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TANGIPAROLA WATER DISTRICT  
TANGIPAROLA PARISH COUNCIL

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ANNUAL FINANCIAL REPORT  
DECEMBER 31, 1966

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Release Date 8-10-82

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

Bruce C. Harrell, CPA

Walter S. Wood, CPA  
Richard P. Ingey, CPA  
Sally H. Jones, CPA

129 West Minnesota Park  
Park Place Suite 7  
Baton Rouge, LA 70801  
PHONE: (504) 383-6112  
FAX: (504) 383-3334

KENWOOD OFFICE  
P.O. Box 45 - 500 Park St.  
Baton Rouge, LA 70804  
PHONE: (504) 383-5950  
FAX: (504) 383-5950

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

**MANAGEMENT LETTER**

March 4, 1998

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

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We have examined the component unit financial statements of Tangipahoa Water District, Louisiana as of and for the years ended December 31, 1995, and 1994. In planning and performing our audit, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure. However, we noted certain weaknesses in the internal control structure, that, if corrected, could improve the ability of management of Tangipahoa Water District to record, process, summarize, and report financial data consistent with the intentions of management. The format below lists "Weakness in Internal Controls", and "Current Year Audit Recommendations", followed by "Management Response to Audit Recommendations".

**UTILITY BILLING SYSTEM - MANAGEMENT OF BILLING PROCESS**

**A. Weaknesses in Internal Controls:**

During the financial audit, both audit personnel and staff of Tangipahoa Water District reviewed and tested class billing reports, to determine if billings were correctly coded for type service, billings were calculated correctly, and if the usage reported were consistent and reasonable based on past history for the customer. In this analysis, errors were not noted in the calculation of bills based on the account rate codes input into the utility billing software. However, it was noted that minimum accounts were being billed the minimum usage although the account was reporting usage above the minimum. This occurred in situations in which the water rate code accidentally bill the minimum usage, or in which the account had an incorrect water rate code. Incorrect coding, or billings at minimum usage rates result in decreased revenues for the District. Maximization of billing revenues requires continued review of the billing process to determine that all accounts are metered, coded correctly, and any changes in account classifications are reported to management in a timely manner.

**B. Current Year Audit Recommendations:**

In conjunction with the financial audit, and at the request of the Board of Commissioners of Tangipahoa Water District, we designed a series of Management Reports for the utility billing system, and programming changes were implemented to produce these reports. These reports assist in review of the overall billing process to determine that accounts are being billed at correct amounts, revenue is being maximized, and variations in the billing process are identified in a timely manner. Two series of reports are available, allowing monthly review

of the billing process, and periodic review of the overall management of billing. Monthly reports consist of the following:

- 1) Meter Reading Variance Report - shows accounts with no change in meter readings, decrease in readings, or zero usage.
- 2) Credit Balance Report - identifies accounts with negative balances above a threshold level.
- 3) Current Listing of Accounts by Water Rate Codes - lists only new accounts by water rate code.
- 4) Flat Rate Usage Report - displays information on accounts billed at a flat rate to determine if usage is reported and the account coding should be reviewed.

Periodic management reports for overall review of the utility billing process consist of the following:

- 1) Year-end Listing of Customers by Rate Code - produces a year-to-date listing of customers by water rate code.
- 2) Usage Increase Report - reviews year-to-date usage to identify accounts with significant increases or decreases in usage. Variations may be due to leakage or correction of estimated readings.
- 3) Minimum Usage Report - shows accounts with consistent usage below minimum billing, to help identify accounts where meters need to be replaced.

We recommend that management of the District run these reports and report directly to the Board of Commissioners on no less than a monthly basis the progress made in correcting rate code classifications.

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

We have received and installed the programming changes for the management reports, will review the data, and report to the Board of Commissioners, as required.

### UTILITY BILLING SYSTEM - METER DEPOSIT RECORDS

#### A. Weaknesses in Internal Controls:

We noted in the review of records supporting meter deposits paid and refunded, that it was necessary for DWIA staff personnel to spend considerable time researching source records to determine the status of accounts. Although meter deposit payments are input in the utility billing program, this part of the program does not provide an adequate audit trail to input and update records for meter deposits paid to customers. Also, for customers disconnected from the system, the District also expressed interest in maintaining a data base of offsets for follow-up to determine that customers do not illegally reconnect to the water system.

#### B. Current Year Audit Recommendations:

Maintenance of meter deposit records involves initial input of the customer payment and customer information, and recording refunds to customers. This is a simple data base application. We recommend that the District purchase a data base program, structure the data base, and assign responsibility for accounting for and reporting transactions for meter deposits. A separate data base could also be used to maintain records on current month disconnections.

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

We will implement the changes necessary to improve accounting for meter deposits, and to provide follow-up on customers disconnected from the system.

**UTILITY BILLING SYSTEM - TRAINING OF PERSONNEL**

**A. Weaknesses in Internal Controls:**

We noted in review of the billing process that the work done by the billing clerk was commendable. The major part of getting bills out for over 4,500 customers is completed by one person. However, since the financial well-being of the District depends on getting the bills out in a timely manner, reliance on only one person could result in decreased revenues if that person is on vacation or not on sick leave.

**B. Current Year Audit Recommendations:**

We recommended that as soon as possible, that additional employees be trained on all facets of the utility billing program. Since the District is currently implementing billing by cycles, rather than billing once per month, employees can more easily be assigned responsibility for specific cycles and learn all phases of the utility billing process.

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

The District Manager has reviewed this matter and is planning for cross-training of employees and assigning responsibility for billing by cycles.

**INVENTORY SYSTEM**

**A. Weaknesses in Internal Controls:**

During the fiscal year ending December 31, 1985, the District implemented a new inventory system and provided an inventory report at fiscal year end. Considerable progress was made and hard work was put into implementing the inventory system. However, because of changes in personnel, the inventory system was not always up-to-date on a consistent basis, and certain features of the inventory software, such as producing reports for distributing costs to general ledger accounts, have not yet been utilized. The computer software provides only the means to "track" inventory receipts and usage. In order for the inventory control system to be efficient, procedures for physically safeguarding access to inventory and for interfacing inventory transactions with the computer system must be established, promulgated, and followed on a consistent basis.

**B. Current Year Audit Recommendations:**

We recommended that responsibility for maintaining inventory records be assigned and that more than one person learn the inventory software. Also, as inventory procedures are standardized, personnel should become more familiar with the reporting capabilities of the software so that timely feedback as to the system's effectiveness may be obtained.

C. Management Response to Audit Recommendations:

Management is currently addressing this problem and will make the necessary work assignments for management of inventory. The new District Manager is finalizing a manual with the reporting functions of the inventory control software and designing a system of procedures for controlling physical access to inventory and for workers' interfacing with the computer system.

