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**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL**

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 1999**

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 Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 19 2000

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL**

**General Purpose Financial Statements
As of and for the Year Ended December 31, 1999
With Supplemental Schedules**

TABLE OF CONTENTS

	<u>Statement</u>	<u>Schedule</u>	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT			4
GENERAL PURPOSE FINANCIAL STATEMENTS:			
PROPRIETARY FUND - ENTERPRISE FUND:			
BALANCE SHEET	A		6
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN UNRESERVED RETAINED EARNINGS	B		8
STATEMENT OF CASH FLOWS	C		10
NOTES TO THE FINANCIAL STATEMENTS			11
SUPPLEMENTARY INFORMATION:			
COMPARATIVE BALANCE SHEET		1	23
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN UNRESERVED RETAINED EARNINGS (BUDGET AND ACTUAL)		2	25
COMPARATIVE SCHEDULE OF CASH FLOWS		3	27
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS		4	28
SCHEDULE OF INSURANCE		5	29
SCHEDULE OF WATER CUSTOMERS AND SCHEDULE OF WATER RATES		6	30

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL**

**General Purpose Financial Statements
As of and for the Year Ended December 31, 1999
With Supplemental Schedules**

TABLE OF CONTENTS

	<u>Statement</u>	<u>Schedule</u>	<u>Page</u>
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND AUDIT FINDINGS RESOLUTION:			
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		7	31
CORRECTIVE ACTION PLAN FOR PRIOR YEAR AUDIT FINDINGS .		8	33
CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS		9	36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS		10	39
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS			41
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133			43

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

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
James D. Rabalais, CPA

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (504) 542-6372
FAX: (504) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 602 Fifth St.
Kentwood, LA 70444
VOICE: (504) 229-5955
FAX: (504) 229-5951

MEMBERS
American Institute of
CPAs
Society of Louisiana CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana 70451

We have audited the accompanying general purpose financial statements of the Tangipahoa Water District, Louisiana, a component unit of the Tangipahoa Parish Council, as of December 31, 1999, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Tangipahoa Water District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental 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 audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Tangipahoa Water District, as of December 31, 1999, 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 2, 2000, on our consideration of the Tangipahoa Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

Page 2

Our audit was made for the purpose of forming an opinion on the general purpose 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 general purpose financial statements of the Tangipahoa Water District. Also, the accompanying *schedule of expenditures of federal awards* is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements of the Tangipahoa Water District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

March 2, 2000

**Tangipahoa Water District
Tangipahoa Parish Council
Balance Sheet - Proprietary Fund Type
December 31, 1999**

Assets

Current Assets:

Cash	\$	151,480
Accounts Receivable (Net)		154,171
Accrued Billings		94,623
Due From Other Governments		1,052
Inventory		51,809
Total Current Assets		453,135

Restricted Assets:

Cash - Customer Deposits		350,114
Cash - Capital Improvements		260,710
Cash - RUS Bond Depreciation and Contingency		125,657
Cash - RUS Bond Reserve		135,512
Cash - Series 1998 Sinking Fund		19,933
Cash - Series 1999 Sinking Fund		85,904
Cash - Ponchatoula East Construction		43,454
Cash - Escrow for Connection Fees		5,375
Total Restricted Assets		1,026,659

Property, Plant, and Equipment:

Land		102,707
Plant and Equipment		14,697,587
Construction in Progress		393
Total Property, Plant, and Equipment		14,800,687
Less: Accumulated Depreciation		(2,584,126)
Net Property, Plant, and Equipment		12,216,561

Other Assets:

Utility Deposits		705
Bond Issue Cost		46,838
Total Other Assets		47,543
Total Assets	\$	13,743,898

(Continued)

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Tangipahoa Parish Council
Balance Sheet - Proprietary Fund Type
December 31, 1999

Liabilities and Fund Equity

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$ 41,657
Sales Tax Payable	3,898
Accrued Wages	32,788
Payroll Tax Payable	1,811
Due to Other Governments	57,754

Total Current Liabilities (Payable From Current Assets)

137,908

Current Liabilities (Payable From Restricted Assets):

Accrued Interest Payable - RUS Bonds	87,525
Accrued Interest Payable - Series 1998 Bonds	771
Retainage Payable - Ponchatoula East	38,946
Customer Deposits Payable	409,430
Current Portion of RUS Bonds	79,950
Current Portion of Series 1998 Refunding Bonds	15,000
Liability for Connection Fees	2,350

Total Current Liabilities (Payable From Restricted Assets)

633,972

Long-Term Liabilities:

Bonds Payable - Original System	3,031,550
Bonds Payable - Pumpkin Center #1	2,656,449
Bonds Payable - Pumpkin Center #2	125,550
Bonds Payable - Ponchatoula East #1	2,886,900
Bonds Payable - Ponchatoula East #2	298,645
Series 1998 Refunding Bonds	25,000

Total Long-Term Liabilities

9,024,094

Total Liabilities

9,795,974

Fund Equity:

Paid-In Capital	8,708
Contributed Capital	3,079,847
Less: Accumulated Amortization	(920,958)
Net Paid-In and Contributed Capital	2,167,597

Retained Earnings:

Reserved for RUS Bond Reserve	135,512
Reserved for RUS Bond Depreciation and Contingency	125,657
Unreserved Retained Earnings:	
Designated	260,710
Undesignated	1,258,448
Total Retained Earnings	1,780,327
Total Fund Equity	3,947,924
Total Liabilities and Fund Equity	\$ 13,743,898

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council**

**Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings
Proprietary Fund Type
Year Ended December 31, 1999**

Operating Revenues

Water Sales	\$ 1,644,286
Penalties	32,756
Service Connection and Installation Fees	134,615
Reconnect Charges	17,575
Billing Fees	12,905
Interest Income	47,140
Miscellaneous	5,641
Total Operating Revenues	1,894,918

Operating Expenses

Accounting Fees	956
Amortization of Bond Issue Costs	1,419
Annual Audit Fee	8,000
Bad Debt Expense	11,965
Bank Charges	95
Chlorination	75,036
Computer Expense	9,231
Contract Labor	58,260
Damages	10,132
Depreciation	366,260
Director's Fees	15,600
Dues and Subscriptions	552
Educational Expense	2,036
Electricity Purchased	101,059
Employee Uniforms	6,051
Equipment Maintenance	9,169
Equipment Rental	1,425
Insurance	53,567
Legal Fees	3,725
Minute Clerk Fees	2,275
Miscellaneous	503
Office Expense	7,449
Office Supplies	9,153
Official Journal	2,390

(Continued)

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Tangipahoa Parish Council

Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings
Proprietary Fund Type
Year Ended December 31, 1998

