

9843

RECEIVED
LFD/...

NOV 31 11 0 24

**OFFICIAL
FILE COPY**
DO NOT SEND OUT

Some necessary
copies from this
copy and PLACE
BACK IN FILE

**TANGIPALOA WATER DISTRICT
TANGIPALOA PARISH COUNCIL**

**ANNUAL FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 1997 AND 1996**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 15 1998

**Tangipahoa Water District
Tangipahoa Parish Council
Annual Financial Report
Years Ended December 31, 1997 and 1996**

TABLE OF CONTENTS

	Statement	Schedule	Page
Independent Auditor's Report.....			3
Comparative Balance Sheet - Proprietary Fund Type.....	A		3
Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual) - Proprietary Fund Type.....	B		7
Comparative Statement of Cash Flows - Proprietary Fund Type.....	C		9
Notes to The Financial Statements.....			11
Supplementary Information			
Schedule of Expenditures of Federal Awards.....		1	24
Schedule of Compensation Paid Board Members.....		2	26
Schedule of Insurance.....		3	27
Schedule of Water Customers and Schedule of Water Rates.....		4	28
Corrective Action Plan for Prior Year Management Letter Recommendations.....		5	29
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Component Unit Financial Statements Performed in Accordance With Government Auditing Standards.....			31

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

Bruce C. Harrell, CPA

Warren B. Wood, CPA
Michael P. Sims, CPA
Dale R. Sims, CPA
Charles P. Wilson, CPA
James D. Heston, CPA

109 West Mississippi Park
Park Place Suite T
Hammond, LA 70401
VOICED: (504) 941-8370
FAX: (504) 345-1156

MEMPHIS OFFICE:
P.O. Box 45—941 3806 St.
Birmingham, LA 70444
VOICED: (504) 239-1914
FAX: (504) 239-1914

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying component unit financial statements of the Tangipahoa Water District, Louisiana, a component unit of the Tangipahoa Parish Council, as of December 31, 1997 and 1996, and for the years then ended, as listed in the table of contents. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 1997 and 1996, 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 1998, 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

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

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 aspects in relation to the component unit financial statements taken as a whole.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

March 13, 1998

Tungpaho Water District
 Tungpaho Parish Council
 Comparative Balance Sheet - Proprietary Fund Type
 December 31, 1997 and 1996

Assets	Enterprise Fund	
	1997	1996
Current Assets:		
Cash	\$ 88,162	\$ 73,050
Accounts Receivable (Net)	104,090	183,894
Accrued Billings	68,584	62,643
Due From Other Governments	879	744
Inventory	45,461	46,412
Prepaid Insurance	1,411	48,889
Total Current Assets	<u>309,587</u>	<u>563,632</u>
Restriotional Assets:		
Cash - Customer Deposits	297,691	332,931
Cash - Capital Improvements	35,688	228,823
Cash - RUSI Bond Depreciation and Contingency	80,590	68,743
Cash - RUSI Bond Reserve	38,766	38,524
Cash - Certificate of Indebtedness Sinking	18,248	15,838
Cash - Certificate of Indebtedness Reserve	14,274	14,042
Cash - Pumpkin Center Construction	5,157	24,651
Cash - Pumpkin Center Reserve	-	13,639
Cash - Pumpkin Center	-	14,089
Cash - Reserve for Contention Fees	25,229	24,970
Total Restriotional Assets	<u>660,379</u>	<u>887,250</u>
Property, Plant, and Equipment:		
Land	182,707	111,687
Plant and Equipment	11,153,602	18,823,584
Construction in Progress	80,598	28,775
Total Property, Plant, and Equipment	<u>11,416,907</u>	<u>19,964,046</u>
Less: Accumulated Depreciation	<u>(5,115,844)</u>	<u>(3,812,109)</u>
Net Property, Plant, and Equipment	<u>6,301,063</u>	<u>16,151,937</u>
Other Assets:		
Utility Deposits	700	783
Bond Issue Cost	48,608	51,186
Total Other Assets	<u>49,308</u>	<u>51,969</u>
Total Assets	<u>\$ 10,123,373</u>	<u>\$ 18,081,389</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, 1997 and 1996