**COMPUTER EQUIPMENT AND CONTROLS**

A. Weaknesses in Internal Controls:

The District employs a PC network running under the Novell NetWare network operating system. NetWare has extremely sophisticated security features which may be activated to afford management the ability to limit access to programs and data based on a "need to know" basis. These security measures are over and above additional measures which may be contained in the various application programs being run over the network. NetWare security features are implemented through the process of assigning certain "rights" to individual "users" and "groups" of users. Rights which can be granted (or withheld) include the right to read (open existing files and view their contents), to grant (travel over files), to write (change the contents of existing files, and to create (or the existence of files) as well as other more extensive privileges. Once rights are granted to a user, they are activated when the system detects that user's "login name" opens entry to the network. In addition to allowing the user to exercise the rights associated with his or her "login name" during any network session, the network tracks activities performed on it by the login name that performed the function. In order to ensure that the "real" user is the person who actually was logged in, it is imperative that each user "login name" select a unique password (known only to the user, not even management) and that the "unique password" feature of NetWare be activated.

We observed that the "unique password" feature of NetWare has not been activated and that all users have been assigned the same level of rights. In essence this means that there is no control over who accesses what over the network, or over who can add, change or delete any programs or data (either accidentally or intentionally). Since passwords are not required, the internal tracking feature cannot be relied upon to provide accurate information because anyone can "login" under anyone else's login name.

Additionally, we observed that no employee of the District is instructed in the use of NetWare's various utilities, such as how to add new or remove terminated users to and from the system, how to grant or withdraw rights, lock accounts, limit their period access, or perform other administrative tasks. No one knows how to recover accidentally deleted files, how to add programs to the system, add access to programs via the remote system, or remove unwanted programs from the system.

Lastly, we observed that most of the PCs currently attached to the network are approaching functional obsolescence. All but one of the PCs is incapable of running the Windows environment, and even the one PC capable of running Windows does not have sufficient memory to effectively run Windows plus any applications thereunder. In addition to processor and memory shortcomings, some of the PCs don't have random 3.5-inch floppy drives or even hard drives. While not yet at the critical stage for upgrading the programs currently on the system, this condition precludes the possibility of migrating to the current (and future) generations of software available for utility billing and management, work order processing, accounting, analysis, word processing, and electronic mail functions.

**B. Current Year Audit Recommendations:**

We recommend that the District activate the security features of the network operating system and that employees be instructed in the criticality of protecting their individual passwords. We recommend that management be fully briefed on all of the security features, on how to implement them, and on how to use the reporting features of NetWare to monitor network activity.

We recommend that management be instructed in the use of NetWare's administrative and recovery utilities and on how to add programs to the network and the main system.

We recommend that the District undertake a "technology review" to determine which PC's should be retired and replaced and what specifications would be appropriate for new PC acquisitions. We also recommend that management consider whether existing software will continue to meet the District's needs in light of the anticipated growth of the customer base and that plans be formulated for investigating software which might meet those needs.

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

The District Manager concurs that the security features of the network operating system should be learned, implemented, and monitored and that this should be a duty of the District Manager. Management also agrees that he and one other employee should receive instruction in the administrative and recovery utilities of the system as well as how to add programs and make menu modifications.

The District Manager concurs in the need for a review of the District's PC hardware and an assessment of the continuing viability of software currently employed by the District. He will discuss approaches to this task with the Board of Commissioners.

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

Respectfully submitted,



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

Tangipahoa Water District  
 Tangipahoa Parish Council  
 Annual Financial Report  
 December 31, 1995

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

Bruce G. Harrell, CPA

Walter A. Wood, CPA  
Michael P. Emry, CPA  
Dale B. Iann, CPA

100 West Mississippi Park  
Park Plaza Suite 7  
Baton Rouge, LA 70801  
PHONE: (504) 941-6173  
FAC: (504) 941-7150

MEMPHIS OFFICE  
500, Beech - 501 Park St.  
Baton Rouge, LA 70801  
PHONE: (504) 931-6471  
FAX: (504) 931-5871

MEMBERS  
American Institute of CPAs  
Faculty of Louisiana CPA

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying component unit financial statements of the Tangipahoa Water District, Louisiana, as of and for the years ended December 31, 1995 and 1994. These component unit financial statements are the responsibility of the Tangipahoa Water District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Tangipahoa Water District, Louisiana, as of December 31, 1995 and 1994, and the results of its operations and the cash flows of its proprietary fund type for the periods then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the component unit financial statements of the Tangipahoa Water District, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

March 4, 1996



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

Bruce S. Harrell, CPA

Warren A. Wood, CPA  
Michael F. Stone, CPA  
Dale H. Reed, CPA

100 West Mississippi Park  
Park Plaza Suite 7  
Harmond, LA 70400  
PHONE: (504) 543-6711  
FAX: (504) 345-8126

MEMBER OF THE  
F.A.C.E. (FEDERAL ACCOUNTING CERTIFICATION EXAMINERS)  
MEMBER, L.A. BOARD  
PHONE: (504) 504-8800  
FAX: (504) 504-8800

MEMBER  
American Institute of CPAs  
Institute of Louisiana CPAs

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

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council  
Natchitoches, Louisiana 70401

We have audited the component unit financial statements of the Tangipahoa Water District, Louisiana, as of and for the years ended December 31, 1993, and 1994, and have issued our report thereon dated March 4, 1996. These component unit financial statements are the responsibility of the Tangipahoa Water District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements of the Tangipahoa Water District, Louisiana, taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the component unit financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.



Bruce Harrell and Company, CPAs  
A Professional Accounting Corporation

March 4, 1996

Tangipahoa Water District  
Tangipahoa Parish Council  
Comparative Balance Sheet - Proprietary Fund Type  
December 31, 1993 and 1994

Assets	Tangipahoa Fund	
	1993	1994
<b>Current Assets:</b>		
Cash	\$ 34,441	\$ 95,486
Accounts Receivable (Net)	117,619	90,358
Averred Billings	32,526	16,888
Due From Other Governments	792	652
Inventory	43,171	38,936
Customer Deposits Receivable	-	4,290
Prepaid Insurance	22,817	-
Total Current Assets	<u>286,139</u>	<u>283,760</u>
<b>Restricted Assets:</b>		
Cash - Customer Deposits	212,229	188,561
Cash - Capital Improvements	255,878	129,879
Cash - RECID Bond Depreciation and Contingency	48,439	29,138
Cash - RECID Bond Reserve	38,838	28,751
Cash - Certificate of Indebtedness Sinking	13,817	14,985
Cash - Certificate of Indebtedness Reserve	13,738	13,427
Cash - Pumpkin Center Construction	2,498	68,539
Cash - Pumpkin Center Reserve	11,793	44
Cash - Robertson Road Reserve	1,437	-
Cash - Pombatoeula East Reserve	21,561	-
Total Restricted Assets	<u>613,279</u>	<u>471,344</u>
<b>Property, Plant, and Equipment:</b>		
Land	111,603	111,603
Plant and Equipment	7,488,804	7,488,204
Construction in Progress	1,308,218	154,829
Total Property, Plant, and Equipment	<u>9,508,719</u>	<u>7,654,719</u>
Less: Accumulated Depreciation	(1,383,278)	(1,321,215)
Net Property, Plant, and Equipment	<u>8,125,451</u>	<u>6,333,509</u>
<b>Other Assets:</b>		
Utility Deposits	305	305
Bad Debt Cost	51,223	51,838
Total Other Assets	<u>51,528</u>	<u>52,143</u>
Total Assets	<u>\$ 9,281,087</u>	<u>\$ 7,196,143</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, 1995 and 1994

