

**ST. TAMMANY PARISH SEWERAGE
DISTRICT NO. 1
Covington, Louisiana**

FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT

December 31, 2003 and 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5.26.04

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To the Board of Commissioners
St. Tammany Parish Sewerage District No. 1
Covington, Louisiana

I have compiled the accompanying Balance Sheets of St. Tammany Parish Sewerage District No. 1 as of December 31, 2003 and 2002, and the related Statements of revenues, expenses, and retained earnings and cash flows for the two years then ended as listed in the foregoing 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. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Donna Marshall, CPA

Donna Marshall
Certified Public Accountant

May 11, 2004

ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Current Assets		
Cash and cash equivalents (Note 2)	\$523,260	\$515,809
Revenues receivable - Charges for services	6,753	8,334
Due from other governmental entity - St. Tammany Parish Waterworks	43,058	41,681
Accrued interest receivable	383	501
	-----	-----
Total Current Assets	573,454	566,325
Property, plant and equipment (net of accumulated depreciation) (Note 3)	252,798	262,664
	-----	-----
TOTAL ASSETS	\$826,252	\$828,989
	=====	=====

LIABILITIES AND FUND EQUITY

Current Liabilities	\$3,263	\$6,264
Fund Equity - retained earnings - unreserved	822,989	822,725
	-----	-----
TOTAL LIABILITIES AND FUND EQUITY	\$826,252	\$828,989
	=====	=====

The accompanying notes are an integral part of these statements.

ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Charges for services	\$87,571	\$87,392
OPERATING EXPENSES		
Bank Charges	218	204
Depreciation	9,866	12,370
Dues & Subscriptions	150	150
Insurance	1,972	1,848
Miscellaneous	3,684	36
NSF Checks	36	174
Office supplies and expenses	370	293
Personal services	4,925	5,286
Postage	583	219
Professional services	3,000	3,600
Repairs & Maintenance	53,553	62,922
Taxes & Licenses	1,112	891
Utilities	15,171	11,785
	<hr/>	<hr/>
Total operating expenses	94,640	99,778
	<hr/>	<hr/>
OPERATING LOSS	(7,069)	(12,386)
NON OPERATING REVENUES AND EXPENSES		
Interest Income	7,333	11,006
	<hr/>	<hr/>
NET INCOME (LOSS)	264	(1,380)
RETAINED EARNINGS AT BEGINNING OF YEAR	822,725	824,105
	<hr/>	<hr/>
RETAINED EARNINGS AT END OF YEAR	\$822,989 =====	\$822,725 =====

The accompanying notes are an integral part of these statements.

ST. TAMMANY PARISH SEWERAGE DISTRICT NO.1

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003 AND 2002

Cash Flows From Operating Activities	<u>2003</u>	<u>2002</u>
Operating Loss	(\$7,069)	(\$12,386)
Adjustments to reconcile operating loss to cash provided by operating activities:		
Depreciation	9,866	12,370
Decrease in revenue receivables	1,581	91
Increase in due from other governmental activity	(1,377)	(4,309)
Decrease in accrued interest receivable	118	1,058
(Decrease)/Increase in accounts payable	(3,001)	5,804
	<hr/>	<hr/>
Net cash provided by operating activities	118	2,628
	<hr/>	<hr/>
Cash flows from capital and related financing activities -		
Acquisition and coinstruction of capital assets	-	(1,570)
	<hr/>	<hr/>
Net cash used in financing activities	-	(1,570)
	<hr/>	<hr/>
Cash flows from investing activities -		
Receipt of interest	7,333	11,006
	<hr/>	<hr/>
Net cash provided by investing activities	7,333	11,006
	<hr/>	<hr/>
Net increase in cash and cash equivalents	7,451	12,064
	<hr/>	<hr/>
Cash and cash equivalents at beginning of year	515,809	503,745
	<hr/>	<hr/>
Cash and cash equivalents at end of year	\$523,260	\$515,809
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these statements.

ST. TAMMANY PARISH SEWERAGE

DISTRICT NO. 1
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

The St. Tammany Parish Sewerage District No. 1 was created by the St. Tammany Parish Police Jury, as provided by Louisiana Revised Statute (LSA-R.S.) 33:3881. The sewerage district is governed by a five-member board of commissioners appointed by the police jury. The board of commissioners receive no compensation for their services and the sewerage district has no full-time employees. The sewerage district is responsible for maintaining and operating the sewerage system within the boundaries of the sewerage district.

The sewerage district has one sewer treatment plant capable of handling 340,000 gallons of raw sewerage each day. The district covers approximately 466 acres and serves approximately 400 customers. The district has accomplished its mission by charging a point service discharge fee ranging from \$4 at its inception to a current fee of \$29 instead of having a tax millage to support operations. This plant was designed and built to take care of 400 people anticipated to live in Country Club Estates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of St. Tammany Parish Sewerage District No. 1 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

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the government reporting entity. Because the district is solely accountable for fiscal matters, which include (1) responsibility for funding deficits and operating deficiencies, (2) fiscal management for controlling the collection and disbursement of funds, and (3) because of the scope of public service provided by the district, the district includes all funds, activities, et cetera, 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 parish police jury, the parish school board, independently elected parish officials, and municipalities, within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the district. Starting with the year ending December 31, 2002, St. Tammany Parish Government will be following GASB Statement No. 14 which requires them to include component unit financial information in their statements. St. Tammany Parish Sewerage District #1 has been determined to be a component unit of St. Tammany Parish and will be included in St. Tammany Parish's financial statements.

ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1
Notes to the Financial Statements, continued

C. FUND ACCOUNTING

The district uses a fund (Enterprise Fund) to report on its financial position and the results of its operations and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The Enterprise Fund accounts for activities similar to those found in the private sector where the intent of the governing body is that the cost (expenses, including depreciation and amortization) of providing services on a continued 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. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The accrual basis of accounting is used by the Enterprise Fund. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in interest bearing demand deposits and certificates of deposit. Under state law, the sewerage 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. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Accumulated depreciation and amortization are reported on the balance sheet. Depreciation is computed using the straight line method over the estimated useful lives of 40 years for sewerage lines and the accelerated method over the estimated useful lives of 10 years for improvements to the lines.

G. LONG-TERM OBLIGATION

The sewerage district has no long-term obligations at December 31, 2003 and 2002.

H. VACATION AND SICK LEAVE AND PENSION PLAN

The district has no full-time employees; therefore, it does not have a formal vacation and sick leave policy and does not contribute to a pension plan or provide any post-retirement benefits.

ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 1
Notes to the Financial Statements, continued

2. CASH AND CASH EQUIVALENTS

At December 31, 2003 and 2002, respectively, the district has cash (book balances) totaling \$140,203 and \$135,685 in interest bearing demand deposit accounts and \$383,057 and \$380,124 in certificates of deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

3. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets and related depreciation follows:

	<u>Land</u>	<u>Improvements</u>	<u>Total</u>
Balance at December 31, 2002	\$780	\$680,137	\$680,917
Additions - 2003	-0-	-0-	-0-
	----- \$780	----- \$680,137	----- \$680,917
Less - Accumulated Depreciation	n/a	(428,119)	(428,119)
Balance at December 31, 2003	----- \$780	----- \$252,798	----- \$252,798

4. LEASES

The sewerage district has no capital or operating leases at December 31, 2003 and 2002.

5. LITIGATION

The sewerage district is not involved in any litigation at December 31, 2003.

Donna Marshall CPA, L.L.C.

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**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

To the Board of Commissioners
St. Tammany Sewerage District No. 1
Covington, Louisiana

I have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the Management of St. Tammany Sewerage District No. 1 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about St. Tammany Sewerage District No. 1's compliance with certain laws and regulations during the year ending December 31, 2003 included in the accompanying Louisiana Attestation Questionnaire. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$15,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

No one expenditure was made during the year for materials and supplies exceeding \$15,000, and no one expenditure was made for public works exceeding \$100,000.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided me with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Mrs. Mary Jane VanSickle is a part-time bookkeeper employed by the Waterworks District No. 3 and part of her cost is charged to the Sewerage District No. 1. There are no full-time employees of the Sewerage District No. 1.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

The employee included on the list of employees provided by management in agreed-upon procedure (3) did not appear on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Proprietary funds are not required to adopt an annual budget. The District did not adopt a budget for 2003.

6. Trace the budget adoption and amendments to the minute book.

Not applicable.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues and expenditures exceed budgeted amounts by more than 5%.

Not applicable.

Accounting and Reporting

8. Randomly select six disbursements made during the period under examination and:

- a.) trace payments to supporting documentation as to proper amount and payee;

I examined supporting documentation for each of the six disbursements and found that payment was for the proper amount and made to the correct payee.

- b.) determine if payments were properly coded to the correct fund and general ledger account; and

I examined the six selected disbursements and found they were properly coded to the correct general ledger account.

- c.) determine whether payments received approval from proper authorities.

I examined the six selected disbursements and found they were all signed and approved.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

St. Tammany Parish Sewerage District No. 1 did post notices of meetings as required by LSA-RS 42.1 through 42.12

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of banks loans, bonds, or like indebtedness.

I inspected copies of all bank deposit slips for the period under examination and noted no deposits, which appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees, which may constitute bonuses, advances, or gifts.

There were no full time employees of the Sewerage District No. 1 for the period under examination.

I was not engaged to, and did not perform an examination, the objective of which would be the expression of any opinion on management's assertions. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the use of management of St. Tammany Sewerage District No. 1 the Legislative Auditor, State of Louisiana, St. Tammany Parish Government, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Our prior year report, dated May 11, 2003 did not include any comments or unresolved matters.

Donna Marshall, CPA

Donna Marshall
Certified Public Accountant
May 11, 2004

ST. TAMMANY SEWERAGE DISTRICT #1
STATE OF LOUISIANA

C/O JOHN SANDIDGE 171 TCHOUFOUCHE DRIVE, COVINGTON, LA 70433

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

5-4-04 (Date Transmitted)

DONNA MARSHALL, CPA, LLC
600 N. HWY 190 STE 204
COVINGTON, LA 70433

(Auditors)

In connection with your compilation of our financial statements as of ¹²⁻³¹⁻⁰³ and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of MAY 4, 2004

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office.

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes No

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.
Yes No

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.
Yes No

Debt



It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 38:1410.60-1410.65.
Yes No

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.
Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

	Secretary		Date
	Treasurer	5/12/04	Date
P. Lee (Peter B. Lee)	President	5/11/04	Date

Note: If the engagement is for a routine compilation/audit that will be completed within six months of the entity's fiscal year-end and the CPA will submit either a Fax Approval Form or an Email engagement approval form to the legislative auditor, the space for the legislative auditor's approval may be omitted.