Operating Costs - Truck	\$	35,818
Payroll Taxes		24,708
Postage and Box Rent		18,930
Professional Fees		3,750
Repairs, Maintenance and Supplies		47,891
Retirement Contributions		12,076
Telephone		9,585
Utilities		5,571
Wages and Salaries		367,641
Water Well Maintenance and Supplies		26,668
Total Operating Expenses		1,308,946
Operating Income (Loss)		585,972
Nonoperating Revenues (Expenses)		
Recovery of Bad Debts		428
Gain on Sale of Fixed Assets		1,991
Loss on Disposal of Fixed Assets		(43,678)
Interest Expense		(402,143)
Total Nonoperating Revenues (Expenses)		(443,402)
Net Income (Loss)		142,570
Unreserved Retained Earnings, Beginning		1,214,660
Amortization of Contributed Capital		87,053
(Increase) Decrease in Reserved Retained Earnings:		
Reserved for Bond Payments		(27,770)
Reserved for Bond Depreciation		(28,893)
Reserved for Capital Improvements		(129,172)
Unreserved Retained Earnings, Ending	\$	1,258,448

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Statement of Cash Flows - Proprietary Fund Type
Year Ended December 31, 1999**

Cash Flows From Operating Activities

Operating Income	\$ 585,972
Adjustments to Reconcile Net Operating Income to Cash Provided by Operating Activities:	
Depreciation	366,260
Bond Issue Cost Amortization	1,419
(Increase) Decrease in Accounts Receivable	(36,242)
(Increase) Decrease in Accrued Billings	(12,238)
(Increase) Decrease in Due From Other Governments	(53)
(Increase) Decrease in Inventory	(339)
Increase (Decrease) in Accounts Payable	2,973
Increase (Decrease) in Construction Accounts Payable	(138,322)
Increase (Decrease) in Sales Tax Payable	632
Increase (Decrease) in Accrued Wages	14,554
Increase (Decrease) in Payroll Taxes Payable	38
Increase (Decrease) in Due To Other Governments	10,442
Increase (Decrease) in Retainage Payable	(146,182)
Increase (Decrease) in Interest Payable	29,463
Increase (Decrease) in Customer Deposits Payable	45,795
Increase (Decrease) in Liability for Connection Fees	(30,400)
Net Cash Provided (Used) by Operating Activities	693,772

Cash Flows From Noncapital Financing Activities

Recovery of Bad Debts	428
Net Cash Provided (Used) by Noncapital Financing Activities	428

Cash Flows From Capital and Related Financing Activities

Proceeds From RUS Bonds	3,200,000
Proceeds From Interim Financing Ponchatoula East	387,707
Proceeds From Contributions	30,100
Proceeds From Sale of Fixed Assets	5,150
Payment For Capital Acquisitions	(845,804)
Payment For Construction in Progress	(294)
Principal Payments - RUS Bond	(62,108)
Principal Payments - Interim Financing Ponchatoula East	(2,757,424)
Principal Payments - Certificate of Indebtedness	(15,000)
Interest Payments	(402,143)
Net Cash Provided (Used) by Capital and Related Financing Activities	(459,816)

Net Cash Increase (Decrease)	234,384
Cash, Beginning	943,755
Cash, Ending	\$ 1,178,139

(Continued)

The accompanying notes are an integral part of these statements.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 1999**

INTRODUCTION

On August 5, 1992, the Tangipahoa Parish Council voted to create a parish wide water district effective November 16, 1992, in accordance with *Louisiana Revised Statute 33:3811*, thus creating the Tangipahoa Water District. The purpose of the Tangipahoa Water District was to consolidate Second Ward Water District, Fourth Ward Water District and Water Works District Number 2, which were active water districts. The Tangipahoa Water District is governed by a board of commissioners consisting of seven members. The board is appointed by the parish council and paid according to the number of meetings attended. The Tangipahoa Water District encompasses all non-incorporated portions, with a few exclusions for some previously franchised areas of Tangipahoa Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Tangipahoa Water District have been prepared in conformity with *Generally Accepted Accounting Principles (GAAP)* as applied to governmental units. The *Governmental Accounting Standards Board (GASB)* is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The district is a component unit of the Tangipahoa Parish Council, the financial reporting entity. The Parish Council is financially accountable for the district because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Tangipahoa Water District 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.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

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 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. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, are capitalized during the construction period. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenue

The water district's revenue is derived primarily from water sales. The revenue is recognized when earned.

Expenses

The water district recognizes all expenses at the time liabilities are incurred.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

F. INVENTORIES

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

G. PREPAID ITEMS

Prepaid items consist of prepaid insurance premiums.

H. 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 debt covenants.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

I. FIXED ASSETS

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

J. COMPENSATED ABSENCES

The district has the following vacation and sick leave policy:

Employees earn one week of paid vacation after working full-time for one year, two weeks of paid vacation after working full-time for three years, and three weeks of paid vacation after working full-time for ten years. Employees are not allowed to accumulate vacation leave, unless there is a business need. Overtime can be earned from the first day of employment. Regulations of the district provide that an employee may accumulate six hours per month, up to a maximum of forty days.

K. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

L. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues 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.

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 at 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.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

2. CASH AND CASH EQUIVALENTS

At December 31, 1999, the district had cash and cash equivalents (book balances) totaling \$1,178,139, as follows:

Interest-Bearing Demand Deposits	\$ <u>1,178,139</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. At December 31, 1999, the district has \$1,196,899 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$1,096,899 of securities held by the custodial bank in the name of the fiscal agent bank (*GASB Category 3*).

Even though the pledged securities are considered uncollateralized (*Category 3*) under the provisions of *GASB Statement 3, Louisiana Revised Statute 39:1229* imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

3. RECEIVABLES

The following is a summary of receivables at December 31, 1999:

Current	\$ 104,563
31 - 60	27,450
61 - 90	10,404
Over 90	<u>34,347</u>
Total	176,764
Less: Allowance for Uncollectible Accounts	<u>(22,593)</u>
Net Accounts Receivable	<u>\$ 154,171</u>

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The Board of Commissioners of Tangipahoa Water District established a monthly allowance for uncollectible accounts, based on .75% of gross water sales, the amount based on past experience in customer collections. Periodically, the Board reviews the aging of receivables and determines the actual amounts uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility. For the fiscal year ending December 31, 1999, the district had recorded \$11,965 in bad debt expense.

The total amount of accounts receivable over 90 days past due, totaling \$34,347, includes uncollectible accounts for the past two fiscal years. The listing of uncollectible accounts, as of the date of this audit report, has been prepared for review by the board of commissioners, but has not been submitted for approval by the board. The allowance for uncollectible accounts has not been adjusted pending approval of write-offs by the board of commissioners.