Liabilities and Fund Equity	Intergovernmental Fund	
	1995	1994
<b>Liabilities:</b>		
<b>Current Liabilities (Payable From Current Assets):</b>		
Accounts Payable	\$ 36,872	\$ 52,500
Construction Accounts Payable	128,818	-
Sales Tax Payable	3,458	3,818
Accrued Wages	4,878	3,254
Payroll Tax Payable	1,283	882
Payable to Engineer	-	26,134
Due to Other Governments	25,190	32,463
Retainage Payable - Pumpkin Center	125,126	-
<b>Total Current Liabilities (Payable From Current Assets)</b>	<u>385,478</u>	<u>118,248</u>
<b>Current Liabilities (Payable From Restricted Assets):</b>		
Accrued Interest Payable - RECD Bond	7,689	7,268
Accrued Interest Payable - Certificate of Indebtedness	2,080	2,248
Customer Deposits Payable	271,620	268,732
Current Portion of RECD Bond	26,687	25,284
Current Portion of Certificate of Indebtedness	15,080	15,008
Liability for Construction Fees	24,202	-
<b>Total Current Liabilities (Payable From Restricted Assets)</b>	<u>342,758</u>	<u>318,084</u>
<b>Long-Term Liabilities:</b>		
Bonds Payable - Original System	3,166,587	3,196,273
Bonds Payable - Pumpkin Center #1	18,080	-
Bonds Payable - Pumpkin Center #2	1,818,080	100,080
Certificate of Indebtedness	85,000	100,080
<b>Total Long-Term Liabilities</b>	<u>5,087,747</u>	<u>3,396,433</u>
<b>Total Liabilities</b>	<u>9,215,973</u>	<u>4,832,765</u>
<b>Fund Equity:</b>		
Paid-in Capital	8,788	8,788
Contributed Capital	3,844,716	3,979,149
Less: Accumulated Amortization	(575,382)	(658,935)
Net Paid-in and Contributed Capital	<u>3,758,122</u>	<u>3,428,992</u>
<b>Retained Earnings:</b>		
Reserved for Capital Improvements	259,808	178,679
Reserved for RECD Bond Reserve	99,819	18,791
Reserved for RECD Bond Depreciation and Contingency	48,418	28,128
Reserved for Certificate of Indebtedness	13,758	13,427
Unreserved Retained Earnings	678,818	882,133
<b>Total Retained Earnings</b>	<u>1,020,611</u>	<u>1,041,148</u>
<b>Total Fund Equity</b>	<u>4,778,733</u>	<u>4,470,140</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 9,281,887</u>	<u>\$ 9,302,905</u>

(Continued)

The accompanying notes are an integral part of these statements.

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

**Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual)  
For the Year Ended December 31, 1995  
And Actual for the Year Ended December 31, 1994**

	<u>Proprietary Fund</u>			
	Budget 1995	Actual 1995	Variance Favorable (Unfavorable)	Actual 1994
<b>Operating Revenues</b>				
Water Sales	\$ 1,018,000	\$ 1,049,084	\$ 31,084	\$ 928,812
Fees/Charges	29,500	29,934	434	27,292
Service Connection and Installation Fees	62,000	58,877	(3,123)	58,725
Reconnect Charges	12,000	12,000	-	12,000
Miscellaneous	8,900	9,042	142	8,282
<b>Total Operating Revenues</b>	<u>1,130,400</u>	<u>1,157,937</u>	<u>27,537</u>	<u>1,035,111</u>
<b>Operating Expenses</b>				
Electricity Purchased	118,000	82,327	35,673	88,821
Water Purchased	-	28,724	(28,724)	-
Wages and Salaries	214,000	219,288	(5,288)	218,682
Director's Fees	17,000	18,280	(1,280)	17,680
Minor Clerk Fees	1,300	1,375	(75)	-
Contract Labor	400	381	19	545
Payroll Taxes	17,500	17,866	366	17,822
Water Well Maintenance and Supplies	5,800	6,872	(1,072)	10,508
Repairs, Maintenance and Supplies	21,500	28,228	(6,728)	23,242
Equipment Rental	620	727	(107)	4,876
Equipment Maintenance	18,500	18,299	201	16,228
Operating Costs - Trucks	16,500	16,868	368	16,218
Water Well Rentals	7,500	7,500	-	7,500
Retirement Contributions	7,100	7,184	(84)	8,441
Legal Fees	18,500	5,643	4,857	8,727
Professional Fees	200	200	-	-
Accounting Fees	5,100	1,299	3,801	5,648
Annual Audit Fee	6,500	6,500	-	6,504
Postage and Dues Fees	14,000	13,995	5	10,145
Employee Uniforms	3,100	3,071	29	3,723
Dues and Subscriptions	500	200	300	290
Utilities	6,500	6,067	433	6,181
Telephone	7,000	6,888	112	7,283
Office Expense	13,500	11,314	(1,14)	8,249
Computer Expense	2,000	555	1,445	2,484
Educational Expense	3,100	1,082	11	898
Bank Charges	-	22	(22)	23
Insurance	27,100	28,982	(1,882)	26,476

(Continued)

The accompanying notes are an integral part of these statements.

