5.625% | \$ 6,610                      | \$ 718,288                      | \$ 718,925                                |
| <b>1993 Revenue Bonds:</b>  |                               |                                 |   |
| \$67,680 utility bonds sold to RUS, dated 3/93/93; due in monthly installments of \$258, through Feb. 1, 2033; interest at 5.625%   | 614                           | 64,797                          | 65,411                                    |
|   | <u>\$ 7,224</u>               | <u>\$ 718,085</u>               | <u>\$ 782,556</u>                         |

The annual requirements to amortize all debt outstanding as of December 31, 1997, including interest payments of \$1,813,688 are as follows:

| Year Ending<br>December 31, | 1993 RUS<br>Revenue<br>\$721,600 | 1993 RUS<br>Revenue<br>\$67,680 | Total               |
|-----------------------------|----------------------------------|---------------------------------|---------------------|
| 1998                        | \$ 46,783                        | \$ 4,277                        | \$ 51,072           |
| 1999                        | 46,783                           | 4,277                           | 51,072              |
| 2000                        | 46,783                           | 4,277                           | 51,072              |
| 2001                        | 46,783                           | 4,277                           | 51,072              |
| 2002                        | 46,783                           | 4,277                           | 51,072              |
| 2003-2007                   | 233,694                          | 21,386                          | 255,368             |
| 2008-2012                   | 233,694                          | 21,386                          | 255,368             |
| 2013-2017                   | 233,694                          | 21,386                          | 255,368             |
| 2018-2022                   | 233,694                          | 21,386                          | 255,368             |
| 2023-2027                   | 233,694                          | 21,386                          | 255,368             |
| 2028-2032                   | 233,694                          | 21,386                          | 255,368             |
| 2033                        | 7,808                            | 714                             | 8,514               |
|                             | <u>\$ 1,643,619</u>              | <u>\$ 158,413</u>               | <u>\$ 1,798,034</u> |

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

*As of and for the Year Ended December 31, 1997*

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

As of December 31, 1997, the Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana, has two Rural Utilities Service (RUS) Revenue Bonds. The total authorized issue of \$808,000 consists of two bonds issued on March 3, 1993, of \$733,000 and \$87,000, both issued at an annual interest rate of 5.625%. The original bond resolutions specify 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:

- a) The issuer, the Sewerage District No. 1 of the Parish of Tangipahoa, 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 realize the same from 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 120% 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, 1997, the bond debt coverage factor indicated net revenues (before interest expense and depreciation) were 120% of the required bond principal and interest payments, as compared to a ratio of 302% for the fiscal year ending December 31, 1996. The deficit in retained earnings is disclosed in Footnote 12 (Deficit-Retained Earnings), and in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards".

- b) 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 Utilities Service, on a monthly basis.

- c) The establishment of the "Sewer Revenue Bond Reserve Fund" (the Reserve Fund) by transferring from the Sewer Revenue Fund, the operating account of the district, monthly in advance on or before the 28<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 RUS Letter of Conditions, was a total of \$212,880 per month. Deposits 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 succeeding 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 Utilities Service 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 extensions financed with the proceeds of the bonds. The system improvements financed with the 1993 Revenue Bonds became revenue producing on April 19, 1995.

The district began making the required deposits in May, 1995.

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

*As of and for the Year Ended December 31, 1997*

- d) For the fiscal year ending December 31, 1997, the district made the twelve required deposits of \$212.88 per month, for a total balance of \$2,554.56 at December 31, 1997.
- e) The establishment and maintenance of the "Sewer Depreciation and Contingency Fund" (the Contingency Fund) is organized to care 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 20<sup>th</sup> of each month the sum of \$200 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 1994 Revenue Bonds became revenue producing on April 19, 1995, although the district began making deposits to this fund in January, 1995.

For the fiscal year ending December 31, 1995, the district made the twelve required deposits of \$281, and maintained a balance of \$7,204 at fiscal year end.