Estimated unbilled revenues are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. Accrued billings at December 31, 1999, totaled \$94,623.

4. RESTRICTED ASSETS

At December 31, 1999, the district had restricted assets totaling \$1,026,659, as follows:

Cash-Customer Deposits	\$ 350,114
Cash-Capital Improvements	260,710
Cash-RUS Depreciation and Contingency	125,657
Cash-RUS Bond Reserve	135,512
Cash-Series 1998 Sinking Fund	19,933
Cash-Series 1999 Sinking Fund	85,904
Cash-Ponchatoula East Construction	43,454
Cash-Escrow for Connection Fees	<u>5,375</u>
Total	<u>\$ 1,026,659</u>

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

Cash in the Capital Improvements Fund, totaling \$260,710, is restricted by the Board of Directors of Tangipahoa Water District, for future construction projects. The second Construction Fund, totaling \$43,454, is the balance remaining in the Ponchatoula East project for construction of water system expansion and improvements, under a Rural Utilities Service (RUS) project.

5. FIXED ASSETS

A summary of fixed assets at December 31, 1999, follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 102,707	\$ -	\$ 102,707
Building	208,590	44,275	164,315
Equipment	309,300	122,837	186,463
Furniture and Fixtures	6,998	5,354	1,644
Water Distribution System	14,172,699	2,411,660	11,761,039
Construction in Progress	393	-	393
Total	<u>\$ 14,800,687</u>	<u>\$ 2,584,126</u>	<u>\$ 12,216,561</u>

Construction in Progress at December 31, 1999, consists of \$393 for various construction projects.

Equipment, furniture and fixtures are depreciated using useful lives of 5 to 10 years, and the water distribution system uses a useful life of 30 to 50 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 1999 totaled \$366,260.

6. COMPENSATED ABSENCES

At December 31, 1999, employees of Tangipahoa Water District have accumulated and vested \$32,788 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

7. RETIREMENT PROGRAM

On January 27, 1994, the Board of Commissioners of the Tangipahoa Water District, adopted the *Louisiana Public Employees Deferred Compensation Plan*, with the provision that Tangipahoa Water District, the employer, will match employee contributions, up to 5% of gross wages, for the fiscal year ending December 31, 1999. The contribution by the employer will be re-established by the Board of Commissioners before the beginning of each fiscal year. Under the terms of the State of Louisiana Public Employees Deferred Compensation Plan, an employee may contribute up to a maximum of 25% of adjusted gross income, not to exceed \$8,000 per calendar year. A special "catch-up" provision may be used to save up to \$15,000 per year for the three years prior to retirement.

As reported by the State of Louisiana Deferred Compensation Program, for fiscal year ending December 31, 1999, the aggregate account balance of employees' of Tangipahoa Water District participating in the plan was \$105,445, with \$11,169 in total employee contributions in 1999, and \$12,076 in 1999 employer contributions.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

8. LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions during the year:

<u>Description</u>	<u>Long-Term Liabilities Payable at Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Long-Term Liabilities Payable at End of Year</u>
1992 Water Revenue Bonds	\$ 3,104,137	\$ -	\$ (35,301)	\$ 3,068,836
1995 Water Revenue Bonds Series 1995	2,708,743	-	(25,481)	2,683,262
1995 Water Revenue Bonds Series 1995-A	128,272	-	(1,326)	126,946
1998 Revenue Refunding Bonds	55,000	-	(15,000)	40,000
1999 Water Revenue Bonds Series 1999	-	2,900,000	-	2,900,000
1999 Water Revenue Bonds Series 1999-A	-	300,000	-	300,000
1998 Interim Financing Ponchatoula East Project	2,369,717	387,707	(2,757,424)	-
Totals	<u>\$ 8,365,869</u>	<u>\$ 3,587,707</u>	<u>\$(2,834,532)</u>	<u>\$ 9,119,044</u>

Bonds Payable at December 31, 1999 comprise the following individual issues:

Water System Revenue Bonds - RUS Bonds 91-01: \$3,313,000 utility bonds sold to Rural Utility Service (RUS) dated 12/28/92, due in monthly installments of \$17,095 through 12/28/32; interest at 5.5%	\$ 3,068,836
Water System Revenue Bonds - RUS Bonds 91-02: \$2,756,000 utility bonds sold to Rural Utility Service (RUS) dated 12/28/95, due in monthly installments of \$13,642.20 through 12/25/35; interest at 5.125%	2,683,262
Water System Revenue Bonds - RUS Bonds 91-03: \$133,000 utility bonds sold to Rural Utility Service (RUS) dated 12/28/95, due in monthly installments of \$668.99 through 12/25/35; interest at 5.25%	126,946
Water System Revenue Bonds - RUS Bonds 91-04: \$2,900,000 utility bonds sold to Rural Utility Service (RUS) dated 6/10/99, due in monthly installments of \$13,630 through 6/10/40; interest at 4.75%	2,900,000

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

Water System Revenue Bonds - RUS Bonds 91-05:

\$300,000 utility bonds sold to Rural Utility Service (RUS)
dated 6/10/99, due in monthly installments of \$1,410
through 6/10/40; interest at 4.75%

300,000

1998 Revenue Refunding Bonds, Series 1998:

\$55,000 dated 2/20/98, due in three annual installments of \$15,000
and one final payment of \$10,000 due 3/01/02; interest at 5.75%

40,000

\$ 9,119,044

The annual requirements to amortize all outstanding debt as of December 31, 1999, including interest payments of \$11,096,546, are as follows:

Year Ending December 31,	1992 RUS Revenue Bonds	1998 Revenue Refunding Bonds	1995 Water Revenue Bonds	1995-A Water Revenue Bonds	1999 Revenue Bonds	1999 Revenue Bonds	Total
	\$3,313,000	\$55,000	\$2,756,000	\$133,000	\$2,900,000	\$300,000	
2000	\$ 205,141	\$ 17,300	\$ 163,706	\$ 8,028	\$ 95,410	\$ 9,870	\$ 499,455
2001	205,141	16,438	163,706	8,028	163,560	16,920	573,793
2002	205,141	10,575	163,706	8,028	163,560	16,920	567,930
2003	205,141	-	163,706	8,028	163,560	16,920	557,355
2004	205,141	-	163,706	8,028	163,560	16,920	557,355
2005-2009	1,025,705	-	818,530	40,140	817,800	84,600	2,786,775
2010-2014	1,025,705	-	818,530	40,140	817,800	84,600	2,786,775
2015-2019	1,025,705	-	818,530	40,140	817,800	84,600	2,786,775
2020-2024	1,025,705	-	818,530	40,140	817,800	84,600	2,786,775
2025-2029	1,025,705	-	818,530	40,140	817,800	84,600	2,786,775
2030-2034	615,423	-	818,530	40,140	817,800	84,600	2,376,493
2035-2039	-	-	163,706	8,028	817,800	84,600	1,074,134
2040	-	-	-	-	68,150	7,050	75,200
	<u>\$6,769,653</u>	<u>\$ 44,313</u>	<u>\$ 5,893,416</u>	<u>\$ 289,008</u>	<u>\$6,542,400</u>	<u>\$676,800</u>	<u>\$20,215,590</u>

