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COMPONENT UNIT FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

DRAINAGE DISTRICT NO. 4  
ST. TAMMANY PARISH, LOUISIANA

DECEMBER 31, 1998

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 7-28-99

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

(A LIMITED LIABILITY COMPANY)

*Certified Public Accountants*

P.O. Box 1660

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Drainage District No. 4  
St. Tammany Parish, Louisiana

We have audited the accompanying component unit financial statements of Drainage District No. 4 and the account group financial statement as of December 31, 1998, and for each of the years ended December 31, 1998 and 1997, as listed in the table of contents. These component unit financial statements are the responsibility of the Districts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 above present fairly, in all material respects, the financial position of the Drainage District No. 4 as of December 31, 1998, and for each of the years ended December 31, 1998 and 1997, in conformity with generally accepted accounting principles. Also, in our opinion, the account group financial statement referred to above presents fairly, in all material respects, the financial position of the account group of the Drainage District No. 4 as of December 31, 1998, in conformity with generally accepted accounting principles.

Drainage District No. 4 has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the District is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report dated May 10, 1999 on our consideration of the internal control over financial reporting of Drainage District No. 4 and on its compliance with laws and regulations.

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

May 10, 1999

Drainage District No. 4  
St. Tammany Parish, Louisiana

COMBINED BALANCE SHEET-  
ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 1998

	Governmental Fund Types		Account Group	
	General	Debt Service	General Fixed Assets	Total (Memorandum Only)
<b>ASSETS</b>				
Cash in banks and on hand	\$ 19,063	\$	\$	\$ 19,063
Plant and equipment			432,857	432,857
Prepaid insurance	7,686			7,686
Other	1,094			1,094
	\$ 27,843	\$ -	\$ 432,857	\$ 460,700

The accompanying notes are an integral part of this statement.

Drainage District No. 4  
St. Tammany Parish, Louisiana

COMBINED BALANCE SHEET-  
ALL FUND TYPES AND ACCOUNT GROUPS - Continued

December 31, 1998

	Governmental Fund Types		Account Group	
	General	Debt Service	General Fixed Assets	Total (Memorandum Only)
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities</b>				
Accounts payable	\$ 4,075	\$	\$	\$ 4,075
Payroll taxes payable	<u>395</u>	<u>          </u>	<u>          </u>	<u>395</u>
 Total liabilities	 <u>4,470</u>	 <u>-</u>	 <u>-</u>	 <u>4,470</u>
 <b>Fund Equity</b>				
Investment in general fixed assets:				
General fund			432,857	432,857
Reserve for prepaid insurance	7,686			7,686
Unreserved fund balance	<u>15,687</u>	<u>-</u>	<u>-</u>	<u>15,687</u>
 Total fund equity	 <u>23,373</u>	 <u>-</u>	 <u>432,857</u>	 <u>456,230</u>
	<u>\$ 27,843</u>	<u>\$ -</u>	<u>\$ 432,857</u>	<u>\$ 460,700</u>

The accompanying notes are an integral part of this statement.

Drainage District No. 4  
St. Tammany Parish, Louisiana

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

For the Years Ended December 31, 1998 and 1997

	1998			1997		
	General	Debt Service	Total (Memorandum Only)	General	Debt Service	Total (Memorandum Only)
<b>Revenues</b>						
Assessment fees	\$ 117,339	\$	\$ 117,339	\$ 120,460	\$	\$ 120,460
Interest income	3,249		3,249	5,483		5,483
Miscellaneous revenues	<u>800</u>		<u>800</u>			
Total revenues	<u>121,388</u>	<u>-</u>	<u>121,388</u>	<u>125,943</u>	<u>-</u>	<u>125,943</u>
<b>Expenditures</b>						
Salaries	25,250		25,250	17,570		17,570
Employee benefits	3,842		3,842	1,788		1,788
Maintenance and repairs	11,657		11,657	10,620		10,620
Office expense	10,246		10,246	682		682
Insurance	10,131		10,131	9,462		9,462
Administrative Services	9,405		9,405	8,075		8,075
Professional Services	8,196		8,196	10,110		10,110
Utilities and telephone	8,173		8,173	1,897		1,897
Equipment rental	7,635		7,635			
Office rent	5,720		5,720			
Other expense	4,862		4,862	490		490
Fuel cost	1,687		1,687	724		724
Collection fee	1,173		1,173			
Capital outlays	<u>178,121</u>		<u>178,121</u>	<u>9,245</u>		<u>9,245</u>
Total Expenditures	<u>286,098</u>	<u>-</u>	<u>286,098</u>	<u>70,663</u>	<u>-</u>	<u>70,663</u>