Liabilities and Fund Equity	Enterprise Fund	
	1997	1996
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 32,381	\$ 35,434
Advance-Inurance Proceeds	4,880	-
Sales Tax Payable	3,085	3,628
Accrued Wages	13,097	18,963
Payroll Tax Payable	1,740	1,836
Due to Other Governments	43,481	33,822
Retainage Payable - Pumpkin Center	-	18,000
Total Current Liabilities (Payable From Current Assets)	98,574	137,683
Current Liabilities (Payable From Restricted Assets):		
Accrued Interest Payable - RUS Bonds	3,618	12,986
Accrued Interest Payable - Certificate of Indebtedness	1,314	-
Customer Deposits Payable	321,479	299,183
Current Portion of RUS Bonds	38,306	35,876
Current Portion of Certificate of Indebtedness	15,000	15,000
Liability for Connection Fees	13,653	-
Total Current Liabilities (Payable From Restricted Assets)	438,327	381,685
Long-Term Liabilities:		
Bonds Payable - Original System	3,104,144	3,131,567
Bonds Payable - Pumpkin Center #1	128,693	22,183
Bonds Payable - Pumpkin Center #2	2,708,748	2,728,468
Certificate of Indebtedness	35,000	30,608
Total Long-Term Liabilities	6,976,585	6,912,826
Total Liabilities	8,533,373	8,492,217
Fund Equity:		
Paid-In Capital	8,788	8,708
Contributed Capital	3,044,376	3,068,176
Less: Accumulated Amortization	(746,847)	(658,799)
Net Paid-In and Contributed Capital	3,396,317	3,418,085
Retained Earnings:		
Reserved for RUS Bond Reserve	78,768	58,524
Reserved for RUS Bond Depreciation and Contingency	88,596	68,343
Reserved for Certificate of Indebtedness	14,324	15,838
Unreserved Retained Earnings:		
Designated	78,608	(28,854)
Undesignated	1,833,671	970,096
Total Retained Earnings	1,992,963	1,016,419
Total Fund Equity	5,389,280	4,434,504
Total Liabilities and Fund Equity	\$ 13,922,653	\$ 12,926,721

(Continued)

The accompanying notes are an integral part of these statements.

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

**Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual)
For the Year Ended December 31, 1997
And Actual for the Year Ended December 31, 1996**

	Enterprise Fund			
	Budget 1997	Actual 1997	Variance Favorable (Unfavorable)	Actual 1996
Operating Revenues				
Water Sales	\$ 1,292,908	\$ 1,297,800	\$ (4,892)	\$ 1,132,775
Fees	31,408	31,178	(230)	28,883
Service Connection and Installation Fees	83,773	80,627	(3,146)	93,619
Removal Charges	8,468	14,159	5,691	7,375
Miscellaneous	14,864	13,223	(1,641)	13,208
Total Operating Revenues	<u>1,435,821</u>	<u>1,436,987</u>	<u>(1,164)</u>	<u>1,285,868</u>
Operating Expenses				
Electricity Purchased	78,232	96,817	(18,585)	88,883
Water Purchased	-	1,771	(1,771)	86,838
Wages and Salaries	208,080	208,274	(194)	208,571
Director's Fees	18,580	18,709	129	17,280
Master Clerk Fees	2,880	2,880	0	2,575
Contract Labor	48,080	48,451	(371)	8,085
Payroll Taxes	27,938	23,334	4,604	25,755
Water Well Maintenance and Supplies	18,080	38,969	(20,889)	24,502
Repairs, Maintenance and Supplies	25,080	44,527	(19,447)	21,846
Equipment Rental	1,080	1,038	(42)	2,240
Equipment Maintenance	17,689	23,038	(5,349)	17,177
Operating Costs - Trucks	26,328	27,917	(1,589)	27,288
Retirement Contributions	6,586	8,588	(2,002)	6,783
Legal Fees	7,248	6,584	764	8,408
Professional Fees	3,888	4,273	(385)	9,548
Accounting Fees	3,888	1,054	2,834	6,396
Annual Audit Fee	8,888	8,888	-	6,588
Portage and Box Rent	13,284	13,242	(42)	13,657
Employee Uniforms	4,282	4,366	(84)	4,454
Dees and Subscriptions	222	402	(180)	305
Utilities	3,422	6,893	(3,471)	3,418
Telephone	7,896	7,678	218	8,387
Office Expenses	10,864	10,730	134	11,376
Computer Expenses	4,778	4,681	97	4,300
Educational Expenses	2,832	1,174	1,658	1,733
Bank Charges	-	17	(17)	-
Insurance	55,880	54,256	1,624	58,617

(Continued)

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Proprietary Fund Type
Tangipahoa Parish Council

Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual)
For the Year Ended December 31, 1997
And Actual for the Year Ended December 31, 1996

