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SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

December 31, 2003 and 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the State Fiscal Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-28-04

## CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	3
REQUIRED SUPPLEMENTARY INFORMATION MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET ASSETS	9
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS	11
STATEMENTS OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	13
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	19
SCHEDULE OF FINDINGS	21
STATUS OF PRIOR AUDIT FINDINGS	22

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A LIMITED LIABILITY COMPANY

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Sewerage District No. 6 of St. Tammany Parish, Louisiana, (a component unit of the St. Tammany Parish Council) as of December 31, 2003 and for the years ended December 31, 2002 and 2001. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Sewerage District No. 6 of St. Tammany Parish, Louisiana as of December 31, 2003, and the results of its operations and cash flows for the years ended December 31, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Interpretation No. 4, *Recognition and Measurement of Certain Liabilities and Expenses* in *Governmental Fund Financial Statements*. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2004, on our consideration of the internal control over financial reporting of Sewerage District No. 6 of St. Tammany Parish, Louisiana and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

The Management's Discussion and Analysis on pages 5 through 7 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express an opinion on it.

March 5, 2004

*Smith, Havel & Associates, L.L.C.*

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2003

This section of the annual financial report provides important background information and management's analysis of the District's financial performance during the fiscal year that ended on December 31, 2003. Please read this section in conjunction with the basic financial statements and the notes to the basic financial statements beginning on page 9 in this report.

**Financial Highlights**

- Total assets of the District were approximately \$1,267,117 in 2003, a reduction of \$134,907 from 2002. Total liabilities decreased \$108,000 during the same period.
- Operating revenues grew approximately 10.4% due to a small increase in the number of users and an increase in sewer rates.
- Operating expenses increased 13.5%. Repairs increased by \$28,684, which was approximately 75% of the increase.
- The net assets of the District decreased by approximately \$28,906 to \$609,170.

**Overview of the Financial Statements**

This financial report consists of the following basic parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and supplementary information.

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the District's financial activities on both a short-term and long-term basis. The statement of net assets presents information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in net assets present information about the current and prior years' revenues and expenses. This statement also provides useful information for determining whether the District's service revenue and other revenue sources were sufficient to allow the District to recover all of its costs. The final financial statement in this report is the statement of cash flows, which provides information about the District's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where cash came from, what cash was used for, and what was the change in cash balance during the reporting period.

The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2003

**Financial Analysis of the District**

The statement of net assets and the statement of revenues, expenses, and changes in net assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one of a number of indicators of whether its overall financial health is improving or deteriorating. However, other non-financial factors such as population growth should also be considered.

**Net Assets:** A summary of the District's balance sheets are presented below:

**Condensed Statement of Net Assets  
As of December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>	<u>Change</u>
Total current assets	\$ 90,194	\$ 57,943	\$ (32,251)
Noncurrent assets:			
Restricted assets	196,783	237,893	(41,110)
Capital assets - net	<u>1,023,142</u>	<u>1,056,182</u>	<u>(33,040)</u>
Total assets	<u>1,310,119</u>	<u>1,452,018</u>	<u>(141,899)</u>
Current liabilities:			
Current liabilities	58,166	62,103	(3,937)
Payable from restricted assets	23,373	24,993	(1,620)
Long-term liabilities	<u>498,408</u>	<u>596,852</u>	<u>(98,444)</u>
Total liabilities	<u>679,947</u>	<u>783,948</u>	<u>(104,001)</u>
Net assets:			
Invested in capital assets, net of related debt	513,736	469,137	44,599
Restricted	143,408	239,899	(96,491)
Unrestricted	<u>(7,025)</u>	<u>(54,168)</u>	<u>(47,143)</u>
Total net assets	<u>\$ 650,119</u>	<u>\$ 694,868</u>	<u>\$ (44,749)</u>

**Total Assets:** As shown above, total assets decreased by \$134,903, from \$1,403,024 to \$1,267,117 at December 31, 2002 and 2003, respectively. During the same period, total liabilities decreased by \$108,041.

