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ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
COMPONENT UNIT FINANCIAL STATEMENTS
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 MAR 2 4 1999

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Skarda & Silva, L.L.P.

Certified Public Accountants

4331 Iberville Street

Mandeville, LA 70471

Steven A. Skarda, C.P.A.

Brent A. Silva, C.P.A.

(504) 626-8299, Main

(504) 626-9767, Fax

INDEPENDENT ACCOUNTANTS' REPORT

Board of Commissioners

St. Tammany Parish Gravity Drainage District No. 5

Covington, Louisiana

We have compiled the accompanying component unit financial statements that do not include a statement of revenues, expenditures, and changes in fund balance-budget and actual, for the general fund of the St. Tammany Parish Gravity Drainage District No. 5, as of December 31, 1998, and for the year then ended, as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management of the St. Tammany Parish Gravity Drainage District No. 5. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.


January 21, 1999

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
BALANCE SHEET-GENERAL FUND
DECEMBER 31, 1998

ASSETS

Cash and cash equivalents	<u>\$ 29,259</u>
	<u>\$ 29,259</u>

LIABILITIES AND FUND EQUITY

Liabilities

Accounts payable and accrued liabilities	<u>\$ 274</u>
	274

Fund equity

Fund balance	<u>28,985</u>
	<u>\$ 29,259</u>

See accompanying notes and accountant's report.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

REVENUES	
St. Tammany Parish Police Jury	\$ -
Interest	<u>561</u>
	561
 EXPENDITURES	
Compensation paid board members	600
Legal and professional	8,100
Office expenditures	801
Payroll taxes	317
Capital outlay	<u>27,138</u>
<i>Total expenditures</i>	<u>36,956</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (36,395)
 FUND BALANCE-BEGINNING OF YEAR	 <u>65,380</u>
 FUND BALANCE-END OF YEAR	 <u><u>\$ 28,985</u></u>

See accompanying notes and accountant's report.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Tammany Parish Gravity Drainage District No. 5 (the "District") was established by Louisiana Revised Statutes 38:1606 and Police Jury Ordinance PSS No. 93-1792 on July 15, 1993. The District's boundaries are within Precincts 305-A, 306 and 307 of the Third Ward of the Parish of St. Tammany. The District is governed by a Board of Commissioners consisting of five resident property taxpayers, as provided by Louisiana Revised Statutes 38:1761. The St. Tammany Parish Police Jury appoints five commissioners, two commissioners for a term of two years and three for a term of four years. All selections or appointments thereafter will be for four-year terms. The four appointed commissioners select the fifth member who serves as Chairman. The bodies making the original appointments fill vacancies.

Gravity drainage districts are created for the purpose of creating and maintaining drainage of the area within the boundaries of Ward 3 of St. Tammany Parish.

The financial statements of the St. Tammany Parish Gravity Drainage District No. 5 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. The more significant of the government's accounting principles are described below.

1. The Reporting Entity

The component unit financial statements of the District include all funds, account groups, and activities that are within the oversight responsibility of the District. Certain units of local government, over which the District exercises no oversight responsibility such as the St. Tammany Parish Police Jury, Parish School Board, independently, elected parish officials, and municipalities within the Parish, are excluded from the accompanying component unit financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the District.

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Police Jury for 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:

- a) Appointing a voting majority of an organization's governing body, and the ability of the police jury to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burden on the police jury.
- b) Organizations for which the police jury does not appoint a voting majority but is fiscally dependent on the police jury.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

- c) Organizations for which the reporting entity financial statements would be misleading if data for the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the organization's governing body, the District was determined to be a component unit of the St. Tammany Parish Police Jury, 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 police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

2. Fund Accounting

The District uses fund and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the fund because they do not directly affect net expendable available financial resources.

Funds are ordered into three major categories: governmental, proprietary, and fiduciary. Funds within each major category are grouped by fund type in the financial statements. The funds and account groups used by the District are as follows:

Governmental Fund Types

Governmental funds are those through which general governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the District's governmental fund types:

a) General Fund

The general fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Account Groups

Account groups are used to establish accounting control and accountability for the District's general fixed assets and long-term obligations. The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

a) General Fixed Asset Account Group

This account group is established to account for all fixed assets of the District. Capital outlays in the general fund are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the general fixed asset account group.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities generally are included on the balance sheet. The operating statement of the fund presents increases (i.e., revenues and other sources) and decreases (i.e., expenditures and other uses) in net current assets.

All governmental fund types and agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues of the District susceptible to accrual are

4. Budget and Budgetary Accounting

The budget for the general fund has not been prepared and legally adopted as required by state law and generally accepted accounting principles; therefore, the financial statements do not include a comparison of revenues and expenditures to budget.

5. Encumbrances

The District does not employ encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

6. Cash and cash equivalents

Cash includes amounts in demand deposits and certificates of deposits, if any.

Louisiana revised statutes authorize the District to invest in (1) United States bonds, treasury notes or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana, an investment stipulated in LSA-R.S. 39:1271, or any other federally insured investments or (2) in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. Government or its agencies.

7. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in the general fund and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated fixed assets, if any are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Assets in the general fixed assets account group are not depreciated.

8. Pension Plan, Vacation, and Sick Leave Policies

All members of the District serve as board of directors and there are no employees of the District. Accordingly, the District does not contribute to a pension plan and has no formal vacation and sick leave policy.

9. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Fund Equity

Designations represent those portions of fund equity that have been segregated to indicate tentative plans for future resource use.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

11. Total Column on Financial Statements

The total column on the financial statements is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present *financial position in conformity with generally accepted accounting principles nor is such data comparable to a consolidation.*

NOTE B – CASH AND CASH EQUIVALENTS

At December 31, 1998, the District has cash and cash equivalents (book balances) totaling \$34,465. The District's cash was not in excess of the FDIC insurance during 1998. There were no funds invested during 1998.

St. Tammany Parish Gravity Drainage District No. 5
 Summary Schedule of Prior Compilation/Attestation Findings
 For the Year Ended December 31, 1998

Ref.No.	Fiscal Year Finding Initially Occurred	Description	Planned Corrective		Additional Explanation
			Corrective Action Taken (Yes, No, Partially)	Action/Partial Corrective Action Taken	

1	12/31/97	Budget not legally prepared or adopted in accordance with Louisiana RS 39:1306	Yes	n/a	For the year ended December 31, 1998 the entity was not required to prepare and legally adopt a budget because the proposed expenditures were than \$250,000.
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