Drainage District No. 4  
St. Tammany Parish, Louisiana

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES - Continued

For the Years Ended December 31, 1998 and 1997

	1998			1997		
	General	Debt Service	Total (Memorandum Only)	General	Debt Service	Total (Memorandum Only)
Excess (deficiency) of revenues over expenditures before cumulative effect of a change in accounting principle	(164,710)	-	(164,710)	55,280	-	55,280
Cumulative effect on prior years due to change in accounting for fees received	-	-	-	(35,984)	-	(35,984)
Excess (deficiency) of revenues over expenditures	(164,710)	-	(164,710)	19,296	-	19,296
Fund balance (deficit), beginning of year	188,083	-	188,083	166,206	(13,345)	152,861
Prior period adjustment	-	-	-	2581	13,345	15,926
Fund balance (deficit), end of year	\$ 23,373	\$ -	\$ 23,373	\$ 188,083	\$ -	\$ 188,083

The accompanying notes are an integral part of this statement.



Drainage District No. 4  
St. Tammany Parish, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS)  
AND ACTUAL - GENERAL FUND TYPE

For the Years Ended December 31, 1998 and 1997

	1998		1997		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
<b>Revenues</b>					
Assessment fees	\$ 115,336	\$ 117,339	\$ 112,552	\$ 120,460	\$ 7,908
Miscellaneous Income	2,845	3,249	3,842	5,483	1,641
Interest Income	-	800	-	-	-
<b>Total revenues</b>	<u>118,181</u>	<u>121,388</u>	<u>116,394</u>	<u>125,943</u>	<u>9,549</u>
<b>Expenditures</b>					
Salaries	19,850	25,250	18,850	17,570	1,280
Employee benefits	2,035	3,842	1,932	1,788	144
Maintenance and repairs	12,500	11,657	12,878	10,620	2,258
Office expense	5,200	10,246	1,115	682	433
Insurance	6,880	10,131	9,380	9,462	(82)
Administrative services	10,120	9,405	9,958	8,075	1,883
Professional services	7,790	8,196	10,890	10,110	780
Utilities and telephone	1,521	8,173	1,521	1,897	(376)
Equipment rental	-	7,635	-	-	-
Office rent	5,720	5,720	-	-	-
Other expense	-	4,862	-	490	(490)
Fuel cost	1,700	1,687	1,407	724	683
Collection fee	1,153	1,173	1,126	-	1,126
Capital Outlays	<u>155,000</u>	<u>178,121</u>	<u>80,393</u>	<u>9,245</u>	<u>71,148</u>
<b>Total expenditures</b>	<u>229,469</u>	<u>286,098</u>	<u>149,450</u>	<u>70,663</u>	<u>78,787</u>

Drainage District No. 4  
St. Tammany Parish, Louisiana

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS)  
AND ACTUAL - GENERAL FUND TYPE - Continued

For the Years Ended December 31, 1998 and 1997

	1998		1997		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
Excess (deficiency) of revenues over expenditures before cumulative effect of change in accounting principal	\$ (111,288)	(164,710)	\$ (33,056)	55,280	\$ 88,336
Cumulative effect on prior years due to change in accounting for fees received	-	-	(42,931)	(35,984)	6,947
Excess (deficiency) of revenues over expenditures	<u>\$ (111,288)</u>	(164,710)	<u>\$ (75,987)</u>	19,296	<u>\$ 95,283</u>
Fund balance, beginning of year		188,083		166,206	
Prior period adjustment		-		2,581	
Fund balance, end of year		<u>\$ 23,373</u>		<u>\$ 188,083</u>	

The accompanying notes are an integral part of this statement.

Drainage District No. 4  
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Drainage District No. 4 of St. Tammany Parish conform to generally accepted accounting principles applicable to governmental entities. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of certain significant policies.

1. History

Drainage District No. 4, St. Tammany Parish, Louisiana was created by the St. Tammany Parish Police Jury ordinance No. 812 in May, 1979. The District serves the area of St. Tammany Parish, Louisiana known as Kingspoint South and Foxhollow. The District is operated as a component unit of the St. Tammany Parish Police Jury.