**Changes in Net Assets:** The District's net assets decreased by \$28,906 to \$650,119 at the end of fiscal year 2003.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2002

**Summary of Revenues, Expenses, and Changes in Net Assets**

The table that follows below presents a summary of the District's revenue and expenses for the fiscal years ended December 31, 2002 and 2001.

*Operating revenues/expenses:* Operating revenues increased about 10% due to a small increase in users and a rate increase due to repairs to the system. Operating expenses increased 20% during the same period.

*Non-operating revenues/expenses:* Interest income was \$3,439 in 2002 and \$7,090 in 2001. The decrease was due to the lower interest rate environment of 2002.

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets  
For the Years Ended December 31, 2002 and 2001**

	<u>2002</u>	<u>2001</u>	<u>Change</u>
Operating revenues	\$ 233,700	\$ 211,741	\$ 21,959
Operating expenses	<u>233,629</u>	<u>193,696</u>	<u>39,933</u>
Operating income	<u>71</u>	<u>18,045</u>	<u>(17,974)</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	3,439	7,090	(3,651)
Interest expense	<u>(22,966)</u>	<u>(21,079)</u>	<u>1,887</u>
<b>Total non-operating revenues (expenses)</b>	<u>(19,527)</u>	<u>(13,989)</u>	<u>(5,538)</u>
Net loss before extraordinary item	(19,506)	(7,288)	(12,218)
Extraordinary item	<u>-</u>	<u>(48,000)</u>	<u>48,000</u>
Change in net assets	(19,506)	(55,288)	35,782
Total net assets, beginning of year	<u>686,076</u>	<u>741,361</u>	<u>(55,285)</u>
Total net assets, end of year	<u>\$ 666,570</u>	<u>\$ 686,073</u>	<u>\$ 19,503</u>

*Change in Net Assets:* Total net assets were \$666,570 and \$686,073 at the end of 2002 and 2001, respectively. The change in net assets of \$19,503 amounts to a reduction of 4% of the previous year's net assets.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2003

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, customers and other interested parties with a general overview of the District's finances and to demonstrate the District's finances and accountability for money it receives. If you have questions about this report or need additional financial information, contact the District accountant at (985) 882-6951.



SEWERAGE DISTRICT NO. 6  
ST. TAMMANT PARISH, LOUISIANA

STATEMENT OF NET ASSETS

December 31, 2009

ASSETS

Current Assets	
Cash	\$ 6,736
Trade accounts receivable	97,735
Other receivable	4,754
Interest receivable	<u>882</u>
Total current assets	50,194
Restricted Assets	
Cash in bank	40,911
Certificates of deposit	<u>155,879</u>
Total restricted assets	196,781
Capital Assets	
Lines and equipment at cost, net of accumulated depreciation of \$903,159	949,634
Land - right of way	<u>70,288</u>
Total capital assets	<u>1,020,142</u>
	<u>\$1,267,117</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