- f) The district, in the bond resolution dated January 6, 1993, 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 9% 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 \$18.50 per month, and a commercial rate of \$30.00 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, unserviceable, unsuitable, or unnecessary in 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 charges having priority or parity with the bonds 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 fidelity bond or faithful performance bond.
  11. That the district will take all action necessary to require connection to its sewer system to the extent permitted by law.

**SEWERAGE DISTRICT NO. 1  
OF THE  
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(Continued)  
As of and for the Year Ended December 31, 1997**

In relation to items (1) and (2) above, concerning the disconnect of accounts, and the charges to delinquent accounts, the Tangipahoa Parish Council approved an ordinance on April 8, 1996, 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 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 disconnected until all past due sewerage charges and reconnect charges for sewerage billings are paid in full. The said water company shall also be authorized to collect a penalty for reconnect charges associated with its disconnection of the said customer from water service due to the customer's failure to pay sewerage charges. Compliance findings related to the above items (1) and (2) are also included in the Summary Schedule of Prior Audit Findings.

The current rate schedule (Item 3), the schedule of insurance coverages (Item # 5) and fidelity bond coverages (Item 10) 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 amounts held by the sewer district that are restricted for bond payments. The purpose of the reserved retained earnings is to service the revenue bonds. Reserved retained earnings totaled \$14,118 at December 31, 1997.

**13. DEFICIT UNRESERVED RETAINED EARNINGS**

The sewer district has an unreserved retained earnings deficit of \$18,938 for the fiscal year ending December 31, 1997. This represents an increase of \$6,763 in the deficit of \$18,183 reported for the fiscal year ending December 31, 1996. 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 Tangipahoa Parish Council. Accounting and financial records of the district are maintained by the Tangipahoa Parish Council.

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

**SCHEDULE 1**

**COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE**

(December 31, 1997 and 1996)

| Assets  | Enterprise Fund     |                     |
|---|---------------------|---------------------|
|   | 1997                | 1996                |
| <b>Current Assets:</b>                                      |                     |                     |
| Cash  | \$ 10,829           | \$ 33,389           |
| Accounts Receivable, Net                                    | 44,247              | 38,056              |
| Total Current Assets  | <u>55,076</u>       | <u>71,445</u>       |
| <b>Restricted Assets:</b>                                   |                     |                     |
| Cash - RUS Depreciation & Contingency Fund                  | 7,308               | 4,873               |
| Cash - RUS Bond Reserve Fund                                | 6,813               | 4,288               |
| Total Restricted Assets                                     | <u>14,121</u>       | <u>9,161</u>        |
| <b>Property, Plant and Equipment:</b>                       |                     |                     |
| Land  | 54,981              | 54,981              |
| Sewerage Systems  | <u>2,570,058</u>    | <u>2,518,283</u>    |
| Total Property, Plant and Equipment                         | <u>2,625,039</u>    | <u>2,573,264</u>    |
| <b>Less: Accumulated Depreciation</b>                       | <u>(181,885)</u>    | <u>(205,054)</u>    |
| Net Property, Plant and Equipment                           | <u>2,443,154</u>    | <u>2,368,210</u>    |
| <b>Total Assets</b>   | <b>\$ 2,512,355</b> | <b>\$ 2,489,920</b> |
| <b>Liabilities and Fund Equity</b>                          |                     |                     |
| <b>Liabilities:</b>   |                     |                     |
| <b>Current Liabilities (Payable From Current Assets)</b>    |                     |                     |
| Accounts Payable  | \$ 6,676            | \$ 5,855            |
| Cash Overdraft  | 713                 | 1,375               |
| Salaries and Wages Payable                                  | 2,463               | 3,875               |
| Current Liabilities-Capital Lease                           | 8,481               | 3,415               |
| Due to Others   | -                   | 24,907              |
| Total Current Liabilities (Payable From Current Assets)     | <u>18,333</u>       | <u>39,427</u>       |
| <b>Current Liabilities (Payable From Restricted Assets)</b> |                     |                     |
| Current RUS Bond Payable                                    | 7,281               | 6,828               |
| Accrued RUS Bond Interest                                   | <u>2,083</u>        | <u>2,698</u>        |
| Total Current Liabilities (Payable From Restricted Assets)  | <u>9,364</u>        | <u>9,526</u>        |

Continued on the following page

The accompanying notes are an integral part of these statements.