	Enterprise Fund			
	Budget 1997	Actual 1997	Variance Favorable (Unfavorable)	Actual 1996
Depreciation	\$ 225,000	\$ 221,844	\$ 3,156	\$ 248,878
Office Journal	1,800	2,818	(1,018)	2,538
Chlorination	75,000	53,800	21,200	18,808
Amortization of Bond Issue Costs	1,368	1,415	(448)	1,415
Miscellaneous	889	748	141	865
Total Operating Expenses	<u>313,137</u>	<u>312,707</u>	<u>(430)</u>	<u>310,914</u>
Operating Income (Loss)	<u>225,999</u>	<u>282,527</u>	<u>148,782</u>	<u>228,628</u>
Nonoperating Revenues (Expenses)				
Interest Income	10,080	12,544	2,464	17,094
Recovery of Bad Debts	452	1,980	1,528	389
Loss on Equipment Damage	-	(411)	(411)	-
Gain on Sale of Fixed Assets	-	1,855	1,855	42,126
Interest Expense	(129,347)	(704,593)	4,912	(184,289)
Bad Debt Expense	(8,464)	(9,489)	(1,025)	(12,224)
Total Nonoperating Revenues (Expenses)	<u>(127,272)</u>	<u>(374,084)</u>	<u>9,879</u>	<u>(117,224)</u>
Net Income (Loss)	<u>\$ 1,227</u>	<u>(35,557)</u>	<u>\$ (36,960)</u>	<u>121,417</u>
Unreserved Retained Earnings, Beginning		976,916		878,828
Amortization of Contributed Capital		87,848		84,412
(Increase) Decrease in Unreserved Retained Earnings:				
Reserved for Bond Payments		(28,249)		(18,799)
Reserved for Bond Depreciation		(28,213)		(18,894)
Reserved for Certificates of Indebtedness		1,513		(2,988)
Reserved for Capital Improvements		12,214		(28,985)
Unreserved Retained Earnings, Ending		<u>\$ 1,015,671</u>		<u>\$ 773,995</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 Year Ended December 31, 2007 and 1996**

Cash Flows From Operating Activities	Encumbrance Fund	
	1997	1996
Opening Income	\$ 282,327	\$ 218,804
Adjustments to Reconcile Net Operating Income to Cash Provided by Operating Activities:		
Depreciation	323,044	348,078
Road Issue Cost Amortization	1,416	1,416
Bad Debt Expense	(6,488)	(32,324)
(Increase) Decrease in Accounts Receivable	(899)	14,318
(Increase) Decrease in Accounts Payable	(5,810)	(20,117)
(Increase) Decrease in Due From Other Governments	(90)	(14)
(Increase) Decrease in Inventory	2,994	(6,291)
(Increase) Decrease in Prepaid Insurance	38,678	(2,272)
(Increase) Decrease in Advance Insurance Proceeds	4,880	-
Increase (Decrease) in Accounts Payable	16,993	2,622
Increase (Decrease) in Construction Accounts Payable	-	(138,929)
Increase (Decrease) in Sales Tax Payable	(651)	181
Increase (Decrease) in Interest/Wages	(8,898)	32,088
Increase (Decrease) in Payroll Taxes Payable	(687)	339
Increase (Decrease) in Due To Other Governments	8,458	(188)
Increase (Decrease) in Retainage Payable	(14,800)	(123,758)
Increase (Decrease) in Interest Payable	(8,863)	3,327
Increase (Decrease) in Customer Deposits Payable	29,785	25,565
Increase (Decrease) in Liability for Commission Fees	8,650	(24,358)
Net Cash Provided (Used) by Operating Activities	<u>654,384</u>	<u>218,814</u>
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	1,880	380
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,880</u>	<u>380</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds From BLS Bond	116,108	949,508
Proceeds From Sale of Flood Assets	18,795	66,849
Proceeds From Contributions	-	23,408
Net Proceeds From Insurance Settlement	2,979	-
Payment For Capital Acquisitions	(278,545)	(1,883,237)
Principal Payments - BLS Bond	(48,391)	(14,089)
Principal Payments - Certificates of Indebtedness	(15,088)	(13,983)
Interest Payments	(224,293)	(184,186)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(609,834)</u>	<u>(201,720)</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, 1997 and 1996

Cash Flows From Investing Activities	Electricity Fund	
	1997	1996
Interest Income	\$ 17,264	\$ 17,264
Net Cash Provided (Used) by Investing Activities	17,264	17,264
Net Cash Increase (Decrease)	30,324	(47,284)
Cash, Beginning	622,417	669,701
Cash, Ending	\$ 652,741	\$ 622,417