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

9. FLOW OF FUNDS, RESTRICTIONS ON USE

The Tangipahoa Water District has the following bond and reserve requirements that apply to *Rural Utilities Service (RUS)* bonds:

That all of the income and revenues derived or to be derived by the Issuer from the operation of the district shall continue to be deposited in a separate and special bank account with the regularly designated fiscal agent bank of the Issuer, to be established with the regularly designated fiscal agent bank of the Issuer and designated as the "*Waterworks Revenue Fund*," said Fund to be maintained and administered in the following order of priority and for the following express purposes:

- (a) The payment of, first, all reasonable and necessary expenses of operating and maintaining the System.
- (b) The establishment and maintenance of the "Waterworks Revenue Bond and Interest Sinking Fund," sufficient in an amount to pay promptly and fully the principal of and the interest on the Bond and any pari passu bonds issued hereafter in the manner provided by this resolution by transferring from the Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year a sum equal to the principal and interest falling due on the next principal and interest payment date together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. The Tangipahoa Water District has decided to make these monthly payments directly to RUS, thus eliminating the need for a Sinking Fund. However, the district chose to make sinking fund payments for the 1999 Revenue Bonds payments due May 28, 2000. The total accumulated funds as of December 31, 1999, were \$85,904.
- (c) The establishment and maintenance of the "Waterworks Reserve Fund" (*the Reserve Fund*), by transferring from said Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year, a sum (rounded up to the nearest dollar) at least equal to five percent (5%) of the amount to be paid into the Sinking Fund provided for in paragraph (b) above, the payments into the Reserve Fund to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bond as a Debt Service Reserve, the money in the Reserve Fund to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, the payments into the Reserve Fund shall continue, or if the said payments have ceased because of the accumulation of the maximum amount provided above, then such payments shall be resumed, 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 for any succeeding twelve (12) month period on such bonds payable from the Reserve Fund.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

With the issuance of the Water Revenue Bonds, Series 1999 and Series 1999A on June 10, 1999, requirements for Reserve Fund deposits were revised as follows:

For the period of 6/20/99 through 5/20/00, the Reserve Fund's monthly deposit requirement is increased from \$1,473 per month, to a sum of \$2,183 per month. For the period of 5/20/00 through 12/20/2032, a sum of \$2,323 per month must be deposited monthly until \$557,355.24 has been accumulated therein. In December 2032, the funds on deposit in the Reserve Fund are to be reduced to \$352,214. In December 2035, the funds on deposit in the Reserve Fund are to be reduced to \$180,480.

As of December 31, 1999, the Rural Utilities Service (RUS) Reserve Fund was fully funded per debt restrictions, with a balance of \$135,512.

- (d) The establishment and maintenance of the "Waterworks Depreciation and Contingency Fund" (*the Contingency Fund*) to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the district, by transferring from the Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year, the sum of \$1,569 per month, all as required by the government in purchasing the bond. The requirement to deposit \$1,569 per month is effective January 20, 1996. With the issuance of the Water Revenue Bonds, Series 1999 and Series 1999A on June 10, 1999, requirements for the Depreciation and Contingency Fund deposits were increased from \$1,569 per month to \$2,348 per month. Money in the Contingency Fund shall also be used to pay the principal of and the interest on any bond for the payment of which there is not sufficient money in the Sinking Fund or the Reserve Fund, but if so used, such money shall be replaced by the Issuer as soon as possible thereafter out of the earnings of the System after making the required payments into the respective funds and accounts herein above specified.

If, at any time, it shall be necessary to use moneys in the Reserve Fund or the Contingency Fund as above provided for the purpose of paying principal of or interest on bonds payable as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues first thereafter received, not herein above required to be used for operation and maintenance of the district or for current principal, interest and reserve requirements.

Subject to the foregoing, which are cumulative, the balance of the excess funds on deposit in the Waterworks Revenue Fund may be used by the Issuer for the purpose of calling and/or paying bonds payable from the income and revenues of the district or for such other lawful corporate purposes as the governing authority of the Issuer may determine, whether or not such purposes are or are not related to the district.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1999**

All or any part of the moneys in any of the aforesaid funds and accounts described in subparagraphs (b), (c) and (d) shall, at the written request of the Issuer, be invested in direct obligations of the United States of America or other obligations permitted by Louisiana law, maturing in five (5) years or less, in which event all income derived from investments in the Sinking Fund and the Reserve Fund shall be deposited in the Waterworks Revenue Fund as income and revenues of the district and all income from investments in the Contingency Fund shall be added to the Contingency Fund. Such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which said respective funds and accounts are herein maintained.

As of December 31, 1999, the Rural Utilities Service (RUS) Depreciation and Contingency Fund was fully funded, per debt restrictions, with a balance of \$125,657.

- (c) During the fiscal year ending December 31, 1999, the Series 1993 Certificates of Indebtedness were retired by the \$55,000 *Revenue Refunding Bonds, Series 1998*. The bond agreement for the *Series 1998 Revenue Refunding Bonds* specifies the creation of a "Revenue Refunding Bond Sinking Fund", sufficient in amount to pay promptly the principal of and the interest on the Bond by transferring from the Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of the month of each year, one-sixth of the interest falling due on the next interest date, and one-twelfth of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay the required principal and interest payments.

At December 31, 1999, the sinking fund for the *Series 1998 Revenue Refunding Bonds* was fully funded with a balance of \$19,933.

10. RESERVED RETAINED EARNINGS

Reserved retained earnings, totaling \$261,169, is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account based on assets held by the water district that are restricted for bond payments and emergency repairs. The purpose of the reserved retained earnings is to service the revenue bonds. The board of commissioners of the district at December 31, 1999 had also designated a total of \$260,710 of unreserved retained earnings for future capital improvement projects.

11. LITIGATION AND CLAIMS

At December 31, 1999, the district is involved in continuing litigation. There has been no determination as to the probability of an unfavorable outcome, and the district is vigorously defending the case.