Templeton Water District  
Proprietary Fund Type  
Templeton Parish Council

Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual)  
For the Year Ended December 31, 1995  
And Actual for the Year Ended December 31, 1994

	Enterprise Fund			
	Budget 1995	Actual 1995	Variance Favorable (Unfavorable)	Actual 1994
Depreciation	\$ 242,080	\$ 247,964	\$ (5,884)	\$ 241,604
Office Journal	1,880	1,921	(41)	1,731
Amortization of Bond Issue Costs	-	1,835	(1,835)	1,415
Miscellaneous	292	292	-	1,645
Total Operating Expenses	<u>244,252</u>	<u>252,012</u>	<u>(7,760)</u>	<u>796,415</u>
Operating Income (Loss)	<u>115,680</u>	<u>308,827</u>	<u>(193,147)</u>	<u>216,482</u>
Nonoperating Revenues (Expenses)				
Interest Income	18,780	18,520	260	12,799
Recovery of Bond Debts	1,080	966	114	1,141
Settlement of Claims	-	19,197	19,197	-
Interest Expense	(282,080)	(282,516)	436	(181,372)
Bond Debt Expense	(7,180)	(4,326)	2,854	(7,418)
Total Nonoperating Revenues (Expenses)	<u>(274,400)</u>	<u>(248,745)</u>	<u>25,655</u>	<u>(176,650)</u>
Net Income (Loss)	<u>\$ 141,280</u>	<u>160,082</u>	<u>\$ 18,802</u>	<u>39,832</u>
Unreserved Retained Earnings, Beginning		551,333		453,264
Amortization of Contributed Capital		84,412		84,412
(Increase) Decrease in Unreserved Retained Earnings:				
Reserved for Bond Payments		(11,868)		(78,352)
Reserved for Bond Depreciation		(11,331)		(28,278)
Reserved for Certificate of Indebtedness		(332)		(296)
Reserved for Capital Improvements		(126,338)		(41,463)
Unreserved Retained Earnings, Ending		<u>\$ 478,878</u>		<u>\$ 283,352</u>

(Continued)

The accompanying notes are an integral part of these statements.

Tangipahoa Water District  
Tangipahoa Parish Council  
Comparative Statement of Cash Flows - Proprietary Fund Type  
For the Years Ended December 31, 1995 and 1994

Cash Flows From Operating Activities	Categories Fund	
	1995	1994
Operating Income	\$ 208,837	\$ 215,482
Adjustments to Reconcile Net Operating Income to Cash Provided by Operating Activities:		
Depreciation	247,964	241,601
Good Will Cost Amortization	1,435	1,416
Bad Debt Expense	(4,934)	(7,418)
Settlement of Claims	18,197	-
(Increase) Decrease in Accounts Receivable	(24,054)	3,274
(Increase) Decrease in Accounts Billings	(5,677)	(188)
(Increase) Decrease in Due From Other Governments	(88)	(145)
(Increase) Decrease in Inventory	(4,275)	(10,484)
(Increase) Decrease in Customer Deposits Receivable	4,289	-
(Increase) Decrease in Prepaid Insurance	(2,857)	25,428
Increase (Decrease) in Accounts Payable	(18,623)	3,204
Increase (Decrease) in Construction Accounts Payable	128,520	-
Increase (Decrease) in Sales Tax Payable	447	98
Increase (Decrease) in Accrued Wages	1,521	(958)
Increase (Decrease) in Payroll Taxes Payable	400	(149)
Increase (Decrease) in Payable to Engineer	(26,126)	-
Increase (Decrease) in Due To Other Governments	2,727	36,618
Increase (Decrease) in Retainage Payable	125,756	-
Increase (Decrease) in Interest Payable	(888)	1,861
Increase (Decrease) in Customer Deposits Payable	2,888	41,628
Increase (Decrease) in Liability for Commission Fees	24,358	-
Net Cash Provided (Used) by Operating Activities	<u>728,708</u>	<u>332,166</u>
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	862	1,341
Net Cash Provided (Used) by Noncapital Financing Activities	<u>862</u>	<u>1,341</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds From BECD Bond	1,729,808	908,080
Proceeds From State Grant	-	75,880
Proceeds From Contributions	63,637	-
Payment For Land Purchase	-	(32,250)
Payment For Capital Acquisitions	(89,768)	(241,837)
Payment For Construction in Progress	(2,154,818)	(322,744)
Principal Payments - BECD Bond	(28,643)	(29,889)
Principal Payments - Certificates of Indebtedness	(15,000)	(15,080)
Interest Payments	(882,539)	(885,173)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(852,833)</u>	<u>(443,633)</u>

(Continued)

The accompanying notes are an integral part of these statements.

Tangipahoa Water District  
 Tangipahoa Parish Council  
 Comparative Statement of Cash Flows - Proprietary Fund Type  
 For the Years Ended December 31, 1995 and 1994

	Electric Fund	
	1995	1994
<b>Cash Flows From Investing Activities</b>		
Interest Income	\$ 18,620	\$ 12,799
Net Cash Provided (Used) by Investing Activities	18,620	12,799
<b>Net Cash Increase (Decrease)</b>	180,480	183,414
Cash, Beginning	565,831	481,417
Cash, Ending	\$ 746,311	\$ 664,831

(Continued)

The accompanying notes are an integral part of these statements.

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

**INTRODUCTION**

On August 5, 1992, the Tangipahola Parish Council voted to create a parish wide water district effective November 16, 1992, in accordance with Louisiana Revised Statute 50:3811, thus creating the Tangipahola Water District. The purpose of the Tangipahola 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 Tangipahola 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 Tangipahola Water District encompasses all non-incorporated portions, with a few exclusions for some previously franchised areas of Tangipahola Parish.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the Tangipahola 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**

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

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

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the parish council to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.
2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.



TANGIPAHOLA WATER DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
As of and for the Year Ended December 31, 1995

Because the Tangipahola Parish Council appoints the governing board, has the ability to significantly influence operations and the scope of public services within the parish council, the district was determined to be a component unit of the Tangipahola Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

**C. FUND ACCOUNTING**

The Tangipahola 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 (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow-of-economic resources measurement focus and determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operations of the 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 as they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period.

**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 short 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
As of and for the Year Ended December 31, 1995

**H. RESTRICTED ASSETS**

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain monies set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants.

**I. FIXED ASSETS**

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

**J. COMPENSATED ABSENCES**

The district has the following policy relating to vacation and sick leave:

Employees earn one week of paid vacation after working full-time for one year, and two weeks of paid vacation after working full-time for three years. Employees are not allowed to accumulate vacation leave.

**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 allocated 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.

**2. CASH AND CASH EQUIVALENTS**

At December 31, 1995, the district had cash and cash equivalents (book balances) totaling \$658,711, as follows:

Interest-Bearing Demand Deposits	\$ 658,711
Money Market Accounts	-
Time Deposits	-
Total	<u>\$ 658,711</u>

TANGIPAHOA WATER DISTRICT  
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 ABITE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of and for the Year Ended December 31, 1995

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 collateral bank that is mutually acceptable to both parties. At December 31, 1995, the District has \$671,673 in deposits (reflected bank balances). These deposits are secured from risk by \$108,080 of federal deposit insurance and \$483,468 of pledged securities held by the collateral bank in the name of the fiscal agent bank (GAAP Category A). The remaining balance of \$85,124 is not secured by the pledge of securities and is a violation of state law.