(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, 1997**

INTRODUCTION

On August 1, 1982, the Tangipahoa Parish Council voted to create a parish-wide water district effective November 16, 1982, in accordance with Louisiana Revised Statute 18:1571, 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 exceptions 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

As the governing authority of the parish, for reporting purposes, the Tangipahoa Parish Council is the financial reporting entity for Tangipahoa Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that inclusion 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 Tangipahoa Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the parish council to impose its will on that organization, and/or
 - 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 financially 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
TANGIPAHOLA PARISH COUNCIL
NATALAFANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997**

Because the Tangipahola Parish Council appoints the governing board, has the ability to significantly influence operations and the scope of public services it 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 (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operations 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, 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 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 at an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

**TANGIPAHOLA WATER DISTRICT
TANGIPAHOLA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997**

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.

I. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Less net 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, 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.

**TANGIPAHOLA WATER DISTRICT
TANGIPAHOLA PARISH COUNCIL
NATALBANY, LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997

ML. 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.

1. CASH AND CASH EQUIVALENTS

At December 31, 1997, the district had cash and cash equivalents (book balances) totaling \$632,741, as follows:

Interest-Bearing Demand Deposits	\$632,741
Money Market Accounts	-
Time Deposits	-
Total	<u>\$632,741</u>

These deposits are placed at call, which approximates market. Under state law, these deposits (or the remaining 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, 1997, the district has \$617,086 in deposits (booked bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$517,086 of securities held by the custodial bank in the name of the fiscal agent bank (GA58 Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GA58 Statement J, Louisiana Revised Statute 18:1729 imposes a statutory requirement on the custodial bank to substitute and sell the pledged securities within 30 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

2. RECEIVABLES

The following is a summary of receivables at December 31, 1997:

Current	\$ 78,638
31 - 60	17,340
61 - 90	4,984
Over 90	<u>14,824</u>
Total	115,786
Less: Allowance for Uncollectible Accounts	<u>(11,824)</u>
Net Accounts Receivable	<u>\$ 103,962</u>

TANGIPAHOLA WATER DISTRICT
TANGIPAHOLA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The Board of Commissioners of Tangipahola Water District established a monthly allowance for uncollectible accounts, based on 7.75% 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 collectible. For board approval, uncollectible accounts 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, 1997, the district had recorded \$9,488 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. Accrued billings at December 31, 1997, totaled \$88,364.

4. RESTRICTED ASSETS

At December 31, 1997, the district had restricted assets totaling \$266,579, as follows:

Cash-Customer Deposits	\$ 257,651
Cash-RUS Depreciation and Contingency Fund	80,998
Cash-RUS Bond Reserve Fund	78,566
Cash-Certificate of Indebtedness Sinking Fund	18,248
Cash-Certificate of Indebtedness Reserve Fund	14,724
Cash-Capital Improvements Fund	76,808
Cash-Reserve for Construction Fees	33,228
Cash-Construction RUS Project	5,157
Total	<u>\$ 266,579</u>

Cash in the first Construction Fund, totaling \$76,808, is restricted by the Board of Directors of Tangipahola Water District, for future construction projects. The second Construction Fund, totaling \$5,157, is the balance remaining in a project for restoration of water system expansion and improvements, under a Rural Utilities Service (RUS) funded project.

**TANGIPAHOLA WATER DISTRICT
TANGIPAHOLA PARISH COUNCIL
NATALBANY, LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997

5. FIXED ASSETS

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

	Cost	Accumulated Depreciation	Net
Land	\$ 182,787	\$ -	\$ 182,787
Building	184,823	28,830	155,993
Equipment	314,483	241,715	72,768
Furniture and Fixtures	8,271	7,380	891
Water Distribution System	10,624,725	1,838,289	8,786,436
Construction in Progress	48,298	-	48,298
Total	<u>\$ 11,318,965</u>	<u>\$ 2,115,894</u>	<u>\$ 9,203,071</u>

Equipment, furniture and fixtures are depreciated using useful lives of 3 to 18 years, and the water distribution system was 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, 1997 totaled \$323,044.

6. COMPENSATED ABSENCES

At December 31, 1997, employees of Tangipahola Water District have accumulated and earned \$11,250 of employee leave benefits, which was computed in accordance with CLASS Codification Section C80.