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

SCHEDULE 1

**COMPARATIVE BALANCE SHEET - PROPRIETARY FUND TYPE**

(Continued)

December 31, 1997 and 1998

|  | <u>Enterprise Fund</u> |                     |
|--|------------------------|---------------------|
|  | <u>1997</u>            | <u>1998</u>         |
| Long-Term Liabilities:                             |                        |                     |
| Revenue Bonds Payable -                            |                        |                     |
| RUB Loan 82-01                                     | \$ 718,388             | \$ 717,388          |
| RUB Loan 83-02                                     | 54,787                 | 85,458              |
| Capital Lease                                      | 21,782                 | 18,837              |
| Total Long-Term Liabilities                        | <u>794,957</u>         | <u>821,683</u>      |
| Total Liabilities                                  | <u>828,178</u>         | <u>844,267</u>      |
| Fund Equity  |                        |                     |
| Contributed Capital                                | 1,808,942              | 1,750,842           |
| Less: Accumulated Amortization                     | <u>(877,917)</u>       | <u>(938,337)</u>    |
| Net Contributed Capital                            | <u>1,931,025</u>       | <u>1,812,505</u>    |
| Retained Earnings:                                 |                        |                     |
| Reserved for RUB Bond Depreciation and Contingency | 7,388                  | 4,873               |
| Reserved for RUB Bond Reserve Fund                 | 8,810                  | 4,250               |
| Unreserved -- (Deficit)                            | <u>(18,958)</u>        | <u>(10,159)</u>     |
| Total Retained Earnings (Deficit)                  | <u>(4,859)</u>         | <u>(11,035)</u>     |
| Total Fund Equity                                  | <u>1,926,167</u>       | <u>1,801,470</u>    |
| Total Liabilities and Fund Equity                  | <u>\$ 2,854,345</u>    | <u>\$ 2,645,737</u> |

(Concluded)

The accompanying notes are an integral part of these statements.

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

**SCHEDULE 2**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN UNRESERVED  
RETAINED EARNINGS (BUDGET AND ACTUAL)-PROPRITARY FUND TYPE  
Year Ended December 31, 1997  
And Actual for the Year Ended December 31, 1995**