SUPPLEMENTARY INFORMATION

**Tangipahoa Water District
Tangipahoa Parish Council
Comparative Balance Sheet - Proprietary Fund Type
December 31, 1999 and 1998**

Assets	Enterprise Fund	
	1999	1998
Current Assets:		
Cash	\$ 151,480	\$ 290,316
Accounts Receivable (Net)	154,171	117,929
Accrued Billings	94,623	82,385
Due From Other Governments	1,052	999
Inventory	51,809	51,470
Total Current Assets	<u>453,135</u>	<u>543,099</u>
Restricted Assets:		
Cash - Customer Deposits	350,114	292,097
Cash - Capital Improvements	260,710	131,538
Cash - RUS Bond Depreciation and Contingency	125,657	96,764
Cash - RUS Bond Reserve	135,512	107,742
Cash - Series 1998 Sinking Fund	19,933	18,802
Cash - Series 1999 Sinking Fund	85,904	-
Cash - Ponchatoula East Construction	43,454	1,044
Cash - Escrow for Connection Fees	5,375	5,452
Total Restricted Assets	<u>1,026,659</u>	<u>653,439</u>
Property, Plant, and Equipment:		
Land	102,707	102,707
Plant and Equipment	14,697,587	11,376,325
Construction in Progress	393	2,748,657
Total Property, Plant, and Equipment	<u>14,800,687</u>	<u>14,227,689</u>
Less: Accumulated Depreciation	<u>(2,584,126)</u>	<u>(2,444,129)</u>
Net Property, Plant, and Equipment	<u>12,216,561</u>	<u>11,783,560</u>
Other Assets:		
Utility Deposits	705	705
Bond Issue Cost	46,838	48,257
Total Other Assets	<u>47,543</u>	<u>48,962</u>
Total Assets	<u>\$ 13,743,898</u>	<u>\$ 13,029,060</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Comparative Balance Sheet - Proprietary Fund Type
December 31, 1999 and 1998**

Liabilities and Fund Equity	Enterprise Fund	
	1999	1998
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 41,657	\$ 38,684
Sales Tax Payable	3,898	3,266
Accrued Wages	32,788	18,234
Payroll Tax Payable	1,811	1,773
Due to Other Governments	57,754	47,312
Total Current Liabilities (Payable From Current Assets)	137,908	109,269
Current Liabilities (Payable From Restricted Assets):		
Accrued Interest Payable - RUS Bonds	87,525	2,619
Accrued Interest Payable - Series 1998 Bond	771	1,059
Accrued Interest Payable - Ponchatoula East	-	55,155
Construction Accounts Payable - Ponchatoula East	-	138,322
Retainage Payable - Ponchatoula East	38,946	185,128
Customer Deposits Payable	409,430	363,635
Current Portion of RUS Bonds	79,950	62,096
Current Portion of Series 1998 Refunding Bonds	15,000	15,000
Liability for Connection Fees	2,350	32,750
Total Current Liabilities (Payable From Restricted Assets)	633,972	855,764
Long-Term Liabilities:		
Bonds Payable - Original System	3,031,550	3,068,842
Bonds Payable - Pumpkin Center #1	2,656,449	2,683,267
Bonds Payable - Pumpkin Center #2	125,550	126,947
Bonds Payable - Ponchatoula East #1	2,886,900	-
Bonds Payable - Ponchatoula East #2	298,645	-
Series 1998 Refunding Bonds	25,000	40,000
Note Payable - Interim Financing	-	2,369,717
Total Long-Term Liabilities	9,024,094	8,288,773
Total Liabilities	9,795,974	9,253,806
Fund Equity:		
Paid-In Capital	8,708	8,708
Contributed Capital	3,079,847	3,049,747
Less: Accumulated Amortization	(920,958)	(833,905)
Net Paid-In and Contributed Capital	2,167,597	2,224,550
Retained Earnings:		
Reserved for RUS Bond Reserve	135,512	107,742
Reserved for RUS Bond Depreciation and Contingency	125,657	96,764
Unreserved Retained Earnings:		
Designated	260,710	131,538
Undesignated	1,258,448	1,214,660
Total Retained Earnings	1,780,327	1,550,704
Total Fund Equity	3,947,924	3,775,254
Total Liabilities and Fund Equity	\$ 13,743,898	\$ 13,029,060

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Proprietary Fund Type**

**Schedule of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual)
For the Year Ended December 31, 1999
And Actual for the Year Ended December 31, 1998**

	Enterprise Fund			
	Budget 1999	Actual 1999	Variance Favorable (Unfavorable)	Actual 1998
Operating Revenues				
Water Sales	\$ 1,623,805	\$ 1,644,286	\$ 20,481	\$ 1,417,696
Penalties	32,048	32,756	708	29,303
Service Connection and Installation Fees	140,412	134,615	(5,797)	115,749
Reconnect Charges	19,200	17,575	(1,625)	16,550
Billing Fees	12,811	12,905	94	-
Interest Income	46,304	47,140	836	24,353
Miscellaneous	6,647	5,641	(1,006)	18,589
Total Operating Revenues	<u>1,881,227</u>	<u>1,894,918</u>	<u>13,691</u>	<u>1,622,240</u>
Operating Expenses				
Accounting Fees	421	956	(535)	1,011
Amortization of Bond Issue Costs	1,398	1,419	(21)	1,433
Annual Audit Fee	8,000	8,000	-	10,000
Bad Debt Expense	12,017	11,965	52	10,406
Bank Charges	86	95	(9)	88
Chlorination	67,594	75,036	(7,442)	62,105
Computer Expense	7,728	9,231	(1,503)	6,781
Contract Labor	57,560	58,260	(700)	51,289
Damages	10,132	10,132	-	-
Depreciation	375,379	366,260	9,119	328,285
Director's Fees	15,700	15,600	100	17,900
Dues and Subscriptions	589	552	37	387
Educational Expense	2,443	2,036	407	766
Electricity Purchased	99,440	101,059	(1,619)	77,978
Employee Uniforms	5,894	6,051	(157)	4,874
Equipment Maintenance	8,590	9,169	(579)	22,468
Equipment Rental	1,477	1,425	52	1,518
Insurance	53,179	53,567	(388)	45,718
Legal Fees	3,228	3,725	(497)	4,304
Minute Clerk Fees	2,275	2,275	-	2,675
Miscellaneous	319	503	(184)	192
Office Expense	7,661	7,449	212	10,428
Office Supplies	9,529	9,153	376	-
Official Journal	2,378	2,390	(12)	2,727

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Proprietary Fund Type
Tangipahoa Parish Council**

**Schedule of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual)
For the Year Ended December 31, 1999
And Actual for the Year Ended December 31, 1998**