7. RETIREMENT PROGRAM

On January 27, 1994, the Board of Commissioners of the Tangipahola Water District, adopted the Louisiana Public Employees Deferred Compensation Plan, with the provision that Tangipahola Water District, the employer, will match employee contributions, up to 5% of gross wages, for the fiscal year ending December 31, 1997. 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 20% of adjusted gross income, not to exceed \$7,908 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, 1997, the aggregate account balances of employees of Tangipahola Water District participating in the plan was \$15,746, with \$17,323 in total employee contributions in 1997, and \$8,388 in 1997 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, 1997

8. LONG-TERM LIABILITIES

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

	1992 Revenue Bonds	1993 Certificate of Intention s	1993 Water Revenue Bonds	1993 Series 1995-A Revenue Bonds	Total
Long-Term Liabilities					
Payable at					
Beginning of Year	\$ 3,363,512	\$ 85,080	\$ 2,751,683	\$ 22,898	\$ 6,023,083
Additions	-	-	-	118,108	118,108
Deductions	(23,559)	(33,808)	(18,739)	(5,884)	(62,990)
Long-Term Liabilities					
Payable at					
End of Year	<u>\$ 3,137,053</u>	<u>\$ 78,080</u>	<u>\$ 2,732,954</u>	<u>\$ 128,126</u>	<u>\$ 6,068,893</u>

A detailed listing of general long-term liabilities follows:

As of December 31, 1997, the Tangipahoa Water District has three Bond Utilities Service (BUS) Revenue Bonds. The original bond was issued on December 28, 1992, at \$1,213,080, at an annual interest rate of 5.37% per annum. These bonds are payable in monthly, fully amortized payments of principal and interest of \$17,895, 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 1993 Water Revenue Bonds, and the Series 1993-A Bonds, provide funding for construction improvements for the BUS project entitled "Pumpkin Center Area" project. As of December 31, 1997, 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 BUS office, to pay construction progress invoices. The 1993 Water Revenue Bonds totaling \$2,756,080, were issued December 28, 1993, at an annual interest rate of 5 & 1/8 per cent. As of December 31, 1997, all of the authorized \$2,756,080 had been received by Tangipahoa Water District. The bond is payable over a 48-year period with the payment which falls on the anniversary date of the bond (December 28, 1996) consisting of principal and interest of \$128,718. Commencing on January 28, 1997, and on the 28th day of each month thereafter, to and through December 28, 2015, the payment shall consist of fully amortized monthly installments of principal and interest, estimated at \$11,642 per month, based on receipt by Tangipahoa Water District of the total authorized bond proceeds of \$2,756,080.

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 & 3/4 percent. The bond is payable over a 48-year period with the payment which falls on the anniversary date of the bond (December 28, 1996) consisting of interest only. The principal and interest payment, due December 28, 1996, was \$225. Commencing on January 28, 1997, and on the 28th day of each month thereafter, to and through December 28, 2015, the payment shall consist of fully amortized monthly installments of principal and interest of \$689, based on receipt by Tangipahoa Water District of the total authorized bond proceeds of \$133,080.

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997**

On August 13, 1993, the Tangipahoa Water District issued *Certificates of Indebtedness, Series 1993*, totaling \$120,000. The Certificates were issued to acquire and construct an office building for Tangipahoa Water District and to pay the costs incurred in connection with the issuance of the bonds. The bonds are payable with principal payments of \$15,000 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 6.0%, are due continuously 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. Subsequent to the end of the fiscal year, the balance of the this note, consisting of the total of \$70,000 less the payment of \$15,000 due March 1, 1998, for a total balance of \$55,000, was re-financed. Terms of the new issue, *Revenue Refunding Bonds, Series 1998*, dated February 28, 1998, require four principal payments, consisting of payments of \$18,800 each due on March 1, 1999, March 1, 2000, and March 1, 2001, with a final payment due of \$18,800 due at March 1, 2002. Interest payments are due, at an annual rate of 7.75%, with the first interest payment due September 1, 1998, and payments due March 1, and September 1, of each year, with the final interest payment due March 1, 2002.

The annual requirements to service all debt outstanding as of December 31, 1997, including interest payments of \$7,713,221, are as follows:

Year Ending December 31,	1992 RUS Revenue Bonds	1998 Revenue Refunding Bonds	1995 Water Revenue Bonds	1995-A Water Revenue Bonds	Total
1998	\$ 205,141	\$ 18,839	\$ 181,708	\$ 8,829	\$ 395,518
1999	205,141	18,839	181,708	8,829	395,518
2000	205,141	13,260	181,708	8,829	395,518
2001	205,141	16,438	181,708	8,829	395,518
2002	205,141	18,575	181,708	8,829	395,518
2003-2007	1,825,785	-	818,538	40,145	1,884,580
2008-2012	1,825,784	-	818,538	40,145	1,884,580
2013-2017	1,825,785	-	818,538	40,145	1,884,580
2018-2022	1,825,785	-	818,538	40,145	1,884,580
2023-2025	1,825,785	-	818,538	40,145	1,884,580
2026-2030	1,825,785	-	491,118	32,118	2,325,218
	<u>\$1,179,031</u>	<u>\$40,722</u>	<u>\$6,270,838</u>	<u>\$313,030</u>	<u>\$13,795,118</u>