|  | Enterprise Fund    |                    |   |                    |
|--|--------------------|--------------------|---|--------------------|
|  | 1997<br>Budget     | 1997<br>Actual     | Variance-<br>Favorable<br>(Unfavorable) | 1995<br>Actual     |
| <b>Operating Revenues</b>                                |                    |                    |   |                    |
| Sewerage Fees  | \$ 380,000         | \$ 380,739         | \$ 739                                  | \$ 291,648         |
| Maintenance Fees - Landfill                              | 13,000             | 13,000             | -                                       | 9,000              |
| Interest Income  | 400                | 1,083              | 683                                     | 2,700              |
| Miscellaneous Revenue                                    | -                  | -                  | -                                       | 2,400              |
| <b>Total Operating Revenues</b>                          | <u>393,400</u>     | <u>394,822</u>     | <u>4,422</u>                            | <u>305,748</u>     |
| <b>Operating Expenses</b>                                |                    |                    |   |                    |
| Salaries   | 55,000             | 57,767             | 2,767                                   | 51,091             |
| Payroll Taxes  | 2,600              | 2,619              | 19                                      | 2,600              |
| Retirement Contributions                                 | 3,400              | 4,278              | (878)                                   | 3,235              |
| Board Meetings   | 5,720              | 4,875              | 1,845                                   | 5,645              |
| Office Supplies  | 480                | 371                | 109                                     | -                  |
| Telephone  | 3,200              | 6,060              | (2,860)                                 | 5,522              |
| Operating Supplies                                       | 7,500              | 8,578              | (1,078)                                 | 3,941              |
| Equipment Rentals  | 5,000              | 1,899              | 3,101                                   | 2,950              |
| Sewer Plant Maintenance                                  | 18,600             | 81,807             | (63,207)                                | 71,100             |
| Equipment Maintenance                                    | 7,000              | 8,578              | (1,578)                                 | 6,484              |
| Fees, Charges, and Services                              | 5,000              | 11,297             | (6,297)                                 | 9,575              |
| Professional Services                                    | 28,016             | 38,178             | (9,154)                                 | 25,150             |
| Insurance  | 14,250             | 14,207             | 43                                      | 12,833             |
| Travel   | 9,800              | 8,438              | 1,362                                   | 9,952              |
| Official Publications                                    | 1,200              | 1,408              | (208)                                   | 399                |
| Depreciation Expense                                     | 75,000             | 75,214             | (214)                                   | 71,004             |
| Miscellaneous  | 1,400              | 98                 | 1,302                                   | -                  |
| <b>Total Operating Expense</b>                           | <u>312,831</u>     | <u>324,528</u>     | <u>(12,697)</u>                         | <u>276,878</u>     |
| <b>Net Operating Income (Loss)</b>                       | <u>80,569</u>      | <u>70,294</u>      | <u>10,275</u>                           | <u>28,870</u>      |
| <b>Non-Operating Revenue (Expense):</b>                  |                    |                    |   |                    |
| Interest Expense   | (40,000)           | (45,625)           | 5,625                                   | (46,148)           |
| <b>Total Non-Operating Revenue (Expense)</b>             | <u>(40,000)</u>    | <u>(45,625)</u>    | <u>5,625</u>                            | <u>(46,148)</u>    |
| <b>Net Income (Loss)</b>                                 | <u>\$ (59,431)</u> | <u>\$ (75,334)</u> | <u>\$ 15,903</u>                        | <u>\$ (20,658)</u> |
| Amortization of Contributed Capital                      |                    | 48,980             |   |                    |
| Increase in Reserve for Contingencies                    |                    | (4,960)            |   |                    |
| (Deficit) Retained Earnings-Unreserved                   |                    |                    |   |                    |
| January 1, 1997  |                    | <u>(15,183)</u>    |   |                    |
| (Deficit) Retained Earnings-Unreserved December 31, 1997 |                    | <u>\$ (71,354)</u> |   |                    |

The accompanying notes are an integral part of these statements.

Sewerage District No. 4  
of the  
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Tangipahoa Parish Council  
Amite, Louisiana

