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ST. TAMMANY PARISH GRAFFITI DRAINAGE DISTRICT, L
COMPONENT-UNIT FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2003

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 7-28-04

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Tammany Parish Gravity Drainage District No. 3
Covington, Louisiana

We have audited the accompanying component unit financial statements of the St. Tammany Parish Gravity Drainage District No. 3, as of December 31, 2003, and for year then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Government Audit Guide. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Tammany Parish Gravity Drainage District No. 3 as of December 31, 2003, and the results of its operations for year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the District implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2003.

The management's discussion and analysis and budgetary comparison information, on pages 2 and 3, are not a required part of the basic financial statements, but are supplementary information. Information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 2004 on our considerations of St. Tammany Parish Gravity Drainage District No. 3's internal control structure and on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the St. Tammany Parish Gravity Drainage District No. 3 taken as a whole. The accompanying schedule of component unit is provided to board members for the year ended December 31, 2003, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



June 18, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) is a required element of the new reporting model adopted by the Governmental Accounting Standards Board in their Statement No. 34. Its purpose is to provide an overview of the financial activities of the District's office, based on currently known facts and decisions of conditions. Please read it in conjunction with the District's financial statements, which begin on page 4.

The basic financial statements include government-wide and government fund statements. The government-wide Statement of Net Assets and Statement of Activities present information for all the activities of the District's office, from an economic resources measurement, focus using the accrual basis of accounting. Primarily for use to offset the difference between these statements and Governmental Fund statements is that assets are capitalized and depreciated over their estimated useful life versus expensed in the Governmental Funds statements. The Balance Sheet - Governmental Funds details the assets and liabilities of the governmental fund while the Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets reflects the differences from the amounts reported in the Statement of Net Assets. The Statement of Revenues, Expenditures and Changes in Fund Balance reflects the current year receipt and disbursement of funds and the Reconciliation statement reports the differences in the changes in fund balance in the change in net assets of the Government activities. The differences between the adopted budget and the actual activities are reflected in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.

The District is a subdivision of the State of Louisiana within the Parish of St. Tammany. The accompanying financial statements only present information in the funds maintained by the District.

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

Our analysis of the funds maintained by the District as a whole begins on page 4. The Statement of Net Assets and Statement of Activities report information about the funds maintained by the District as a whole and about its activities in a way which helps answer one of the most important questions asked about the District's financials, "Is the District, as a whole, better off or worse off as a result of the year's activities?" These statements include all assets and liabilities using the accrual basis of accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

These two statements report the District's net assets and the changes in them. These net assets, the difference between the assets and the liabilities, is one way to measure the District's financial position of financial health and over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating.

We record the funds maintained by the District as governmental activities in the Statement of Net Assets and Statement of Activities.

All of the expenses paid from the funds maintained are reported here as governmental activities and consist primarily of fees paid, office expenses, construction contracts and the purchase of marginal undeveloped land. Voluntary fees paid to the parish by land developers finance the operating activities of the District. General obligation bonds finance the capital expenditures of the District. Property taxes collected within our district pay off the General Obligation Bonds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. The District's total net assets changed from a year ago from \$2,419,365 to a deficit of \$130,848 resulting from the presentation of long term debt under GASB Statement 34. The fiscal year ended December 31, 2000 is the first year that GASB Statement 34 was applied. In view of this, the District was not required to restate prior periods to provide comparative data, but in future years when prior information is available, a comparative analysis will be presented.

St. Tammany Parish Gravity Drainage District No. 3

MANAGEMENT DISCUSSION AND ANALYSIS

The District's office at December 31, 2000 had \$1,841,793.18 in cash on hand for construction work and operating costs. It also had \$280,211.81 in reserves for bond retirement.

Revenue to the District for construction work and operating expenses consisted only of interest earned by our cash accounts and Ad Valorem taxes.

Expenditures for capital projects consisted of engineering fees and capital outlays for drainage projects.

Cash on hand for payment of the obligation bonds increased \$25,291 during the year ended December 31, 2000.

GENERAL FUND BUDGETARY HIGHLIGHTS

Items that were budgeted for in the General Fund included legal and professional fees, and some minor office type expenses and compensation to the Board Members.

CAPITAL ASSETS

During the year ended December 31, 2000, the District acquired \$33,600 in land for retention ponds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The budget developed for next year is based on the money remaining for capital projects and the ability of our engineers to prepare construction plans and documents. Most of such projects are letters. We also expect to purchase more land for use as retention ponds. Some projects are subject to review by the U.S. Army Corps of Engineers.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview for the funds maintained by the St. Tammany Parish Gravity Drainage District No. 3 and to show the accountability for the money it receives. If you have any questions or need additional information, contact the District's office at 388 Rockefeller Circle, Covington, LA 70435.