Note that \$18,970 of the amount listed as the payment due in 1998 for the Revenue Refunding Bonds Series 1998, includes the final required payment due March 1, 1998, on the Series 1993, *Certificates of Indebtedness*, with the balance of \$55,000 re-financed by the Series 1998 issue.

**TANGIPAHOLA WATER DISTRICT
TANGIPAHOLA PARISH COUNCIL
NATALBANY, LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997

8. FLOW OF FUNDS, RESTRICTIONS ON USE

The Tangipahola 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 amount to pay promptly and fully the principal of and the interest on the Bond and any past due 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 same principal and interest payment date together with such additional proportionate sum as may be required to pay said principal and interest on the same respectively become due. The Tangipahola Water District has decided to make these monthly payments directly to RUS, thus eliminating the need for a Sinking Fund.
- (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 fall 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 past due 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 1/20/96 through 12/31/96, the Reserve Fund monthly deposit requirement is increased from \$825 per month, to a sum of \$1,473 per month. For the period of 1/20/97 through 12/31/2003, a sum of \$1,571 per month must be deposited monthly until \$176,873 has been

**TANGIPAHOLA WATER DISTRICT
TANGIPAHOLA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997**

accumulated therein. On December 18, 2002, the funds on deposit in the Reserve Fund are to be reduced to \$171,734.

As of December 31, 1997, the Rural Utilities Service (RUS) Reserve Fund was fully funded per debt restrictions, with a balance of \$78,765.

- (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 28th 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 \$1,368 per month. The requirement to deposit \$1,368 per month is effective January 18, 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 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.

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, to which extent all income derived from investments in the Sinking Fund and the Reserve Fund 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, 1997, the Rural Utilities Service (RUS) Depreciation and Contingency Fund was fully funded, per debt restrictions, with a balance of \$88,585.

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

TANGIPAROO WATER DISTRICT
TANGIPAROO PARISH COUNCIL
NATALBANY, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997

- (e) For the payment of the principal of and the interest on the Certificates, there is hereby created a special fund to be known as Tangiparoo Water District, Tangiparoo Parish, Louisiana, *Certificates 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 so 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 fall due, funds fully sufficient to pay promptly the principal and interest falling due on such date.

As of December 31, 1997, the balance in the 1993 Certificate of Indebtedness Sinking Fund was \$18,248. Subsequent to the fiscal year ending December 31, 1997, the Series 1993 Certificate of Indebtedness was re-financed as noted in Footnote (B) above, as *Revenue Refunding Bonds, Series 1998*.

- (f) In addition, there is hereby created and established a special fund to be known as the *"Certificates 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 hereof that there shall, as nearly as possible, be at all times in the Reserve Fund the sum of \$13,800.

As of December 31, 1997, the balance in the 1993 Certificate of Indebtedness Reserve Fund was \$14,324. Subsequent to the fiscal year ending December 31, 1997, the Series 1993 Certificate of Indebtedness was re-financed as noted in Footnote (B) above, as *Revenue Refunding Bonds, Series 1998*. Under the terms of the Series 1998 issue, a Reserve Fund will no longer be required.

10. RESERVED RETAINED EARNINGS

Reserved retained earnings, totaling \$377,084, 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, 1997 had also designated a total of \$78,808 of unreserved retained earnings for future capital improvement projects.

**TANGIPAHOLA WATER DISTRICT
TANGIPAHOLA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1997**

11. LITIGATION AND CLAIMS

At December 31, 1997, 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.

12. CONSTRUCTION COMMITMENTS

During the fiscal year ending December 31, 1996, Tangipahola Water District had received preliminary approval from the Rural Utilities Service, U.S. Department of Agriculture for funding of an additional project for water system improvements. The total authorization of funds was for a loan not to exceed \$3,200,000, to serve an estimated 680 additional customers. The loan closing for this project occurred subsequent to the fiscal year ending December 31, 1997.