Even though the pledged securities are considered uncollectible (Category B) under the provisions of GAAP Statement 3, Louisiana Revised Statute 52-1229 imposes a statutory requirement on the collateral bank to advertise and sell the pledged securities within 18 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The following is a summary of receivables at December 31, 1995:

Current	\$	88,768
31 - 60		16,473
61 - 90		3,948
Over 90		-
Total		<u>119,192</u>
Less: Allowance for Uncollectible Accounts		<u>(1,320)</u>
Net Accounts Receivable	\$	<u>117,872</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, 1995, the district had recorded \$4,834 in bad debt expense.

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. Airstand billings at December 31, 1995, totaled \$32,126.

4. RESTRICTED ASSETS

At December 31, 1995, the district had restricted assets totaling \$615,276, as follows:

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**NOTES TO THE FINANCIAL STATEMENTS (continued)  
As of and for the Year Ended December 31, 1995**

Cash-Customer Deposits	\$ 102,219
Cash-RECD Depreciation and Contingency Fund	40,458
Cash-RECD Bond Reserve Fund	79,820
Cash-Certificate of Individualism Sinking Fund	11,857
Cash-Certificate of Individualism Reserve Fund	13,750
Cash-Easement for Connection Fees	36,787
Cash-Construction Fund	255,870
Cash-Construction RECD Project	7,498
<b>Total</b>	<b>\$ 615,379</b>

Cash in the first Construction Fund, totaling \$255,870, is restricted by the Board of Directors of Tangipahola Water District, for future construction projects. The second Construction Fund, totaling \$7,498, is restricted for construction of water system expansion and improvements, under a Rural Economic Community Development (RECD) funded project.

**5. FIXED ASSETS**

A summary of fixed assets at December 31, 1995, follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 111,607	\$ -	\$ 111,607
Building	285,997	17,291	268,706
Equipment	525,949	254,786	271,163
Furniture and Fixtures	9,363	5,388	3,975
Water Distribution System	4,751,087	1,809,883	2,941,204
Construction in Progress	2,388,218	-	2,388,218
<b>Total</b>	<b>\$ 9,869,729</b>	<b>\$ 1,887,278</b>	<b>\$ 7,982,451</b>

As noted above, at December 31, 1995, the district had a construction project in progress funded by the Rural Economic Community Development (RECD), totaling \$2,376,204. Other construction projects in initial stages of development, pending RECD approval, totaled \$21,914, at December 31, 1995.

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, 1995 totaled \$147,544.

**6. COMPENSATED ABSENCES**

At December 31, 1995, employees of the district had no material accumulated or vested leave benefits.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)  
As of and for the Year Ended December 31, 1995**

**2. 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 7% of gross wages, for the fiscal year ending December 31, 1995. The contribution by the employer will be reestablished 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 15% of adjusted gross income, not to exceed \$7,500 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, 1995, the aggregate account balances of employees of Tangipahoa Water District participating in the plan was \$92,818, with \$23,918 in total employee contributions in 1995.

**3. LONG-TERM LIABILITIES**

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

	1993 Revenue Bonds	1993 Certificate of Substitution	1995 Water Revenue Bonds	1995 Series 1993-A Revenue Bonds	Total
<b>Long-Term Liabilities</b>					
Payable at					
Beginning of Year	\$ 3,321,813	\$ 115,000	\$ 180,808	\$ -	\$ 3,436,813
Additions	-	-	1,720,808	10,000	1,720,808
Deletions	(28,663)	(15,800)	-	-	(44,463)
<b>Long-Term Liabilities</b>					
Payable at					
End of Year	<u>\$ 3,183,194</u>	<u>\$ 79,200</u>	<u>\$ 1,819,008</u>	<u>\$ 10,000</u>	<u>\$ 5,121,194</u>

A detailed listing of general long-term liabilities follows:

As of December 31, 1995, the Tangipahoa Water District has three Rural Economic Community Development (RECD) Revenue Bonds. The original bond was issued on December 28, 1992, at \$2,163,808, at an annual interest rate of 7.2% per annum. These bonds are payable in quarterly, fully amortized payments of principal and interest of \$17,893, with the payments falling due on the 28th day of each month beginning January 28, 1993, and ending December 28, 2002.

The two remaining water revenue bonds, consisting of the 1995 Water Revenue Bonds, and the Series 1993-A Bonds, provide funding for construction improvements for the MISCID project entitled "Ouachita Center Area" project. As of December 31, 1995, the project is in the construction phase, although the bonds were issued December 31, 1993. The balance of the bond issue, up to the authorized bond issue amount, will be provided directly from the RECD office, based on construction program invoices. The 1995 Water Revenue Bonds totaling \$2,716,000, were issued December 28, 1995,

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
As of and for the Year Ended December 31, 1993

at an annual interest rate of 5 1/8 per cent. As of December 31, 1993, a total of \$1,819,08, of the authorized \$2,736,080 had been received by Tangipahola Water District. The bond is payable over a 40-year period with the payment which falls on the anniversary date of the bond (December 28, 1994) consisting of interest only. The interest only payment, due December 28, 1994, is estimated at \$141,745, although the actual payment amount will depend on the schedule of advances of principal received by Tangipahola Water District. Commencing on January 28, 1995, and on the 28th day of each month thereafter, to and through December 28, 2033, the payment shall consist of fully amortized monthly installments of principal and interest, estimated at \$13,642 per month, based on receipt by Tangipahola Water District of the total authorized bond proceeds of \$2,736,080.

The Series 1993-A Water Revenue Bonds, also provide funding for the "Pumpkin Center Area" project. The Series 1993-A Bonds totaling \$133,080, were issued December 28, 1993, at an annual interest rate of 5 1/4 percent. As of December 31, 1993, a total of \$133,080, of the authorized \$133,080 had been received by Tangipahola Water District. The bond is payable over a 40-year period with the payment which falls on the anniversary date of the bond (December 28, 1994) consisting of interest only. The interest only payment, due December 28, 1994, is estimated at \$4,983, although the actual payment amount will depend on the schedule of advances of principal received by Tangipahola Water District. Commencing on January 28, 1995, and on the 28th day of each month thereafter, to and through December 28, 2033, the payment shall consist of fully amortized monthly installments of principal and interest, estimated at \$669 per month, based on receipt by Tangipahola Water District of the total authorized bond proceeds of \$133,080.

On August 13, 1993, the Tangipahola Water District issued Certificate of Indebtedness, Series 1993, totaling \$100,000. The Certificates were issued to acquire and construct an office building for Tangipahola Water District and to pay the costs incurred in connection with the issuance of the bonds. The bonds are payable with principal payments of \$10,000 due beginning on March 1, 1994, and due annually thereafter with a final annual installment of \$70,000, due March 1, 1998. Interest installments, at an annual interest rate of 8.05%, are due semi-annually on March 1, and September 1, of each year, with the initial interest installment due March 1, 1994, and the final interest installment due March 1, 1998.