	Enterprise Fund			
	Budget 1999	Actual 1999	Variance Favorable (Unfavorable)	Actual 1998
Operating Costs - Trucks	\$ 36,202	\$ 35,818	\$ 384	\$ 31,786
Payroll Taxes	24,894	24,708	186	21,997
Postage and Box Rent	19,174	18,930	244	15,103
Professional Fees	4,500	3,750	750	1,470
Repairs, Maintenance and Supplies	44,738	47,891	(3,153)	35,686
Retirement Contributions	11,536	12,076	(540)	9,777
Telephone	9,515	9,585	(70)	8,628
Utilities	5,716	5,571	145	5,310
Wages and Salaries	339,814	367,641	(27,827)	303,394
Water Well Maintenance and Supplies	22,243	26,668	(4,425)	28,228
Total Operating Expenses	<u>1,271,349</u>	<u>1,308,946</u>	<u>(37,597)</u>	<u>1,124,712</u>
Operating Income (Loss)	<u>609,878</u>	<u>585,972</u>	<u>(23,906)</u>	<u>497,528</u>
Nonoperating Revenues (Expenses)				
Recovery of Bad Debts	377	428	51	1,734
Gain on Sale of Fixed Assets	5,150	1,991	(3,159)	-
Loss on Disposal of Fixed Assets	-	(43,678)	(43,678)	-
Interest Expense	(405,066)	(402,143)	2,923	(321,581)
Total Nonoperating Revenues (Expenses)	<u>(399,539)</u>	<u>(443,402)</u>	<u>(43,863)</u>	<u>(319,847)</u>
Net Income (Loss)	<u>\$ 210,339</u>	142,570	<u>\$ (67,769)</u>	<u>\$ 177,681</u>
Unreserved Retained Earnings, Beginning		1,214,660		
Amortization of Contributed Capital		87,053		
(Increase) Decrease in Reserved Retained Earnings:				
Reserved for Bond Payments		(27,770)		
Reserved for Bond Depreciation		(28,893)		
Reserved for Capital Improvements		(129,172)		
Unreserved Retained Earnings, Ending		<u>\$ 1,258,448</u>		

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council**
Comparative Schedule of Cash Flows - Proprietary Fund Type
For the Years Ended December 31, 1999 and 1998

	Enterprise Fund	
	1999	1998
Cash Flows From Operating Activities		
Operating Income	\$ 585,972	\$ 497,528
Adjustments to Reconcile Net Operating Income to Cash Provided by Operating Activities:		
Depreciation	366,260	328,285
Bond Issue Cost Amortization	1,419	1,433
(Increase) Decrease in Accounts Receivable	(36,242)	(13,836)
(Increase) Decrease in Accrued Billings	(12,238)	(13,821)
(Increase) Decrease in Due From Other Governments	(53)	(160)
(Increase) Decrease in Inventory	(339)	(5,002)
(Increase) Decrease in Prepaid Insurance	-	1,414
(Increase) Decrease in Advance-Insurance Proceeds	-	(4,800)
Increase (Decrease) in Accounts Payable	2,973	6,183
Increase (Decrease) in Construction Accounts Payable	(138,322)	138,322
Increase (Decrease) in Sales Tax Payable	632	261
Increase (Decrease) in Accrued Wages	14,554	5,137
Increase (Decrease) in Payroll Taxes Payable	38	33
Increase (Decrease) in Due To Other Governments	10,442	3,831
Increase (Decrease) in Retainage Payable	(146,182)	185,128
Increase (Decrease) in Interest Payable	29,463	54,900
Increase (Decrease) in Customer Deposits Payable	45,795	36,162
Increase (Decrease) in Liability for Connection Fees	(30,400)	(700)
Net Cash Provided (Used) by Operating Activities	<u>693,772</u>	<u>1,220,298</u>
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	428	1,734
Net Cash Provided (Used) by Noncapital Financing Activities	<u>428</u>	<u>1,734</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds From RUS Bond	3,200,000	-
Proceeds From Interim Financing Ponchatoula East	387,707	2,369,717
Proceeds From Contributions	30,100	5,371
Proceeds From Sale of Fixed Assets	5,150	-
Payment For Capital Acquisitions	(845,804)	(222,723)
Payment For Construction in Progress	(294)	(2,688,061)
Principal Payments - RUS Bond	(62,108)	(58,741)
Principal Payments - Interim Financing Ponchatoula East	(2,757,424)	-
Principal Payments - Certificate of Indebtedness	(15,000)	(15,000)
Interest Payments	(402,143)	(321,581)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(459,816)</u>	<u>(931,018)</u>
Net Cash Increase (Decrease)	234,384	291,014
Cash, Beginning	943,755	652,741
Cash, Ending	<u>\$ 1,178,139</u>	<u>\$ 943,755</u>

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana**

Schedule 4

**Supplemental Information Schedule
For the Year Ended December 31, 1999**

COMPENSATION PAID BOARD MEMBERS

	<u>Amount</u>
Eugene Traylor	\$ 2,300
Tommy Levatino	1,700
Gerald Owens	2,300
Larry McDaniel	2,100
John Jackson	2,300
Larry Byers	2,300
Dr. J. L. Garret	2,200
Brent Thompson	400
	<u>\$ 15,600</u>

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana

Schedule 5

Supplemental Information Schedule
As of and for the Year Ended December 31, 1999

SCHEDULE OF INSURANCE

Insurance Company	Coverage	Amount	Period
Coregis Insurance Company Policy # 6510071435	Employee Dishonesty Coverage	\$550,000	01/01/99 - 01/01/00
Coregis Insurance Company - Policy # 503164000	Commercial Umbrella	\$1,000,000	01/01/99 - 01/01/00
Valley Forge Insurance Company - Policy # WC 174989409	Worker's Compensation	Statutory coverage with \$500,000 of Employer's Liab.	01/01/99 - 01/01/00
General Star Indemnity Insurance Company Policy Number IYA602292	Liability: Directors & Officers	\$1,000,000	01/01/99 - 01/01/00
Coregis Insurance Company Policy Number 6510071435	Business Automobile: Liability Uninsured Motorist Underinsured Motorist Comprehensive Deductible Collision Deductible	\$500,000 500,000 500,000 250 500	01/01/99 - 01/01/00
Coregis Insurance Company Policy Number 6510071435	Commercial Package Policy: General Liability: General Aggregate Each Occurrence Employee Dishonesty Blanket Theft, Inside Theft, Outside Contractor's Equipment (incl Computer Equip) Property-Building & Contents (Including scheduled coverage for water wells, pumps, and tanks)	\$2,000,000 1,000,000 550,000 10,000 10,000 161,210 3,552,750	01/01/99 - 01/01/00
United National Insurance Company Policy Number UN1000 0009	Public Entities Environmental Liability Coverage: General Aggregate Each Occurrence	\$1,000,000 1,000,000	01/01/99 - 01/01/00