Bids were also awarded in fiscal year 1997, by the Tangipahola Parish Council, for a water system improvements project funded by a \$400,000 Louisiana Community Development Project. At December 31, 1997, the project was nearing completion. Upon completion and close-out of the project in the fiscal year ending December 31, 1998, responsibility for operation of these water system improvements will be transferred from the Tangipahola Parish Council to the Tangipahola Water District.

SUPPLEMENTARY INFORMATION

— —

Terrebonne Water District
 Terrebonne Parish Council
 Terrebonne, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 1998

Federal Grant/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	10.418	\$ 1,213,000
--Loan Repayments	10.418	2,750,000
--Loan Repayments	10.418	133,000
Total Loan Activity		

Note 1: Total loan proceeds and payments on outstanding loans are presented above on the cash basis. The presentation would be the same on the accrual basis. In addition to the above, the district, recording expenditures on a cash basis, expended a total of \$133,000 for completion of the Water Utilities Service project funded with proceeds of the \$133,000 loan. Reconciliation of the \$133,000 expenditure to the accrual basis is as follows:

Expenditures--cash basis	\$133,000
Less rebudget amount at December 31, 1998	(13,000)
Total Expenditures--Accrual Basis	<u>\$120,000</u>

The accompanying notes are an integral part of these statements.

Schedule 1

<u>Cash/ Account Revenue of December 31, 1895</u>	<u>Receipts or Revenue Received</u>	<u>Disbursements/ Expenditures</u>	<u>Cash Account Revenue of December 31, 1897</u>
\$ 3,162,872	\$ -	\$ 25,858	\$ 3,137,014
2,751,683	-	49,729	2,701,854
<u>22,880</u>	<u>112,128</u>	<u>3,808</u>	<u>128,280</u>
\$ <u>5,937,335</u>	\$ <u>112,128</u>	\$ <u>49,585</u>	\$ <u>5,967,152</u>

Tangipahoa Water District
Tangipahoa Parish Council
Natchitoches, Louisiana

Schedule 2

Supplemental Information Schedule
For the Year Ended December 31, 1997

COMPENSATION PAID BOARD MEMBERS

	<u>Amount</u>
Dustin Davidge	\$ 500
Charles Harrison	800
Regina Taylor	900
David Owens	1,000
Larry McDaniel	1,500
John Jackson	1,500
Larry Byers	1,500
Dr. J. L. Garret	1,500
Beau Thompson	1,500
	<u>\$ 14,200</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, 1997

SCHEDULE OF INSURANCE

Insurance Company	Coverage	Amount	Period
Fidelity & Deposit of Maryland Policy # OCP 0021795	Employee Dishonesty Coverage (Scheduled by employment board member) for:		8/18/95 to date of consolidation
	President	\$272,000	
	Treasurer	377,000	
	Secretary	25,000	
	Managers	25,000	
	Fireman	25,000	
	Clerks (4) each	25,000	
American Central Insurance Company - Policy # ME8256798	Commercial Umbrella	\$1,000,000	8/18/97 - 01/01/98
American Central Insurance Company - Policy # 048 (04) 8118218	Worker's Compensation	Statutory coverage with \$180,000 of Employer's Lien	8/18/97 - 8/18/98
Tucker Insurance Company Policy Number POL8062086	Liability: Directors & Officers	\$1,000,000	08/01/97 - 01/01/98
Commercial Union Insurance Company Policy Number ME8490043	Business Automobile Liability Uninsured Motorist Comprehensive Deductible Collision Deductible	\$500,000 500,000 100 250	01/01/97 - 01/01/98
Commercial Union Insurance Company Policy Number ME8499878	Commercial Package Policy: General Liability: General Aggregate Each Occurrence Employee Dishonesty - Blanket Money and Securities Contractor's Equipment (and Computer Equip) Property-Building & Contents (including scheduled coverage for water, mold, pumps, and sinks)	\$1,000,000 500,000 250,000 2,500 150,500 1,510,000	8/18/97 - 8/18/98

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Tangipahoa Parish Council
New Iberie, Louisiana

Schedule 4

SCHEDULE OF WATER CUSTOMERS
December 31, 1997

LISTING OF CUSTOMERS BY TYPE SERVICE

<u>TYPE SERVICE</u>	<u>NUMBER OF CUSTOMERS</u>
RESIDENTIAL	3,379
COMMERCIAL	245
APARTMENTS	187
TOTAL CUSTOMERS	3,811

SCHEDULE OF WATER RATES
December 31, 1997

<u>TYPE SERVICE</u>	<u>BASE RATE</u>	<u>COST PER 1,000 GALLONS ABOVE BASE RATE</u>
<u>RESIDENTIAL METERED</u>	<u>\$1.00 FIRST 1,000 GALLONS;</u>	<u>\$1.25 OVER 1,000 GALLONS</u>
RESIDENTIAL FLAT RATE -		-
COMMERCIAL:		
1" METER	\$30.00 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	\$90.00 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	\$1.50 PER UNIT FIRST 1,000 GAL.	\$1.25 OVER FIRST 1,000 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 5

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

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. Specifically, we noted that controls should be sufficient to determine that accounts are properly coded, that meters that are billed at flat rates or unusual low usage should be monitored and replaced as necessary, and that past due accounts be disconnected 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.