2. Reporting Entity

As the governing authority of the Parish, for reporting purposes, the St. Tammany Parish Police Jury is the financial reporting entity for St. Tammany Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In accordance with GASB codification Section 2100, Drainage District No. 4 is considered a component unit of the parish reporting entity because; (1) commissioners of the District are appointed by the St. Tammany Parish Police Jury and; (2) the District provides drainage protection service to residents within St. Tammany Parish. While Drainage District No. 4 is an integral part of the parish reporting entity and should be included within the general purpose financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of Drainage District No. 4 and do not present information on the St. Tammany Parish Police Jury, the general government services provided by the police jury or on other component units that comprise the St. Tammany Parish reporting entity.

Drainage District No. 4  
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fund Accounting

The accounts of the Drainage District No. 4 are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund consist of self balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are to be controlled.

4. Governmental Fund

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund was used to account for the accumulation of resources for, and the payments of, general long-term debt principal that has matured, interest that has accrued, and related cost. This Fund was closed during 1997 - see note D.

5. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund is determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. No depreciation has been provided on general fixed assets.

6. Basis of Accounting

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Drainage District No. 4  
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Basis of Accounting - Continued

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue is recognized in the accounting period in which it becomes both measurable and available.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. An exception to this general rule is principal and interest on long-term debt which is recognized when due.

Revenues

Assessed fees are recorded in the year the fees are collected, which is a change from prior years - see note C. Interest income on time deposits is recorded when the time deposits have matured and interest is available. Miscellaneous revenues are recorded as revenue when received in cash.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except for principal and interest on general long-term obligations, which are recognized when due.

7. Budget Practices

The District adopts an annual budget for the General Fund on a modified accrual basis of accounting.

8. Cash, Cash Equivalents, and Investments

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 or national banks having their offices in Louisiana. At December 31, 1998, the District has cash (book balances) and cash on hand totaling \$19,063.

Cash 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

Drainage District No. 4  
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Cash, Cash Equivalents, and Investments - Continued

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 District in a holding or custodial bank that is mutually acceptable to both parties.

The following is a summary of cash and cash and cash equivalents at December 31, 1998.

Petty cash	\$ 26
Demand deposits	5,442
Interest-bearing demand deposits	<u>13,595</u>
Total	<u>\$ 19,063</u>

These deposits are secured from risk by \$100,000 of federal deposit insurance.

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

9. Federal Income Taxes

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

10. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Drainage District No. 4  
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE B - CHANGES IN GENERAL FIXED ASSETS

The District established a detail fixed asset listing using historical cost and estimated historical cost. Presented below is a summary of changes in general fixed assets:

	Balance December <u>31, 1996</u>	1997 <u>Additions</u>	Balance December <u>31, 1997</u>	1998 <u>Additions</u>	Balance December <u>31, 1998</u>
Buildings and improvements	\$ 110,000	\$ -	\$ 110,000	\$ -	\$ 110,000
Equipment	<u>225,446</u>	<u>9,245</u>	<u>234,691</u>	<u>88,166</u>	<u>322,857</u>
	<u>\$ 335,446</u>	<u>\$ 9,245</u>	<u>\$ 344,691</u>	<u>\$ 88,166</u>	<u>\$ 432,857</u>

NOTE C - CHANGE IN ACCOUNTING PRINCIPLE

In the past, the District assessed and accrued a service fee each year to each property owner in the District for the maintenance and operation of the District. During 1997, an unrelated governmental entity assumed the responsibility of assessing and collecting these fees on behalf of the District. At that time, the District changed from accruing these fees to recording them as revenue when received from the governmental entity. This change is reflected on the accompanying financial statements as a change in accounting principals, resulting in a cumulative decrease against earnings and fund balance of \$35,984.

NOTE D - CERTIFICATE OF INDEBTEDNESS

The District had a certificate of indebtedness bearing interest at 8.25% that matured in 1988. The outstanding principal and interest, which was accrued through maturity, was recorded in the Debt Service Fund. Before this certificate matured, the original holder of that certificate was taken over by the Federal Deposit Insurance Corporation (F.D.I.C.). Subsequent to the take over, the successor bank has been contacted and informed the District that it has no record of said certificate. The District retained the service of the St. Tammany Parish District Attorney's Office (D.A.) to look into the matter more fully. The District Attorney is of the opinion that the debt is prescribed. As a result, the District elected to remove the debt from its records as a prior period adjustment, thereby increasing beginning fund balance in the General Fund and Debt Service Fund by \$2,581 and \$13,345 respectively.