SC-SCHEDULE 3

**COMPARATIVE SCHEDULE OF CASH FLOWS-PROPRIETARY FUND TYPE**  
Years Ended December 31, 1997 and 1996

|   | <u>12/31/97</u>   | <u>12/31/96</u>  |
|---|-------------------|------------------|
| Cash Flows from Operating Activities:   |                   |                  |
| Operating Income (Loss)   | \$ <u>(7,727)</u> | \$ <u>26,483</u> |
| Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities: |                   |                  |
| Depreciation  | 75,214            | 71,884           |
| Changes in Accounts Receivable  | (5,194)           | (1,798)          |
| Changes in Accounts Payable   | 1,825             | (33)             |
| Changes in Due to Other Funds   | -                 | (32,500)         |
| Changes in Salaries and Wages Payable   | (816)             | (442)            |
| Changes in Due to Others  | (24,807)          | 24,807           |
| Changes in Accrued RUS Bond Interest  | 393               | (3,273)          |
| Total Adjustments   | <u>45,825</u>     | <u>27,525</u>    |
| Net Cash Provided by (Used For) Operating Activities  | <u>38,097</u>     | <u>83,896</u>    |
| Cash Flows from Capital and Related Financing Activities:                                   |                   |                  |
| Proceeds from Capital Lease   | 12,763            | 17,850           |
| Principal Repayments-   |                   |                  |
| RUS Bond - 93-01  | (5,987)           | (5,923)          |
| RUS Bond - 95-02  | (917)             | 3,891            |
| Capital Lease   | (3,613)           | (3,368)          |
| Interest Payments - RUS Loan  | (44,761)          | (44,933)         |
| Interest Payments Capital Lease   | (662)             | (1,557)          |
| Changes in Cash Overdraft   | (362)             | 1,875            |
| Payments for Capital Additions  | <u>(33,188)</u>   | <u>(28,484)</u>  |
| Net Cash Provided by Capital and Related Financing Activities                               | <u>(57,303)</u>   | <u>(54,447)</u>  |
| Net Cash Increase for Year  | <u>(19,198)</u>   | <u>28,999</u>    |
| Cash at Beginning of Year   | <u>42,337</u>     | <u>13,738</u>    |
| Cash at End of Year   | \$ <u>24,141</u>  | \$ <u>42,337</u> |

Note 1: During the fiscal year ending December 31, 1997, Sewerage District H of Tangipahoa Parish assumed ownership and responsibility for maintenance of three additional sewerage systems. These sewerage systems, total \$135,000 and recorded as asset additions by the sewerage district, were donated to the sewerage district, and as such, did not generate cash flows, and are not recorded in the above statement of cash flows.

The accompanying notes are an integral part of these statements.



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

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
For the Year Ended December 31, 1997**

**Schedule 4**

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

| <u>NAME</u>                   | <u>Amount</u>  |
|-------------------------------|----------------|
| Jimmy Reid, President         | \$748          |
| Paul Stimpola, Vice-President | 718            |
| James Harper, Secretary       | 788            |
| Kenny Schatzle, Commissioner  | 668            |
| Raymond Wheeler, Commissioner | 908            |
|                               | <u>\$3,899</u> |

Note: The amount of \$4,875 included within the financial statements as "Board Meeting" expense includes the above amount of \$3,899 paid to board commissioners, plus a total of \$1,075 in administrative expenses and record keeping related to board meetings.

| <u>Board of Commissioners</u> | <u>Address</u>                              | <u>Term of Office</u> |
|-------------------------------|---|-----------------------|
| Jimmy Reid, President         | 21568 North Ave.<br>Roseland, LA 70456      | Expires<br>March 1998 |
| Paul Stimpola, Vice-President | 42108 Cottonwood Drive<br>Hammond, LA 70403 | Expires<br>March 1998 |
| James Harper, Secretary       | 21814 Harper Lane<br>Larange, LA 70466      | Expires<br>March 2000 |
| Kenny Schatzle                | 38185 Dutch Lane<br>Ponchartraine, LA 70454 | Expires<br>March 2000 |
| Raymond Wheeler               | 61002 Bennett Road<br>Amite, LA 70422       | Expires<br>March 1999 |