STATEMENT OF NET ASSETS

December 31, 2003

LIABILITIES AND NET ASSETS

<b>Current Liabilities</b>	
Accounts payable - trade	\$ 6,866
Due to other governments	1,340
Due to Louisiana Department of Environmental Quality	<u>48,080</u>
Total current liabilities	56,186
<b>Current Liabilities (payable from restricted assets)</b>	
Interest payable on bonds	13,834
Sewer deposits	22,584
Current maturities on bonds payable	<u>15,000</u>
Total current liabilities (payable from restricted assets)	51,375
<b>Long-Term Debt, net of current maturities</b>	
Revenue bonds payable	<u>496,406</u>
Total long-term debt	<u>496,406</u>
<b>Total liabilities</b>	<b>607,947</b>
<b>Net Assets</b>	
Capital assets, net of related debt	523,736
Restricted for debt service	48,897
Restricted for system improvements	94,589
Unrestricted (deficit)	<u>(7,973)</u>
Total fund equity	<u>658,139</u>
	<b><u>\$1,267,112</u></b>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>Operating Revenue</b>		
Service revenue	\$ 192,738	\$ 158,437
Ad valorem revenue	-	26,372
Other	<u>40,288</u>	<u>26,022</u>
<b>Total operating revenue</b>	<u>233,026</u>	<u>211,741</u>
<b>Operating Expenses</b>		
Depreciation	46,047	45,828
Billing and service	43,543	38,833
Consulting	39,188	42,159
Repairs and maintenance	24,773	6,091
Legal and professional	37,738	11,448
Utilities	17,121	18,079
Engineers fees	9,060	10,920
Sludge removal	5,909	6,394
Miscellaneous	4,788	4,087
Insurance	4,463	3,088
Supplies	3,883	2,143
Board meetings	3,848	3,428
Contract labor	1,108	600
Permits	979	900
Secretary expense	<u>968</u>	<u>788</u>
<b>Total operating expenses</b>	<u>233,079</u>	<u>195,008</u>
<b>Net operating income</b>	471	16,733
<b>Other Revenue (Expenses)</b>		
Interest income	5,439	7,856
Interest expense	<u>(32,966)</u>	<u>(31,070)</u>
<b>Total other revenue (expenses)</b>	<u>(27,527)</u>	<u>(23,214)</u>
<b>Net loss before extraordinary items</b>	(26,906)	(7,285)
<b>Extraordinary items</b>		
Department of Environmental Quality	<u>-</u>	<u>(48,000)</u>
<b>Change in net assets</b>	(26,906)	(55,285)
<b>Net assets at beginning of year</b>	<u>686,876</u>	<u>742,161</u>
<b>Net assets at end of year</b>	<u>\$ 659,970</u>	<u>\$ 686,876</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 218,874	\$ 181,078
Receipts from taxpayers	26,172	24,608
Payments to suppliers	(180,958)	(148,441)
Net cash provided by operating activities	<u>64,088</u>	<u>57,245</u>
<b>Cash flows from non-capital financing activities:</b>		
Net receipts from customer deposits	<u>2,788</u>	<u>879</u>
Net cash provided by non-capital financing activities	<u>2,788</u>	<u>879</u>
<b>Cash flows from capital and related financing activities:</b>		
Increase (decrease) in bank overdraft	-	(36,000)
Principal paid on bonds	(102,913)	(75,147)
Interest paid on bonds	(26,913)	(21,662)
Purchase of fixed assets	-	(8,208)
Net cash used in capital and related financing activities	<u>(129,826)</u>	<u>(141,528)</u>
<b>Cash flows from investing activities:</b>		
Interest received on investments	7,518	12,605
Decrease (increase) in certificates of deposit	<u>91,827</u>	<u>(19,862)</u>
Net cash provided by investing activities	<u>99,345</u>	<u>(7,257)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>34,315</b>	<b>(32,204)</b>
<b>Cash and cash equivalents at beginning of year</b>	<u>60,196</u>	<u>92,399</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 94,511</u>	<u>\$ 60,195</u>
<b>Reconciliation of net operating income to cash provided by operating activities:</b>		
Net operating income	\$ 621	\$ 16,735
Adjustments to reconcile net operating income to cash provided by operations:		
Depreciation	48,647	45,828
Increase in trade accounts receivable	(14,029)	(241)
Decrease (increase) in other receivables	303	(3,599)
Decrease (increase) in ad valorem taxes receivable	26,172	(1,784)
Increase (decrease) in accounts payable	(3,937)	787
Total adjustments	<u>54,156</u>	<u>40,518</u>
Net cash provided by operating activities	<u>\$ 56,777</u>	<u>\$ 57,245</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Sewerage District No. 6 of St. Tammany Parish conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 14:517 and to the guides set forth in the Louisiana Government Audit Guide, and to the industry audit guide, *Audit of State and Local Governmental Units*. The following is a summary of certain significant accounting policies:

1. Reporting Entity

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish 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 council to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the council.
2. Organizations for which the council does not appoint a voting majority but are fiscally dependent on the 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 council appoints commissioners of the District and the District provides sewerage services to residents within St. Tammany Parish, the District was determined to be a component unit of the St. Tammany Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting

The accounts of Sewerage District No. 6 of St. Tammany Parish are organized on the basis of Enterprise Fund accounting used by governmental entities. The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Method of Accounting

