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**ST. TAMMANY PARISH SEWERAGE  
DISTRICT NO. 4  
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 5.5.04

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*Donna Marshall CPA, L.L.C.*

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

I have compiled the accompanying Balance Sheets of St. Tammany Parish Sewerage District No. 4 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

March 23, 2004

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 4**

**BALANCE SHEETS**

**DECEMBER 31, 2003 AND 2002**

**ASSETS**

|   | <u>2003</u> | <u>2002</u> |
|---|-------------|-------------|
| Current Assets  |             |             |
| Cash and cash equivalents (Note 2)  | \$262,083   | \$249,840   |
| Revenues receivable - Charges for services                                  | 14,122      | 13,935      |
| Due from other governmental entity -<br>St. Tammany Parish Waterworks       | 26,021      | 44,698      |
| Prepaid insurance   | 4,956       | 2,636       |
| Accrued interest receivable   | 28          | 48          |
|   | -----       | -----       |
| Total Current Assets  | 307,210     | 311,157     |
| Property, plant and equipment (net of accumulated<br>depreciation) (Note 3) | 401,631     | 488,185     |
|   | -----       | -----       |
| Total Assets.   | \$708,841   | \$799,342   |
|   | =====       | =====       |

**LIABILITIES AND FUND EQUITY**

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Current Liabilities               |           |           |
| Accounts payable                  | \$419     | \$309     |
|                                   | -----     | -----     |
| Total Current Liabilities         | 419       | 309       |
| Bonds payable (Note 7)            | 632,000   | 660,000   |
|                                   | -----     | -----     |
| Total Liabilities                 | 632,419   | 660,309   |
|                                   | -----     | -----     |
| Fund Equity                       |           |           |
| Contributed capital               | 40,000    | 40,000    |
| Retained earnings - unreserved    | 36,422    | 99,033    |
|                                   | -----     | -----     |
| Total Fund Equity                 | 76,422    | 139,033   |
|                                   | -----     | -----     |
| Total Liabilities and Fund Equity | \$708,841 | \$799,342 |
|                                   | =====     | =====     |

The accompanying notes are an integral part of these statements.

ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 4

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                   | \$155,669       | \$153,245       |
| OPERATING EXPENSES                     |                 |                 |
| Salaries and benefits                  | 1,518           | 1,590           |
| Bond administration fee                | 3,300           | 3,430           |
| Depreciation                           | 86,554          | 106,390         |
| Dues                                   | 150             | 150             |
| Insurance                              | 5,632           | 4,470           |
| Miscellaneous                          | 315             | 210             |
| Office supplies and expenses           | 267             | 273             |
| Per diem paid to commisioners          | 4,057           | 2,040           |
| Postage                                | 389             | 150             |
| Professional services                  | 3,031           | 3,259           |
| Repairs & Maintenance                  | 75,140          | 73,498          |
| Taxes & Licenses                       | 380             | 291             |
| Utilities                              | 17,074          | 14,669          |
| Total operating expenses               | <u>197,807</u>  | <u>210,420</u>  |
| OPERATING LOSS                         | (42,138)        | (57,175)        |
| NON OPERATING REVENUES AND EXPENSES    |                 |                 |
| Interest Income                        | 2,297           | 4,084           |
| Interest expense                       | (22,770)        | (23,667)        |
| Total nonoperating expense             | <u>(20,473)</u> | <u>(19,583)</u> |
| NET LOSS                               | (62,611)        | (76,758)        |
| RETAINED EARNINGS AT BEGINNING OF YEAR | 99,033          | 175,791         |
| RETAINED EARNINGS AT END OF YEAR       | <u>\$36,422</u> | <u>\$99,033</u> |

The accompanying notes are an integral part of these statements.