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 5**

**SCHEDULE OF INSURANCE  
For the Year Ended December 31, 1997**

| <b>Insurance Company</b>   | <b>Coverage</b>   | <b>Amount</b>          | <b>Period</b>              |
|--|---|------------------------|----------------------------|
| Scottsdale Indemnity<br>Company Policy #<br>CP80861326                             | Commercial-General Liability:<br>General Aggregate Limit<br>Each Occurrence Limit   | \$200,000<br>\$100,000 | 1/01/97<br>1/01/98         |
| Scottsdale Indemnity<br>Company Policy #<br>CP80861326                             | Commercial Property<br>Coverage<br>--Underground Lift Pumps<br>--Aircraft           | \$25,000<br>\$15,000   | 1/01/97<br>1/01/98         |
| Scottsdale Indemnity<br>Company Policy #<br>CP80861326                             | Commercial Inland Marine<br>Coverage<br>--Scheduled-Coverage for<br>Reckless/Lender | \$21,658               | 1/01/97<br>1/01/98         |
| Parish Government Risk<br>Management Agency<br>Policy # 8049<br>(See Note 1 Below) | Workers' Compensation and<br>Employers' Liability                                   | 100/500/1.00           | 1/01/97<br>1/01/98         |
| Western Surety<br>Policy # 8224407<br>(Note 1)                                     | Public Employee Dishonesty<br>Coverage  | \$ 10,000              | 1/01/92 Until<br>Cancelled |

**Note 1:** Worker's 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 6**

**SCHEDULE OF SEWERAGE CUSTOMERS  
For the Year Ended December 31, 1997**

*As of December 31, 1997, the sewerage district had the following number of customers.*

|                   |              |
|-------------------|--------------|
| Sewer-Residential | 1,177        |
| Sewer-Commercial  | <u>10</u>    |
| Total Customers   | <u>1,187</u> |

**SCHEDULE OF SEWERAGE RATES  
For the Year Ended December 31, 1997**

*At December 31, 1997, the sewerage district had adopted the following rate schedule.*

| Category of Service | Flat<br>Rate/line. |
|---------------------|--------------------|
| Sewer-Residential   | \$18.00            |
| Sewer-Commercial    | \$18.00            |

**Note:** At the end of the fiscal year ending December 31, 1997, the Board of Commissioners of Sewerage District No. 1 of Tangipahoa Parish, had approved an increase in rates equal to the most recent Consumer Price Index, and was in the process of notifying the district's billing agents of the increase in rates.

The accompanying notes are an integral part of this statement.

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

SCHEDULE 7

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 1997

| Federal Description Through<br>Grant Program Title   | Federal<br>CFDA<br>Number | Program<br>or<br>Account | Cash/<br>Amount<br>Received at<br>December 31,<br>1997 | Receipts<br>or<br>Revenue<br>Recognized | Disbursements/<br>Expenditures | Cash/<br>Amount<br>Received at<br>December 31,<br>1997 |
|--|---------------------------|--------------------------|--|---|--------------------------------|--|
| U. S. Department of Agriculture<br>Water and Waste Disposal Systems<br>For Rural Communities<br>—Loan Repayments | 15.428                    | \$ 751,800               | \$ 751,800   | \$ -                                    | \$ 8,087                       | \$ 711,805   |
| —Loan Repayments   | 15.428                    | \$7,800                  | \$7,800  | -                                       | 807                            | 68,411   |
| Total Loan Activity  |                           |                          | \$ 759,600   | \$ -                                    | \$ 8,894                       | \$ 780,216   |

Note 1: The Schedule of Expenditures of Federal Awards presented above is a summary of the cash activity of the District's federal award programs. Since this presentation includes only payments to service outstanding bonds, the transactions presented above are the same for the fiscal year.

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 B**

**Summary Schedule of Prior Audit Findings**

**Reference Number: 86-1**

**Fiscal Year Finding Initially Occurred: Fiscal Year Ending December 31, 1996**

**Description of Findings:**

This compliance finding noted that the sewerage district had not complied with bond requirements for approving policies for disconnection of past due accounts. The original bond resolution specified that past due accounts must be disconnected within 30 days of the past due date. In order to comply with bond covenants, the Tangipahola Parish Council approved an ordinance requiring that water companies in Tangipahola Parish, providing billing services for Sewerage District No. 1, must disconnect past due accounts in accordance with the prescribed time period for utility payment of said water company. The Rural Utilities Service office also requires concurrent action by the sewerage district, and this change in disconnection policy must be approved by the bondholder, represented by the U.S. Department of Agriculture, Rural Development Office.