There were no deficiencies noted in the coding of the rate codes and utility billing calculations for the fiscal year ending December 31, 1997. We also noted that meters were now being read by contract services, and that any problems with meters were referred to the management of Tangipahoa Water district for correction. The manager also reports statistics on the number of "flat-rate" meters at the monthly board meetings.

Improvement in reporting was noted. However, considering the size of the district, procedures need to be standardized to determine that maximum revenues are billed and received. We recommend 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 change 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):

We are in the process of implementing a new utility billing software package. Part of the reason for implementing this package is that we will have the ability to custom design management reports. We will design the above reports for review by the board of commissioners as the new program is implemented.

Corrective action taken: Partially

Additional Explanation:

Corrective action is listed as partial, since the new utility billing software must still be implemented and the proposed management reports designed to comply with management recommendations. Continued follow-up is required.

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

Schedule B

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

Reference Number: SGM-2

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

Description of Finding:

We acted 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 input 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.

Corrective Action Planned (Response by Management):

This recommendation will be acted upon with the implementation of the new utility billing software. The new software provides an audit trail for the input of meter deposit transactions. After all of the required information is input, it will be presented to the board of commissioners for review.

Reference Number: SGM-3

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

Description of Finding:

We noted that although the district had recorded positive net income of \$121,417, the district was in a period of expansion, and net income was decreasing. We recommended that the board of commissioners consider the possibility of adopting a rate ordinance that allows the board of commissioners to adopt a rate structure consistent with the budgeted income and expenses adopted for the district. Review by the board of commissioners would insure that the approved expenses for the system are only those expenses essential to efficient operation of the utility department, insuring that any rate increase is reasonable based on the goals and directions specified by the board of commissioners.

Corrective Action Planned (Response by Management):

The board of commissioners has reviewed the need for a rate ordinance, but at this time plans to monitor the monthly budget-to-actual reports presented to the board of commissioners to determine the need for any rate increase.

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

Schedule B

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

Reference Number: 96M-4

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

Description of Finding:

We noted that although inventory was taken at the end of each fiscal year, the inventory software records were not maintained on a consistent basis, and periodic inventories were not taken. We noted that an inventory adjustment was required at fiscal year end of \$28,934 (decreasing inventory). The inventory adjustment for the fiscal year ending December 31, 1997, was \$28,681 (decreasing inventory).

The same problem exists as in the prior year. We recommend that the district begin immediately to take monthly inventories until the inventory software is implemented, and the monthly adjustments to actual is of a reasonable amount.

Corrective Action Planned (Response by Management):

We will begin to take monthly inventories immediately. Our plans are to implement a new inventory program with the implementation of the new utility billing software.

Reference Number: 96M-5

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

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.

The contact person for all management recommendations is as follows:

Larry Myers, President
Tangipahola Water District
P.O. Box 689
Natalbany, LA 70451

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

Ronan C. Harrell, CPA

Walter A. Wood, CPA
Michael P. Baum, CPA
Dale B. Jones, CPA
Charles P. Hinton, CPA
James D. Haskins, CPA

809 West Minnesota Park
Park Plaza Suite 7
Bossier, LA 70601
PHONE: (504) 542-4170
FAX: (504) 542-2116

BOSSIER OFFICE
P.O. Box 41 - 402 Park St.
Bossier, LA 70604
PHONE: (504) 226-0844
FAX: (504) 226-1011

MEMBER OF:
American Institute of CPAs
Society of Accountants (CPAs)

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

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Houffouy, 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, 1997 and 1996, and have issued our report thereon dated January 13, 1998. We conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 reportable 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 the Corrective Action Plan for Prior Year Management Letter Recommendations for the Year Ended December 31, 1997, as Reference Numbers 96M1, 96M2, 96M3, 96M4, and 96M5.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
10700 W. 16th Avenue, Suite 100, Denver, CO 80202

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Page 2

This report is intended for the information of management, the Legislative Auditors, 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 15, 1998