**ST. TAMMANY PARISH SEWERAGE DISTRICT NO.4**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2003 AND 2002**

| <b>Cash Flows From Operating Activities</b>  | <u>2003</u>      | <u>2002</u>      |
|--|------------------|------------------|
| Operating Loss   | (\$42,138)       | (\$57,175)       |
| Adjustments to reconcile operating loss<br>to cash provided by operating activities: |                  |                  |
| Depreciation   | 86,554           | 106,390          |
| (Increase)/Decrease in receivables   | (187)            | 1,387            |
| Decrease/(Increase) in due from other governmental activity                          | 18,677           | (4,434)          |
| (Increase) in prepaid insurance  | (2,320)          | (232)            |
| Decrease in accrued interest receivable  | 20               | 0                |
| Increase in accounts payable   | 110              | 3                |
|  | <hr/>            | <hr/>            |
| Net cash provided by operating activities  | 60,716           | 45,939           |
|  | <hr/>            | <hr/>            |
| <b>Cash flows from financing activities -</b>  |                  |                  |
| Principal payments on bond indebtedness  | (28,000)         | (26,000)         |
| Interest paid on bonds   | (22,770)         | (23,667)         |
|  | <hr/>            | <hr/>            |
| Net cash used in financing activities  | (50,770)         | (49,667)         |
|  | <hr/>            | <hr/>            |
| <b>Cash flows from Investing activities -</b>  |                  |                  |
| Receipt of interest  | 2,297            | 4,084            |
|  | <hr/>            | <hr/>            |
| Net cash provided by investing activities  | 2,297            | 4,084            |
|  | <hr/>            | <hr/>            |
| <b>Net Increase in cash and cash equivalents</b>                                     | 12,243           | 356              |
|  | <hr/>            | <hr/>            |
| <b>Cash and cash equivalents at beginning of year</b>                                | 249,840          | 249,484          |
|  | <hr/>            | <hr/>            |
| <b>Cash and cash equivalents at end of year</b>                                      | <u>\$262,083</u> | <u>\$249,840</u> |
|  | <hr/> <hr/>      | <hr/> <hr/>      |

The accompanying notes are an integral part of these statements.

ST. TAMMANY PARISH SEWERAGE

DISTRICT NO. 4  
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

The St. Tammany Parish Sewerage District No. 4 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. In accordance with LSA-R.S. 33:3913, the members serve four-year terms. The sewerage district is responsible for maintaining and operating the sewerage system within the boundaries of the sewerage district.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of St. Tammany Parish Sewerage District No. 4 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 is a separate governmental reporting entity. 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. Sewerage District #4 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. 4  
Notes to the Financial Statements, continued

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C. FUND ACCOUNTING

The St. Tammany Sewerage District No. 4 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 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 and a determination of net income and capital maintenance. With this measurement focus, all assets and all 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. RECEIVABLES

The St. Tammany Parish Sewerage District No. 4 bills customers in the month following the month in which services were provided. Unbilled service charges are accrued for the month of December at year end. The district uses the direct write off method for any receivable considered to be uncollectible.

G. 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 10, 5 through 22 and 33 years for equipment, improvements, and sewerage plant, respectively.

H. COMPENSATED ABSENCES 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. 4  
Notes to the Financial Statements, continued

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2. CASH AND CASH EQUIVALENTS

At December 31, 2003 and 2002, respectively, the district has cash (book balances) totaling \$135,090 and \$124,267 in interest bearing demand deposit accounts, \$126,993 and \$125,573 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.

The district uses a common bookkeeper in conjunction with the St. Tammany Parish Water District No. 3 and the St. Tammany Parish Sewerage District No. 1 of which the districts use a common checking account in the name of St. Tammany Parish Water District No. 3. The St. Tammany Parish Sewerage District No. 4 had a balance as of December 31, 2003 and 2002, respectively of \$26,021 and \$44,698 due from the St. Tammany Parish Water District No. 3.

3. CHANGES IN FIXED ASSETS

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

|                                 | Balance<br>January 1,<br>2003 | Additions<br>2003 | Balance<br>December<br>31, 2003 |
|---------------------------------|-------------------------------|-------------------|---------------------------------|
| Land                            | \$ 5,000                      |                   | 5,000                           |
| Sewerage Plant                  | 862,967                       |                   | 862,967                         |
| Improvements                    | 92,910                        |                   | 92,910                          |
| Equipment                       | 3,542                         |                   | 3,542                           |
|                                 | -----                         | -----             | -----                           |
| Total                           | 964,419                       | - 0-              | 964,419                         |
|                                 |                               |                   |                                 |
| Less - Accumulated Depreciation | ( 476,234)                    | (86, 554)         | (562,788)                       |
|                                 | -----                         | -----             | -----                           |
| Balance at December 31          | <u>\$488,185</u>              | <u>(\$86,554)</u> | <u>\$401,631</u>                |

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.

6. CONTRIBUTED CAPITAL

Contributed capital of \$40,000, as shown on the Balance Sheet, represents contributions from the developers of the Riverwood East Subdivision to help pay for the sewer system. Contributed capital is not amortized against retained earnings for the depreciation expense of those assets acquired with contributed capital.