**Corrective Action Taken (Response by Management):**

On April 18, 1997, the Board of Commissioners of Sewerage District No. 1 approved a motion to amend the original bond resolution to change the requirement that all sewerage district accounts be disconnected for non-payment within 30 days. The intent of this motion was to have the policy adopted by the Tangipahola Parish Council conform to actual policies of the sewerage district. The attorney for the sewerage district is now preparing an amendment to the original bond resolution to reflect this disconnection policy, and will submit the amendment to the board of commissioners of the sewerage district for approval. The approved disconnection policy will be submitted to the Rural Utilities Service office for final approval.

**Corrective Action Taken: Partial**

**Additional Explanation:**

Corrective action is listed as partial since the required documents have not been submitted to the Rural Utilities Service office, U.S. Department of Agriculture, for final approval. Since the Tangipahola Parish Council has taken the initial steps to correct this finding, it is recommended that the sewerage district prepare and submit the necessary documents to the Rural Utilities Service office for approval as soon as possible.

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

**Schedule B**

**Summary Schedule of Prior Audit Findings  
(Continued)**

**Reference Number: 96-2**

**Fiscal Year Finding Initially Observed: Fiscal Year Ending December 31, 1996**

**Description of Findings:**

This finding related to establishing policies for charging penalties, interest on past due accounts, and charges for reconnection fees. The original bond resolution requires that a penalty charge of 10% will be charged on all delinquent accounts, interest of not less than 5% per annum will be charged on delinquent accounts after 10 days from the date of delinquency, and a reconnection fee will be assessed when the delinquent account is reconnected. We found no evidence that these charges were being assessed by the water companies providing billing services for the sewerage district.

**Corrective Action Taken (Response by Management):**

On April 16, 1997, the Board of Commissioners of Sewerage District No. 1 approved a motion to request a variation from the stated bond requirements. The intent is to have the same penalty charge for delinquent accounts to apply as is charged for water service by the utility companies providing billing services for the sewerage district, subject to a minimum of 5% to be charged on any past due bill. Penalties will be charged only on the current billing past due, and not on accumulated past due balances. The sewerage district also adopted and is enforcing a policy requiring a charge of \$50.00 for reconnecting sewerage district accounts.

Our attorney is preparing an amendment to the original bond resolution reflecting the above policy.

**Corrective Action Taken: Partial**

**Additional Explanation:**

Corrective action is listed as partial, since as with adopting a policy for disconnecting overdue accounts, any change in policy must be approved by the Rural Utilities Service, representing the bondholder. It is recommended that the sewerage district prepare and submit the necessary documents to the Rural Utilities Service office for approval as soon as possible.

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

**Schedule B**

**Summary Schedule of Prior Audit Findings  
(Continued)**

**Reference Number: 96-3**

**Fiscal Year Finding Initially Occurred: Fiscal Year Ending December 31, 1996**

**Description of Findings:**

This finding relates to a deficit in unreserved retained earnings. With the issuance of the 1993 Revenue Bonds, the Sewerage District covenants 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 covenants that they will provide revenues, after paying all reasonable and necessary expenses of operating and maintaining the system, at least equal to 110% 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 continues to show a deficit in unreserved retained earnings of \$(18,956) for the fiscal year ending December 31, 1997, which represents an increase in the deficit of \$(18,155) reported for the fiscal year ending December 31, 1996. Although the bond debt coverage factor of 110% for the fiscal year ending December 31, 1997, was above the required ratio of 100%, the ratio for the fiscal year ending December 31, 1996, was 98.5%.

**Corrective Action Taken (Response by Management):**

The Board of Commissioners of Sewerage District No. 1 of Tangipahoa Parish, approved a rate increase equal to the most recent Consumer Price Index (CPI), at the end of the fiscal year ending December 31, 1997, and is now reviewing the adequacy of the rate structure for commercial customers. We will continue to monitor the level of revenues and expenses and take the action necessary.