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana

Schedule 6

SCHEDULE OF WATER CUSTOMERS
December 31, 1999

LISTING OF CUSTOMERS BY TYPE SERVICE

TYPE SERVICE	NUMBER OF CUSTOMERS
RESIDENTIAL	7,038
APARTMENTS	309
COMMERCIAL	178
TOTAL CUSTOMERS	7,525

SCHEDULE OF WATER RATES
December 31, 1999

TYPE SERVICE	BASE RATE	COST PER 1,000 GALLONS ABOVE BASE RATE
RESIDENTIAL METERED	\$8.00 FIRST 2,500 GALLONS;	\$1.25 OVER 2,500 GALLONS
RESIDENTIAL FLAT RATE -		
COMMERCIAL:		
1" METER	\$20.00 FIRST 10,000 GALLONS;	\$1.25 OVER FIRST 10,000 GAL
1 & 1/2" METER	\$40.00 FIRST 20,000 GALLONS;	\$1.25 OVER FIRST 20,000 GAL
2" METER	\$60.00 FIRST 30,000 GALLONS;	\$1.25 OVER FIRST 30,000 GAL
3" METER	\$80.00 FIRST 40,000 GALLONS;	\$1.25 OVER FIRST 40,000 GAL
4" METER	\$100.00 FIRST 50,000 GALLONS;	\$1.25 OVER FIRST 50,000 GAL
APARTMENTS:		
METERED	\$7.50 PER UNIT FIRST 2,500 GAL	\$1.25 OVER FIRST 2,500 GAL
UNMETERED	\$12.00 PER APARTMENT	
SCHOOLS	TO BE RATED AS COMMERCIAL.	

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 1999**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Program or Amount
U. S. Department of Agriculture Water and Waste Disposal Systems For Rural Communities		
--Loan Repayments	10.760	\$ 3,313,000
--Loan Repayments	10.760	2,756,000
--Loan Repayments	10.760	133,000
--Loan Proceeds	10.760	2,900,000
--Loan Proceeds	10.760	300,000
Total Loan Activity		

U. S. Department of Agriculture
Water and Waste Disposal Systems
For Rural Communities
-- Construction (Ponchatoula East)

10.760

Note 1: Total loan proceeds and payments on outstanding bonds are presented above on the cash basis. The presentation would be the same on the accrual basis. Construction expenditures are also presented on the cash basis, and reconciled to the accrual basis in note 2 below.

Note 2: During the fiscal year ending December 31, 1999, the Rural Utilities Service Project for Ponchatoula East water system improvements and additions was substantially completed and permanent financing of \$3,200,000 from Rural Utilities Service was obtained. The total cost of the completed construction, including client contributions as of December 31, 1999, presented on the accrual basis, is as follows:

12/31/98 Construction in Progress - Cash Basis	\$ 2,357,101
12/31/99 Construction in Progress Expenditures (Cash Basis)	807,700
12/31/99 Retainage at 12/31/99 - Accrual	38,946
Total Project Cost - Accrual Basis	\$ 3,203,747

The accompanying notes are an integral part of these statements.

Cash/ Accrued Revenue at December 31, 1998	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued Revenue at December 31, 1999
<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 3,104,137	\$ -	\$ 35,301	\$ 3,068,836
2,708,743	-	25,481	2,683,262
128,272	-	1,326	126,946
-	2,900,000	-	2,900,000
-	300,000	-	300,000
<u>\$ 5,941,152</u>	<u>\$ 3,200,000</u>	<u>\$ 62,108</u>	<u>\$ 9,079,044</u>
		<u>\$ 807,700</u>	

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 8

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 1999**

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

Reference Number: 98-1

Description of Finding:

It was noted within the Notes to the Financial Statements that Tangipahoa Water District had not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue. However, the district replaced several computers within the past year. It was also noted that management of the district could not assure that parties with which the district does business will be year 2000 ready.

Corrective Action Planned (Response by Management):

The district monitored year 2000 compliance, and has not experienced significant year 2000 compliance problems.

Corrective Action Taken: Final

Section II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II.

Section III - Management Letter

Reference Number: 96M-1

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

Description of Finding:

In the review of internal controls for the utility billing system for Tangipahoa Water District, we noted that procedures needed to be implemented to insure that all accounts were billed at maximum rates, accounts are properly coded, and that past due accounts are discounted on a timely basis. We recommended that in order to maximize the amount of revenue billed, that reports be issued to the board of commissioners on a monthly basis listing accounts billed at a flat rate, and accounts that show no change in meter readings, decrease in readings, or zero usage.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 8

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 1999
(Continued)**

We recommended standardized reports to the board of commissioners on a monthly basis, in the following areas:

- 1) Disconnect Report - indicating the accounts past due and disconnected for the month.
- 2) Meter Reading Variance Report - showing accounts with no charge in meter readings, decrease in readings or zero usage.
- 3) Flat Rate Usage Report - displaying accounts still billed at flat rate.

Corrective Action Planned (Response by Management):

Currently, numerous reports have been designed, but are being tested, revised, and corrected as of the date of this audit report. We will continue to develop the required reports for monitoring the status of utility billings and collections.

Corrective Action Taken: Partially

Additional Explanation:

Corrective action is listed as partial, since the new utility billing reports must be tested and reviewed. Continued follow-up is required.

Reference Number: 96M-2

Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/95

Description of Finding:

We noted in prior years that the district personnel spent considerable time researching source records to determine the status of accounts. Although meter records are input into the existing utility billing system, record inputs is by file maintenance and does not provide an adequate audit trail of meter deposit transactions. The meter deposit liability recorded is below the actual cash recorded for meter deposits.

We recommended that meter deposit transactions be input into a program that provides an adequate audit trail.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 8

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 1999
(Continued)**

Corrective Action Planned (Response by Management):

As noted, implementation of the utility billing software was delayed. This recommendation will be acted upon with the implementation of the new utility billing software. The new software provides an audit trail for input of meter deposit transactions.

Corrective Action Taken: Partially

Additional Explanation:

Corrective action is listed as partial, since meter deposit records must still be input into a program that provides a sufficient audit trail. Continued follow-up is required.

Reference Number:96M-5

Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/95

Description of Finding:

We noted that the current computer system was becoming functionally obsolete and that the district should consider upgrading both the computer system and utility billing software so that more detailed reports could be provided to the board of commissioners.

Corrective Action Planned (Response by Management):

Because of lightning damage, all computers have been replaced. We are also in the process of implementing a new utility billing program and are continually replacing older computers.

Corrective Action Taken: Final

The contact person for all management recommendations is as follows:

Eugene Traylor, President
Tangipahoa Water District
P.O. Box 699
Natalbany, LA 70451

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 9

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 1999**

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

No Findings for Section I.

Section II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II.