The annual requirements to amortize all debt outstanding as of December 31, 1993, including interest payments of \$4,217,943, are as follows:

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
As of and for the Year Ended December 31, 1999

Year Ending December	1991 Parish Revenue Bonds	1993 Certificate of Indebtedness	1999 Water Revenue Bonds	Series 1995-A Water Revenue Bonds	Total
91	\$3,313,808	\$130,808	\$2,756,608	\$133,808	
1996	\$ 205,141	\$ 20,538	\$ -	\$ -	\$ 225,679
1997	205,141	19,050	163,786	8,819	396,536
1998	205,141	32,180	163,786	8,819	448,976
1999	205,141	-	163,786	8,819	378,676
2000	205,141	-	163,786	8,819	376,676
2001-2005	1,835,785	-	818,530	40,145	1,884,380
2006-2010	1,835,784	-	818,530	40,145	1,884,379
2011-2015	1,835,785	-	818,530	40,145	1,884,380
2016-2020	1,835,785	-	818,530	40,145	1,884,380
2021-2025	1,835,784	-	818,530	40,145	1,884,379
2026-2030	1,835,785	-	818,530	40,145	1,884,380
2031-2035	418,282	-	818,530	40,145	1,248,857
	<u>\$ 7,999,215</u>	<u>\$ 112,888</u>	<u>\$6,384,534</u>	<u>\$215,131</u>	<u>\$14,486,388</u>

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

The Tangipahola Water District has the following bond and source requirements that apply to *Parish Revenue Community Development (RUCD)* 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 amount to pay promptly and fully the principal of and the interest on the bonds 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 15th 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 on the same respective income day. The Tangipahola Water District has decided to make these monthly payments directly to RECD, thus eliminating the need for a Sinking Fund. However, subsequent to fiscal year end, the District elected to establish a Sinking Fund to accumulate funds for the interest only payments, due December 28, 1998, of \$143,345 on the 1999 Water Revenue Bond, and \$6,883, on the Series 1995-A Water Revenue Bond.

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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- (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 and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional past issue 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.

With the issuance on December 28, 1995, of the 1995 Water Revenue Bonds and the Series 1995-A Water Revenue Bonds, requirements for Reserve Fund deposits are revised as follows:

For the period of 1/26/96 through 12/31/96, the Reserve Fund monthly deposit requirement is increased from \$82.5 per month, to a sum of \$1,473 per month. For the period of 1/26/97 through 12/31/2002, a sum of \$1,571 per month must be deposited monthly until \$326,879 has been accumulated therein. On December 31, 2002, the funds on deposit in the Reserve Fund are to be reduced to \$171,798.

As of December 31, 1995, the Rural Economic Community Development (RECD) Reserve Fund was fully funded per debt restrictions, with a balance of \$28,835.

- (D) The establishment and maintenance of the "Waterworks Depreciation and Contingency Fund" (the *Contingency Fund*) to care for depreciation, maintenance, 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 \$875 per month, all as required by the government in purchasing the bond. With the issuance on December 28, 1995, of the 1995 Water Revenue Bonds and the Series 1995-A Water Revenue Bonds, the monthly deposit requirement for the Depreciation and Contingency Fund is increased from \$875 per month to \$1,568 per month. The requirement to deposit \$1,568 per month is effective January 23, 1996. 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 need, 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 hereinafter set out.

If, at any time, it shall be necessary to use money 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.



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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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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.

All or any part of the moneys in any of the accounts 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, 1993, the Rural Economic Community Development (RECD) Depreciation and Contingency Fund was fully funded, per debt restrictions, with a balance of \$40,458.

Bond and Reserve requirements that apply to the 1993 Certificate of Indebtedness, are as follows:

- (c) For the payment of the principal of and the interest on the Certificates, there is hereby created a special fund to be known as "Tangipahola Water District, Tangipahola Parish, Louisiana, Certificate of Indebtedness, Series 1993, Sinking Fund", said Sinking Fund to be established with the regularly designated fiscal agent bank of the issuer. The issuer shall deposit in said Sinking Fund at least three (3) days in advance of the date on which each payment of principal and/or interest falls due, funds fully sufficient to promptly pay the maturing principal and/or interest on falling due on such date. Said fiscal agent bank shall make available from said Sinking Fund to the Paying Agent for the Certificates herein authorized at least two (2) days in advance of the date on which each payment of principal and interest falls due, funds fully sufficient to pay promptly the principal and interest falling due on such date.

As of December 31, 1993, the balance in the 1993 Certificate of Indebtedness Sinking Fund was \$13,857.

- (d) In addition, there is hereby created and established a special fund to be known as the "Certificate of Indebtedness, Series 1993, Reserve Fund", said Reserve Fund to be established and maintained with regularly established and maintained fiscal agent banks or banks of the issuer. The issuer shall deposit in the Reserve Fund, simultaneously with the delivery of the Certificates, the sum of \$13,800, which money is to be retained solely for the purpose of paying the principal of and interest on the Certificates, as to which there would otherwise be default. If at any time, it shall be necessary to use moneys in the Reserve Fund for the purpose of paying principal and interest on the Certificates, as to which there would otherwise be default, then the moneys so used shall be replaced from excess revenues first thereafter received not required to pay current principal and interest requirements, it being the intention thereof that there shall, so nearly as possible, be at all times in the Reserve Fund the sum of \$13,800.

As of December 31, 1993, the balance in the 1993 Certificate of Indebtedness Reserve Fund was \$13,750.

TANGIPAHOA WATER DISTRICT  
TANGIPAHOA PARISH COUNCIL  
AMITE, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (continued)  
As of and for the Year Ended December 31, 1995

**10. LITIGATION AND CLAIMS**

At December 31, 1995, the district is involved in several litigations. All of the claims are covered by insurance, and should constitute no material loss to the district. However, it was noted in the "Introduction" to the "Notes to the Financial Statements" that the Tangipahoa Water District was created by the Tangipahoa Parish Council for the purpose of consolidating several water districts. Included within the consolidation was Fourth Ward Water District of Tangipahoa Parish, Louisiana. Certain contingencies, transactions, and questioned costs were disclosed in the financial audit of Fourth Ward Water District of Tangipahoa Parish, Louisiana, for the fiscal year ended December 31, 1995. Accrual of liabilities related to these contingencies was also accrued based on invoices and billings received and recorded prior to and as a part of the December 31, 1995 financial audit for Tangipahoa Water District. Litigation concerning the exact amounts owed to vendors was settled during the fiscal year ending December 31, 1995. The final settlement was below the accrual for invoice and billings received, resulting in non-operating income of \$19,157 being recorded. For the settlement of claims during the fiscal year ending December 31, 1995.