On January 1, 2005, the District adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

*Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at the year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

*Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.*

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Method of Accounting - Continued

GASB Statement No. 35 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The District will not elect to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Capital Assets

All fixed assets of the proprietary fund are recorded at historical costs. Depreciation of all depreciable fixed assets is charged as an expense against their operations. Pre-construction costs associated with the development of the sewer system, which includes engineering, legal, and interest costs are capitalized and will be amortized over their estimated useful lives using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The following estimated useful lives and methods are used to compute depreciation:

Plant	40 years	Straight Line
Machinery and equipment	5 - 10 years	Straight Line

Depreciation expense amounted to \$46,647 for the year ended December 31, 2003, and \$48,828 for the year ended December 31, 2002.

5. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Cash, Cash Equivalents and Investments - Continued

Under state law, the entity may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

4. Trade Accounts Receivable

At December 31, 2003, all trade accounts receivable are considered to be fully collectible. Uncollectible amounts are recognized as a bad debt through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of an account.

7. Federal Income Taxes

The District is not subject to federal income taxes in accordance with the Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities and political subdivisions.

8. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

NOTE B - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 2003:

Demand deposits	<u>\$47,687</u>
-----------------	-----------------

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.



SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE B - CASH AND CASH EQUIVALENTS (Continued)**

At December 31, 2003, the District has \$202,639 in deposits, of which \$155,870 are certificates of deposit classified as investments. These deposits are secured from risk by \$134,902 of federal deposit insurance and \$67,727 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 2).

**NOTE C - RESTRICTED ASSETS**

Resolution authorizing the issuance of a revenue bond dated May 14, 1984 for \$871,000 provided for certain restrictions of assets of the District. The District has met these requirements as of December 31, 2003.

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2003 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land - right of way	\$ 70,288	\$	\$	\$ 70,288
Capital assets being depreciated				
Sewer system	1,811,549			1,811,549
Equipment	43,465			43,465
Total capital assets being depreciated	1,855,014	-	-	1,855,014
Less accumulated depreciation for				
Sewer system	(838,803)	(43,539)		(882,342)
Equipment	(38,318)	(2,908)		(41,226)
Total accumulated depreciation	(877,121)	(46,447)	-	(923,568)
Total capital assets being depreciated - net	977,893	(49,347)		928,546
Capital assets - net	<u>\$1,066,182</u>	<u>\$ (49,347)</u>	<u>\$ -</u>	<u>\$1,016,835</u>

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE E - LONG-TERM DEBT**

The following is a summary of bond transactions of the Sewerage District No. 6 as of December 31, 2005:

<b>Revenue:</b>	
Bonds payable at January 1	\$ 536,305
Bonds retired	<u>(24,882)</u>
Bonds payable at December 31	<u>\$ 511,443</u>
<b>General Obligations:</b>	
Bonds payable at January 1	\$ 78,051
Bonds retired	<u>(78,051)</u>
Bonds payable at December 31	<u>\$ _____</u>

**Revenue Bonds:**

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

	\$ 511,443
Less current maturities:	<u>(15,033)</u>
	<u>\$ 496,406</u>

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

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 14,271	\$ 25,572	\$ 39,843
2005	14,984	24,859	39,843
2006	15,734	24,110	39,843
2007	16,520	23,323	39,843
2008	17,346	22,497	39,843
2009-2013	180,642	88,573	199,215
2014-2018	128,447	70,768	199,215
2019-2023	163,935	35,280	199,215
2024	<u>39,864</u>	<u>278</u>	<u>39,843</u>
	<u>\$ 511,443</u>	<u>\$ 323,268</u>	<u>\$ 836,711</u>

SEWERAGE DISTRICT NO. 6  
ST. TAMMANY PARISH, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

NOTE F - BOARD MEMBERS' PER DIEM PAYMENTS

	2003	2002
Walter Clairais, President	\$ 840	\$ 720
Theodore Hays	780	780
Jimmy Holden	840	660
Olyen Paterson	720	660
Kellie Pounds	660	-
Charles Pounds	60	660
	\$ 3,840	\$ 3,420