Drainage District No.4  
St. Tammany Parish, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31,1998

NOTE E - OPERATING LEASE

The District has entered into an annual operating lease to lease office space for \$520 per month starting February, 1998. The rent expense totaled \$5,720 for 1998 and \$0 for 1997.

NOTE F - BOARD MEMBERS PER DIEM PAYMENTS

The Board of Commissioners receive \$65 per diem per monthly meeting. The Board of Commissioners per diem are included in Administrative Services in the accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance.



Drainage District No. 4  
St. Tammany Parish, Louisiana  
STATEMENT OF GENERAL FIXED ASSETS

December 31, 1998

	<u>1998</u>
General Fixed Assets at Cost:	
Building and improvements	\$ 110,000
Equipment	<u>322,857</u>
Total General Fixed Assets	<u>\$ 432,857</u>
 Investments in General Fixed Assets from:	
General Fund	
Revenues	<u>\$ 432,857</u>
Total Investments in General Fixed Assets	<u>\$ 432,857</u>

The accompanying notes are an integral part of this statement.

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

(A LIMITED LIABILITY COMPANY)

*Certified Public Accountants*

P.O. Box 1660

Covington, Louisiana 70434-1660

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

To the Board of Commissioners  
Drainage District No. 4  
St. Tammany Parish, Louisiana

We have audited the component unit financial statements of the Drainage District No. 4, as of December 31, 1998 and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 10, 1999. 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.

As part of obtaining reasonable assurance about whether the District's, general purpose 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 determinations of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the following paragraph.

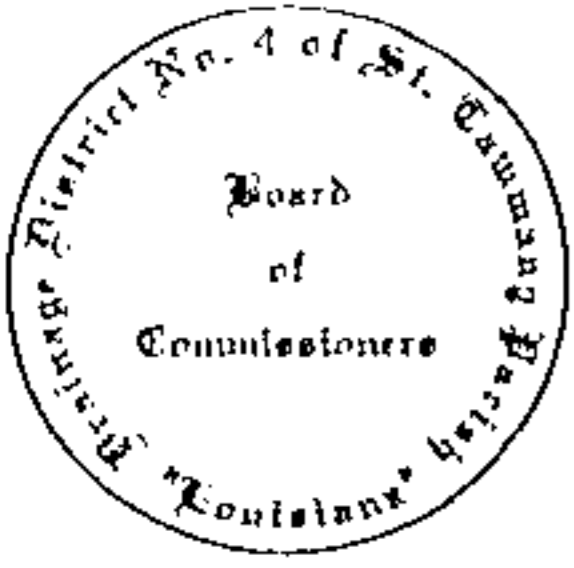
For the year ending December 31, 1998 the District's actual expenditures of \$286,098 exceeded budgeted expenditures of \$229,469 which resulted in an unfavorable variance of \$56,629. Louisiana Revised Statutes require the budget to be amended when total actual expenditures plus projected expenditures for the remainder of the year, are exceeding the total budgeted expenditures by five percent or more. Also, the District did not adopt a budget in a timely manner, for either 1998 or 1997. In the future, the District should institute procedures whereby actual to budgeted expenditures are monitored and budget is amended as necessary.

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

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

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

May 10, 1999



**Board of Commissioners**  
of St. Tammany Parish

# Drainage District No. 4

2000 Old Spanish Trail

Suite 113

Slidell, Louisiana 70458

504-643-6473

Email: [ddist4@bellsouth.com](mailto:ddist4@bellsouth.com)

JUN 29 11:29 AM '99

June 28, 1999

Dr. Daniel Kyle  
Louisiana Legislative Auditor  
1600 N. Third Street  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Re: Audit for the two years ended December 31, 1998

Dear Sir:

We are writing in response to certain items indicated in our audit report on compliance and on internal control over financial reporting based on audit of financial statements performed in accordance with *Government Auditing Standards*. In that report, it was reported that for the year ended December 31, 1998 our actual expenditures exceeded budgeted by more than 5%. Also, the budgets for the years ended December 31, 1998 and 1997 were not approved by the Board of Commissioners on a timely basis.

We have been advised of the requirements of Revised Statutes 39:1304 and 1308 by our auditors. In future years our budget will be adopted on a timely basis. We will monitor revenues and expenditures periodically throughout the year and will notify the Board of Commissioners when revenues are falling short or expenditures are exceeding budgeted amounts by more than 5%. At that time, we will amend our budget accordingly.

Please call me at 504-643-6473 should you have any further questions or need further information.

Sincerely

  
John Scheidau, President