**11. CONSTRUCTION COMMITMENTS**

As of December 30, 1995, the Tangipahoa Water District had expended \$2,276,194 for construction improvements and expenses for the "Pumpkin Center Area" project, funded through the U.S. Rural and Economic Community Development (RECD) office. In addition to construction for the "Pumpkin Center Area", funding is also provided for construction of a water line to connect the Fourth Ward and Second Ward Water Systems, required by the Tangipahoa Water District, on December 28, 1995. The Tangipahoa Water District has also expended \$31,914, for initial construction costs for projects for which RECD approved its funding.

## SUPPLEMENTARY INFORMATION

Tangipahoa Water District  
Tangipahoa Parish Council  
Baton Rouge, Louisiana

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**  
For the Year Ended December 31, 1995

Federal Grant/Pass-Through Account Program Title	Federal CFDA Number	Program or Amount
<b>U. S. Department of Agriculture Water and Waste Disposal Systems For Rural Communities</b>		
-Loan Repayments	10.415	\$ 3,312,000
Total Loan Activity		
<b>U. S. Department of Agriculture Water and Waste Disposal Systems For Rural Communities</b>		
-Construction Loan/Disbursement (Notes 1 & 2)	10.415	\$ 100,000
-Construction Loan/Disbursement (Notes 1 & 2)	10.415	\$ 2,750,000
Total Construction Activity		
Total Federal Financial Assistance		

Note 1: Total Loan Proceeds for the Construction Loan are as follows:

Recorded at December 31, 1994	\$ 100,000
Recorded for Fiscal Year Ending December 31, 1995:	
-RECD (FmHA) Loan #02	10,000
-RECD (FmHA) Loan #03	<u>1,110,000</u>
Total Construction Loan Balance at December 31, 1995	<u>\$ 1,220,000</u>

Note 2: The above schedule shows, on a cash basis, the expenditure of all construction loan proceeds received from RECD (FmHA). The audited financial statements, reported on an accrual basis, show related construction in progress expenditures, including payables and retainage on contracts at December 31, 1995, as follows:

Recorded at December 31, 1994	\$ 194,000
Construction in Progress Expenditures for the Fiscal Year Ending December 31, 1995:	
Total Construction in Progress, Accrual Basis, 12/31/95	<u>\$ 2,250,000</u>

The accompanying notes are an integral part of these statements.

## Schedule 1

<u>Cash</u> <u>Account</u> <u>Revenue at</u> <u>December 31,</u> <u>1994</u>	<u>+</u> <u>Receipts</u> <u>or</u> <u>Revenue</u> <u>Recognized</u>	<u>-</u> <u>Disbursements</u> <u>or</u> <u>Expenditures</u>	<u>Cash</u> <u>Account</u> <u>Revenue at</u> <u>December 31,</u> <u>1995</u>
\$ <u>3,233,887</u>	\$ <u>          -</u>	\$ <u>28,803</u>	\$ <u>3,205,084</u>
\$ <u>3,233,887</u>	\$ <u>          -</u>	\$ <u>28,803</u>	\$ <u>3,205,084</u>
\$ <u>          -</u>	\$ <u>18,000</u>	\$ <u>18,000</u>	\$ <u>          -</u>
\$ <u>          -</u>	\$ <u>1,718,800</u>	\$ <u>1,746,802</u>	\$ <u>2,458</u>
\$ <u>          -</u>	\$ <u>1,736,800</u>	\$ <u>1,764,802</u>	\$ <u>2,458</u>
\$ <u>3,233,887</u>	\$ <u>1,718,800</u>	\$ <u>1,793,605</u>	\$ <u>3,185,600</u>

Tangipahoa Water District  
Tangipahoa Parish Council  
Natchitoches, Louisiana

Schedule 2

Supplemental Information Schedule  
For the Year Ended December 31, 1998

COMPENSATION PAID BOARD MEMBERS

	<u>Amount</u>
Dickie Davidge	\$ 1,200
Gary Boudreau	1,600
Charlie Harrison	1,600
Eugene Taylor	500
Joe Catta	1,700
Barbara Graham	1,500
Willy Stacy	1,500
Dean Thompson	1,600
	<u>\$ 11,300</u>

The accompanying notes are an integral part of these statements.

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

**Schedule 3**

**Supplemental Information Schedule  
As of and for the Year Ended December 31, 1995**

**SCHEDULE OF INSURANCE**

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
General Star Indemnity Company Policy Number TYAE14444	Liability: Directors & Officers	\$1,000,000	01/01/93 - 01/01/96
Commercial Union Insurance Company Policy Number MEE490038	Business Automobile: Liability Uninsured Motorist Comprehensive Deductible Collision Deductible	\$100,000 \$100,000 \$100 \$150	01/01/93 - 01/01/96
Commercial Union Insurance Company Policy Number MEE1100290	Bodily Injury: Each Accident Disease - Each Employee Disease - Policy Limit	\$500,000 \$500,000 \$500,000	12/00/94 - 12/00/95
Commercial Union Insurance Company Policy Number MEE4180078	Commercial Package Policy: General Liability: General Aggregate Each Occurrence Employee Dishonesty - Blanket Theft, Disappearance Inland Marine Computer Equipment Property-Building & Contents	\$1,800,000 \$500,000 \$250,000 \$10,000 \$110,000 \$25,514 \$1,907,000	06/01/95 - 06/01/96

The accompanying notes are an integral part of these statements.

Tangipahoa Water District  
Tangipahoa Parish Council  
Natchitoches, Louisiana

Schedule 4

SCHEDULE OF WATER RATES  
As of and for the Year Ended December 31, 1985

LISTING OF CUSTOMERS BY TYPE SERVICE

<u>TYPE SERVICE</u>	<u>NUMBER OF CUSTOMERS</u>
RESIDENTIAL	4,481
COMMERCIAL	387
APARTMENTS	145
TOTAL CUSTOMERS	<u>4,993</u>

SCHEDULE OF WATER RATES

<u>TYPE SERVICE</u>	<u>BASE RATE</u>	<u>COST PER 1,000 GALLONS ABOVE BASE RATE</u>
RESIDENTIAL METERED	\$8.80 FIRST 2,500 GALLONS;	\$1.25 OVER 2,500 GALLONS
RESIDENTIAL FLAT RATE -		-
COMMERCIAL:		
1" METER	\$20.00 FIRST 18,000 GALLONS;	\$1.25 OVER FIRST 18,000 GAL
1 & 1/2" METER	\$40.00 FIRST 28,000 GALLONS;	\$1.25 OVER FIRST 28,000 GAL
2" METER	\$60.00 FIRST 38,000 GALLONS;	\$1.25 OVER FIRST 38,000 GAL
3" METER	\$80.00 FIRST 48,000 GALLONS;	\$1.25 OVER FIRST 48,000 GAL
4" METER	\$108.00 FIRST 58,000 GALLONS;	\$1.25 OVER FIRST 58,000 GAL
APARTMENTS:		
METERED	\$1.50 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 rates are an integral part of these statements.