ST. TAMMANY PARISH SEWERAGE DISTRICT NO. 4  
Notes to the Financial Statements, continued

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7. LONG-TERM DEBT - BONDS PAYABLE

Long-term debt consists of the following:

|   |            |
|---|------------|
| Bonds payable, maturing January 1, 2020, with interest accrued at 3.45% and administrative fees accrued at 0.5%, payable every six months | \$ 632,000 |
|---|------------|

Maturities of long-term debt are as follows:

| <u>January 1,</u> |                |
|-------------------|----------------|
| 2004              | -0-            |
| 2005              | 29,000         |
| 2006              | 30,000         |
| 2007              | 31,000         |
| 2008              | 32,000         |
| 2009-2020         | <u>510,000</u> |
|                   | \$ 632,000     |

8. COMMITMENTS AND CONTINGENCIES

The district received from the Louisiana Department of Environmental Quality (LDEQ), Office of Water Resources, Water Quality Management Division, a compliance order number WE-C-96-0302 dated February 19, 1997 in regard to various cited deficiencies. In order to comply with this order certain remedial actions were begun in 1997. Among those were the design and construction of a new sewerage treatment plant to replace the existing plant, which will either be demolished or recycled as part of the new plant. The design phase has been completed. In order to finance the construction cost of the new treatment plant and facilitate any additional remedial actions required by compliance order, the district was approved by the Louisiana Department of Environmental Quality, Municipal Facilities Division for loan #CS221141-01 not to exceed \$750,000. Management is making every effort to achieve compliance with the order in a timely manner in accordance with the tentative project schedule as approved by LDEQ. However, LDEQ has not waived its right to seek civil penalties in any manner allowed by law. On February 17, 2000, the project was substantially complete in accordance with the contract documents.

9. PER DIEM PAID COMMISSIONERS FOR BOARD MEETINGS

Attendance and payment for Board of Commissioners meetings were as follows:

| <u>Commissioner</u> | <u>Number of Meetings Attended</u> | <u>Amount</u> |
|---------------------|------------------------------------|---------------|
| Len Fineley         | 12                                 | \$942         |
| Emile Johansen      | 8                                  | 702           |
| Darrell Milburn     | 10                                 | 821           |
| Clyde Russell       | 11                                 | 821           |
| Jeff Swiger         | 11                                 | <u>771</u>    |
| TOTAL               |                                    | \$4,057       |

*Donna Marshall C.P.A., 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. 4  
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. 4 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about St. Tammany Sewerage District No. 4's compliance with certain laws and regulations during the year ending December 31, 2003 included in the accompanying Louisiana Attestation Questionnaire. This agree-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. 4. There are no full-time employees of the Sewerage District No. 4

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. 4 did not post or advertise notices of meetings as required by LSA-RS 42.1 through 42.12

Recommendation – The commission should publish the location, date time, and topics of the meetings at least annually.

Management's Corrective Action Plan – The commission has published a notice, the week of March 3, 2004, in the local newspaper that meetings are held beginning at 7:00 P.M. on the third Thursday of each month at the Riverwood Clubhouse, Covington, Louisiana. All topics pertinent to maintaining the water service will be discussed and delinquent accounts will be reviewed. The public is invited to attend. The commission intends to publish a notice annually.

### 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. 4 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. 4 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 6, 2003 did not include any comments or unresolved matters.

*Donna Marshall, CPA*

Donna Marshall  
Certified Public Accountant  
March 23, 2004

SEWER DISTRICT NO. 4  
PARISH OF ST. TAMMANY  
P.O. BOX 1478  
COVINGTON, LA 70434-1478

**LOUISIANA ATTESTATION QUESTIONNAIRE  
(For Attestation Engagements of Government)**

3/15/04 (Date Transmitted)

DONNA MARSHALL, CPA, LLC

600 N. HWY 190 SUITE 204

COVINGTON, LA 70433

(Auditors)

In connection with your compilation of our financial statements as of <sup>12/31/03</sup> 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 MARCH 15, 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 [X] 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 [X] 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 [X] 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 [X] 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 [X] No [ ]

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

Yes [X] 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 39:1410.60-1410.65.  
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 | 3/18/04 | Date |
|   | Treasurer | 3/17/04 | Date |
|   | President | 3/18/04 | Date |

Note: If the engagement is for a routine compilation/attest 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.