**Corrective Action Taken: Partial**

**Additional Explanation:**

Corrective action is limited as partial, since the Board of Commissioners of the Sewerage District must continue to monitor the level of revenues and expenses, and review the rate structure, in order to reduce the deficit in unreserved retained earnings.

*(Concluded)*

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

**Schedule 9**

**Corrective Action Plan for Current Year Findings**

**Reference Number: 95-1**

**Description of Finding:**

As of December 31, 1997, the sewerage district has not determined the amount of uncollectible accounts receivable, nor had an aging of accounts receivable been developed. During the financial audit for the fiscal year ending December 31, 1997, billing and account data was received from the billing agents of the sewerage district, indicating the amounts currently billed and past due. However, sufficient detail on the past due amount was not provided at fiscal year end, or during the fiscal year, to properly determine the amounts that must be written off. In addition, billing agents have not developed procedures to notify the sewerage district for approval to write off uncollectible accounts. It was noted that two of the smaller billing agents reported no amounts past due.

**Corrective Action Planned (Response by Management):**

The Sewerage District has notified each of the billing agents that they must provide information on the aging of accounts, and that approval must be granted by the Board of Commissioners of the Sewerage District, before sewerage accounts receivable can be written off. Since some of the billing agents must make utility billing software program changes to provide the needed data on aging of accounts receivable, we will continue to monitor this matter until the programming changes are made.

**Additional Explanation:**

Continuing follow-up on this finding will be required to insure that billing agents for the sewerage district provide the information necessary to properly age accounts receivable of the sewerage district, and also to develop policies that permit the sewerage district to retain control over the write off of individual uncollectible accounts.

**Name of Contact Person:**

Army Reid, President  
Sewerage District No. 1 of Tangipahoa Parish  
11588 North Avenue  
Boutwell, LA 70436  
(504) 748-8411



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

**Schedule 20**

**Corrective Action Plan for Prior Year Management Letter Recommendations  
For the Year Ended December 31, 1997**

**Reference Number: N/M-1**

**Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/96**

**Description of Finding:**

We noted in the management letter for the fiscal year ended December 31, 1996, that fidelity bonds of the billing agents should be checked to determine if they also provide coverage for the sewerage district in the event of a fidelity loss. This clarification is required since sewerage fees are collected by the billing agents, but the fidelity bonds are issued in the name of the billing agents.

**Corrective Action Planned (Response by Management):**

Preliminary discussions with the insurance agent of the main billing agent for the sewerage district have indicated that the interests of the sewerage district are protected. However, because of the importance of this insurance coverage, we have requested a statement from the billing agents, or their insurance carriers, as to whether their fidelity bonds also cover the sewerage district.

**Corrective action taken: Partially**

**Additional Explanation:**

Corrective action is listed as partial since the sewerage district must continue to follow-up on the information requested on fidelity insurance bond coverages.

**BRUCE BARRELL & CO.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
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Institute of Certified Public Accountants (CPA)

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

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

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, 1997, and have issued our report thereon dated March 15, 1998. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the Summary Schedule of Prior Audit Findings as reference numbers 98-1, 98-2, and 98-3, and within the Corrective Action Plan for Current Year Audit Findings as reference numbers 97-1.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Sewerage District No. 1 of the Parish of Tangipahoa, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the Corrective Action Plan for Prior Year Management Recommendations for the year ended December 31, 1997, as Reference Number 96-M1.

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

**Board of Commissioners**  
**Sewerage District No. 1 of Tangipahoa Parish**  
**Tangipahoa Parish Council**  
**Page 1**

*This report is intended solely for the information of management, the Legislative Auditors, and Rural Utilities Service/Farm Service Agency. However, this report is a matter of public record and its distribution is not limited.*

*Bruce Harrell & Co.*

**Bruce Harrell and Company, CPAs**  
**A Professional Accounting Corporation**

**March 15, 1988**