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Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council  
Page 1

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

It was noted that Tangipahoa Water District has a lack of segregation of duties in its system of internal controls. This deficiency in the internal control structure is caused by the small number of personnel that handle the operations of the district.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Tangipahoa Water District, Louisiana, in a separate letter dated March 4, 1996.

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



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

March 4, 1996

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

James S. Harrell, CPA

Warren A. Ward, CPA  
Michael P. Harty, CPA  
Dale H. Jones, CPA

108 West Independence Park  
Park Floor Suite 7  
Baton Rouge, LA 70801  
PHONE: (504) 543-6372  
FAX: (504) 345-1136

NEW ORLEANS OFFICE  
P.O. Box 47-400 P&H-0  
Baton Rouge, LA 70801  
PHONE: (504) 324-8800  
FAX: (504) 324-8800

MEMBERS  
American Institute of CPAs  
Faculty of Louisiana CPAs

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

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council  
Maitland, Louisiana 70411

We have audited the component unit financial statements of the Tangipahoa Water District, Louisiana, as of and for the years ended December 31, 1993, and 1994, and have issued our report thereon dated March 4, 1996. We have also audited the compliance of the Tangipahoa Water District, Louisiana, with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 4, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Office of Management and Budget (OMB) Circular A-128, Audit of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement and whether the Tangipahoa Water District, Louisiana, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended December 31, 1994, we considered the internal control structure of Tangipahoa Water District, Louisiana, in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements of Tangipahoa Water District, Louisiana, and on the compliance of the Tangipahoa Water District, Louisiana, with requirements applicable to the major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to the federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the component unit financial statements in a separate report dated March 4, 1996.

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

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Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council  
Page 2

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

- 1) Cash Receipts
- 2) Utility Billing
- 3) Payables and Disbursements
- 4) Inventory
- 5) General Ledger
- 6) Fixed Assets

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

During the year ended December 31, 1995, Tangipahoa Water District, Louisiana, expended 90% of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by GAO Chapter A-125, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the Tangipahoa Water District, Louisiana, major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the Tangipahoa Water District, in a separate letter dated March 4, 1996.

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Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council  
Page 3

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



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

March 4, 1996

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

Bruce W. Harbell, CPA

Wanda A. West, CPA  
Michael P. Emery, CPA  
John B. Jones, CPA

300 West Independence Park  
Park Place Suite 7  
Baton Rouge, LA 70802  
PHONE: (224) 343-0070  
FAX: (224) 343-0126

MEMPHIS OFFICE  
P.O. Box 61 • 380 300 St.  
Baton Rouge, LA 70804  
PHONE: (504) 224-0990  
FAX: (504) 224-0994

MEMBERS  
American Institute of CPAs  
Society of Louisiana CPAs

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF  
COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the component unit financial statements of the Tangipahoa Water District, Louisiana, as of and for the years ended December 31, 1993, and 1994, and have issued our report thereon dated March 4, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, *Quality of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Tangipahoa Water District, Louisiana, is the responsibility of the Tangipahoa Water District, Louisiana, management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Tangipahoa Water District, Louisiana, compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

We noted the following immaterial instance of noncompliance:

**Funding**

At December 31, 1995, Tangipahoa Water District had \$671,673 in collected bank balances. Of the \$671,673 in collected bank balances, \$56,184 was not secured by FDIC or pledged securities.

**Recommendation:**

Tangipahoa Water District should reconcile the amount of bank deposits with pledged securities each month in order to keep proper collateralization of bank deposits.

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

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council  
Page 2

**Management Response:**

Tangipahoa Water District will obtain proper reconciliation of bank deposits and monitor the amounts during the year.

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



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

March 4, 1996

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

Bruce E. Harrell, CPA

Warren H. Wood, CPA  
Michael S. Ensey, CPA  
Dale E. Jones, CPA

100 West Jefferson Park  
Park Place Suite 7  
Hammond, LA 70405  
VOICE: (504) 345-6371  
FAX: (504) 345-1136

NEW ORLEANS OFFICE  
P.O. Box 45 - 4th Floor  
Baton Rouge, LA 70803  
VOICE: (504) 384-4000  
FAX: (504) 384-4000

MEMBER  
American Institute of CPAs  
Institute of Certified Public Accountants

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

Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council  
Natchitoches, Louisiana 70401

We have audited the component unit financial statements of the Tangipahoa Water District, Louisiana, as of and for the years ended December 31, 1993, and 1994, and have issued our report thereon dated January 4, 1995.

We have audited the Tangipahoa Water District, Louisiana's, compliance with the requirements governing types of services allowed or unallowed, matching, level of effort, or earmarking; reporting; special tests and provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program, which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended December 31, 1993. The management of the Tangipahoa Water District, Louisiana, is responsible for the Tangipahoa Water District, Louisiana's, compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, *Audit of State and Local Governments*. These standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Tangipahoa Water District, Louisiana, compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Tangipahoa Water District, Louisiana, complied, in all material respects, with the requirements governing types of services allowed or unallowed, matching, level of effort, or earmarking; reporting; special tests and provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to its major federal financial assistance program for the year ended December 31, 1993.

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



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation

March 4, 1995

**BRUCE HARRELL & CO.**CERTIFIED PUBLIC ACCOUNTANTS  
Professional Accounting CorporationNEW ORLEANS OFFICE  
P.O. Box 411 - 482 Fifth St.  
Baton Rouge, LA 70804  
VOICE: (504) 242-8400  
FAC: (504) 242-8401MEMBERS  
American Institute of  
CPAs  
Faculty of Louisiana CPAs

Bruce C. Harrell, CPA

Wayne R. Wood, CPA  
Michael F. Stone, CPA  
John R. Jones, CPA109 West Minnesota Park  
Park Plaza-Building 7  
Hammond, LA 70401  
VOICE: (504) 242-8711  
FAC: (504) 242-1118**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL  
REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS**Board of Commissioners  
Tangipahoa Water District  
Tangipahoa Parish Council  
Natchitoches, Louisiana 70451

We have audited the component unit financial statements of the Tangipahoa Water District, Louisiana, as of and for the years ended December 31, 1993, and 1994, and have issued our report thereon dated March 4, 1996.

We have applied procedures to test the Tangipahoa Water District, Louisiana, compliance with the following requirements applicable to its federal financial assistance program, which is identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1993.

- 1) Political Activity
- 2) Davis-Bacon Act
- 3) Civil Rights
- 4) Cash Management
- 5) Federal Financial Reports
- 6) Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Tangipahoa Water District, Louisiana's, compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

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

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



Bruce Harrell & Company, CPAs  
A Professional Accounting Corporation  
March 4, 1996