NOTE G - NET ASSETS

Net assets for the year ended December 31, 2003 consisted of the following:

Capital assets, net of related debt	\$ 513,796
Restricted for debt service:	
Restricted for revenue bonds	37,694
Restricted for contingency	11,843
Restricted for system improvements	94,509
Unrestricted	(7,973)
	\$ 638,870

NOTE H - CONTINGENCY

One of the District's commercial customers, a local brewery, discharges incompatible substances which causes difficulty in the system's treatment of waste. To solve this problem, the District has entered into an agreement with the brewery to share the costs of monitoring the system. Additionally, the brewery has constructed a pretreatment plant to alleviate the burden on the system. At times during the year, effluent from the brewery exceeded that stipulated in the contract. The Louisiana Department of Environmental Quality has assessed a penalty of \$95,000 relating to the operation of the plant in non-compliance with State requirements. The District is currently attempting to negotiate a settlement of the penalty and has offered to pay \$48,000 in quarterly installments of \$4,800 for three years. At December 31, 2003 and 2002, a liability has been recorded for \$48,000.

NOTE I - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2003, the District carried insurance through various commercial carriers to cover all risks of losses. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

# Smith, Hurval & Associates, L.L.C.

LA LIMITED LIABILITY COMPANY  
Certified Public Accountants  
P.O. Box 1719  
Covington, Louisiana 70404-0719

Shirley B. Smith, CPA  
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(504) 891-4633 - Covington  
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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the St. Tammany Parish Sewerage District No. 6 as of and for the two years ended December 31, 2003 and have issued our report thereon dated March 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether St. Tammany Parish Sewerage District No. 6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Tammany Parish Sewerage District No. 6's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of management and the Louisiana Legislative Auditor, and is not intended to be used and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 3, 2004

*Smith, Hurval & Associates, L.L.C.*

SEWERAGE DISTRICT NO. 9  
ST. TAMMANY PARISH, LOUISIANA

SCHEDULE OF FINDINGS

December 31, 2003

2003-1      *An of December 31, 2003, the District has accumulated ad valorem tax monies in excess of its current general obligation debt requirement. During the year ended December 31, 2003, the District retired its general obligation bonds.*

**Management:**

**Response:**      *We are currently evaluating our present position with our engineer to determine capital improvement needs of the system. We have retired the remaining general obligation bonds. We will have our attorney review the applicable Attorney General opinion and then will make a decision as to the resolution of these funds.*

SEWERAGE DISTRICT NO. 4  
ST. TAMMANY PARISH, LOUISIANA

STATUS OF PRIOR AUDIT FINDINGS

December 31, 2002

2000-1 As of December 31, 2002, the District has accumulated ad valorem tax monies in excess of its current general obligation debt requirement. The District should review its options for future financing needs and adjust for ad valorem tax millage accordingly.

This finding has not been resolved. See 2003-1

2002-3 For the past three years the District has sustained net operating losses, excluding ad valorem revenues used for general obligation debt. This has placed a financial strain on the District's unrestricted cash funds. The District should consider increasing its sewer rates to offset this deficit.

This finding has been resolved.

2000-3 The District has underfunded its sinking and reserve requirements as specified in the bond resolutions.

This finding has been resolved.



# SEWERAGE DISTRICT NO. 6

PARISH OF ST. TAMMANY

RECEIVED  
LEGISLATIVE AUDITOR

04 JUN 29 AM 11:21

June 9, 2004

Legislative Audit Advisory Committee  
P. O. Box 94397  
Baton Rouge, LA 70894-9397

To Whom It May Concern:

I am writing in response to findings included in the audit of the Sewerage District No. 6 for the year ended December 31, 2003. The following is our corrective action plan by finding:

- 2002-1      We are currently evaluating our present position with our engineer to determine capital improvement needs of the systems. We have retired the remaining general obligation bonds. We will have our attorney review the applicable Attorney General opinion and then will make a decision as to the resolution of these funds.

Sincerely,



Ted Perry,