Section III - Management Letter

Reference Number: 99-M1

Description of Finding:

During the fiscal year ending December 31, 1999, a new utility billing system was implemented. Some of the reasons for implementing the system were to add features not available under the current system, including ability to create more complex billing codes and payment plans, expanded reporting, expanded memory capabilities for hand held meter readings, automatic bank drafting for billings, and capability of scanning for recording receipts. However, problems were encountered during implementation of the system, and numerous program modifications and corrections were required. Testing of the audit trail for utility billing transactions showed significant improvement as of the date of this audit report, but errors were still noted in testing of transactions. Monitoring of the following is recommended for the district:

- 1) Monitor key reports of the entire system to ensure that the reports balance at month-end. These reports include the A/R Posting Summary, A/R Aging Report, and the Custom History Report. These reports balanced at December 31, 1999, but should continue to be monitored as program modifications are made.
- 2) Follow-up on program modifications to be made for the Custom History Report for the entire water district. It was noted that the ending balance of this report balances to the other control reports, the A/R Posting Summary and A/R Aging Report, but that the recap of transactions by type, such as the monthly totals for water billings, is incorrect.
- 3) Monitor the A/R Aging Reports for agencies for which the district provides a billing service. These reports were created and modified by the program vendor. As of the date of this audit report, testing indicated that the aging was substantially correct, but program modifications were still required since the final balances for some accounts did not reconcile to and were above the amount reported on the master aging report for the entire district. These registers should be tested on a monthly basis and reconciled to the master aging report, until all final balances are reported and aged correctly.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 9

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 1999
(Continued)**

- 4) Monitor the Custom History Reports printed for the agencies for which the district provides a billing service, for the same problems noted in Item # 2 above, plus the ending balance of this report
- 5) Continue to review monthly billings to ensure that billings are recorded properly.

Corrective Action Planned (Response by Management):

We will continue testing of the utility billing transactions on a monthly basis, until all corrections are made.

Anticipated Completion Date:

Testing of utility billing transactions will continue for the remainder of the current fiscal year.

Name of Contact Person:

Eugene Traylor, President
Tangipahoa Water District
P.O. Box 699
Natalbany, LA 70451
(504) 345-6457

Reference Number: 99-M2

Description of Finding:

We noted that the amount of accounts receivable past due for over 90 days increased from \$13,190 at December 31, 1998 to a total of \$34,347 at December 31, 1999. After review, we also noted that the amount uncollectible at December 31, 1998 is included in the current amount past due for over 90 days, and was not written off in the prior year. We recommend that the district immediately compile a listing of the accounts that are uncollectible and present the listing to the board of commissioners for approval of write-off, and determination of procedures for collection of past due accounts.

Corrective Action Planned (Response by Management):

As of the date of this audit report, we are finalizing the listing of uncollectible accounts, and will present the listing to the Board of Directors. The listing of uncollectible accounts in the future will be more closely monitored, and written off as determined uncollectible.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 9

***Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 1999
(Continued)***

Anticipated Completion Date:

The listing of the uncollectible accounts will be presented to the board of commissioners at the first regular board meeting in April, 2000.

Name of Contact Person:

Eugene Traylor, President
Tangipahoa Water District
P.O. Box 699
Natalbany, LA 70451
(504) 345-6457

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 10

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1999**

I. Type of Report Issued on the Financial Statements.

A unqualified opinion of the financial statements was issued for Tangipahoa Water District for the fiscal year ending December 31, 1999.

II. Disclosure of Reportable Conditions in Internal Control.

No reportable conditions in internal control were reported.

III. Disclosure of noncompliance material to the financial statements.

There were no material instances of noncompliance, material to the financial statements, disclosed by the audit of the financial statements of Tangipahoa Water District.

IV. Disclosure of Reportable Conditions in Internal Control over Major Programs.

There were no reportable conditions for Major Programs, for the fiscal year ending December 31, 1999.

V. Type of Report Issued for Major Programs.

Unqualified.

VI. Disclosure of Audit Findings Required to be Reported under *S___ .510 Audit Findings*.

No findings to be reported under *S___ .510 Audit Findings*.

VII. Identification of Major Programs.

The Major Program identified for Tangipahoa Water District, for the fiscal year ending December 31, 1999, was the Water and Waste Disposal Systems Loan and Grant Program, Rural Utilities Service, U.S. Department of Agriculture (CFDA # 10.760).

VIII. Dollar Threshold to Distinguish Between Type "A" and Type "B" programs.

Expenditures of \$300,000.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 10

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1999
(continued)**

IX. Statement as to Whether the Auditee qualified as Low-Risk Auditee under *S*___.530.

Yes. The Tangipahoa Water District qualified as a low-risk auditee under the provisions of *S*___.530.

X. Findings which must be Reported in accordance with GAGAS.

There were no findings to be reported in accordance with GAGAS for the fiscal year ending December 31, 1999.

XI. Findings and Questioned Costs for Federal Awards.

There were no findings or questioned costs for federal awards for Tangipahoa Water District for fiscal year ending December 31, 1999.

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

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
James D. Rabalais, CPA

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (504) 542-6372
FAX: (504) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 602 Fifth St.
Kentwood, LA 70444
VOICE: (504) 229-5955
FAX: (504) 229-5951

MEMBERS
American Institute of
CPAs
Society of Louisiana CPAs

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

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana 70451

We have audited the general purpose financial statements of the Tangipahoa Water District, Louisiana, as of and for the year ended December 31, 1999, and have issued our report thereon dated March 2, 2000. 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 Tangipahoa Water District'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tangipahoa Water District'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 relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their 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 within Schedules 8 and 9 as Reference Numbers 96M1, 96M2, 99M1, and 99M2.

**Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Page 2**

This report is intended for the information of management, the Legislative Auditor, and the Rural Utilities Service office. However, this report is a matter of public record and its distribution is not limited.


Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

March 2, 2000

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

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
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109 West Minnesota Park
Park Place Suite 7
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana 70451

Compliance

We have audited the compliance of the Tangipahoa Water District, a component unit of the Tangipahoa Parish Council, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1999. The Tangipahoa Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tangipahoa Water District's management. Our responsibility is to express an opinion on the Tangipahoa Water District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tangipahoa Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tangipahoa Water District's compliance with those requirements.

Page 2

In our opinion, the Tangipahoa Water District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999. However, the results of our auditing procedures disclosed immaterial instances that are described as management recommendations in Schedules 8 and 9 as Reference Numbers 96M1, 96M2, 99M1, and 99M2.

Internal Control Over Compliance

The management of the Tangipahoa Water District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tangipahoa Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Legislative Auditor, and the Federal Cognizant Agent. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell and Company, CPAs
A Professional Accounting Corporation

March 2, 2000