Marvin W. Gould, Jr.
Chairman

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
 STATEMENT OF NET ASSET/(DEFICIT)
 DECEMBER 31, 2000

ASSETS	GOVERNMENTAL ACTIVITIES
Cash and cash equivalents	\$ 1,047,829
Due from other governmental agencies	384,879
Capital assets	<u>374,867</u>
TOTAL ASSETS	2,408,899
LIABILITIES	
Accounts and retainage payable	182,745
Other current liabilities	
Due within one year	185,800
Due in more than one year	<u>2,380,800</u>
TOTAL LIABILITIES	2,649,745
NET ASSET/(DEFICIT)	
Invested in capital assets, net of related debt	374,867
Unrestricted	<u>(128,266)</u>
TOTAL NET ASSET/(DEFICIT)	\$ (128,266)

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 6
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002**

EXPENSES

Compensation paid to board members	\$	2,880
Engineering		77,680
Legal and professional		28,320
Miscellaneous		676
Office expenditures		240
Payroll taxes		188
Telephone		1,180
Maintenance and drainage		284,580
Interest and fiscal charge		128,888
		<u>631,002</u>

Total expenses

631,002

PROGRAM REVENUES

Ad valorem tax		<u>282,002</u>
Total revenue		282,002

GENERAL REVENUES

Interest income		<u>20,481</u>
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Change in Net Assets (305,710)

Net assets - beginning of year, as previously reported 2,429,128

Adjustments to net assets:

Capitalize assets as of December 31, 2002		241,756
Long-term debt as of December 31, 2002		<u>(2,585,000)</u>

Net assets - beginning of year, as restated 285,881

Net deficit - end of year \$ (120,848)

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 3
 COMBINED BALANCE SHEET – ALL FUND TYPES
 DECEMBER 31, 2003

	Governmental Fund Types			Total Memorandum Only
	General	Debt Service	Capital Projects	
ASSETS				
Cash and cash equivalents	\$ 16,898	\$ 261,254	\$ 1,576,671	\$ 1,854,823
Ad valorem taxes receivable	304,871	-	-	304,871
TOTAL ASSETS	\$ 321,769	\$ 261,254	\$ 1,576,671	\$ 2,153,694
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts and retainage payable	\$ 1,923	\$ -	\$ 176,625	\$ 180,748
Total Liabilities	1,923	-	176,625	180,748
Fund balance				
Reserved for construction of facilities	-	-	1,391,846	1,391,846
Reserved for debt service	-	261,254	-	261,254
Unreserved	319,846	-	-	319,846
Total Fund Balance	319,846	261,254	1,391,846	1,973,746
TOTAL LIABILITIES AND FUND BALANCE	\$ 323,587	\$ 261,254	\$ 1,576,671	\$ 2,153,492

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 3
 RECONCILIATION OF GOVERNMENTAL FUND COMBINED
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS/DEFICIT
 DECEMBER 31, 2000**

Fund balances - Total governmental fund		\$	1,588,744
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds			
Governmental capital assets	\$	374,487	
Less accumulated depreciation		<u> -</u>	374,487
Debt used in governmental activities are not financial assets and therefore are not reported in the funds			
Debt related to capital assets			<u>(2,468,000)</u>
Net deficit of governmental activities		\$	<u>(129,843)</u>

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH QUALITY DRAINAGE DISTRICT NO. 3
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Total Manufacture Only
	General	Debt Service	Capital Projects	
REVENUES				
Ad valorem tax	\$ 283,838	\$ -	\$ -	\$ 283,838
Interest income	208	2,232	18,020	20,460
Total revenues	284,046	2,232	18,020	304,298
EXPENDITURES				
General				
Compensation paid to board members	2,880	-	-	2,880
Engineering	-	-	77,880	77,880
Legal and professional	17,858	-	18,950	36,808
Miscellaneous	670	-	-	670
Office expenditures	240	-	-	240
Payroll taxes	188	-	-	188
Telephone	1,180	-	-	1,180
Debt Service				
Principal	-	180,000	-	180,000
Interest and fiscal charge	-	108,888	-	128,888
Capital outlay	-	-	412,231	412,231
Total expenditures	32,526	288,888	508,980	730,394
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	251,520	(286,656)	(490,960)	(469,281)
OTHER FINANCING SOURCES & USES				
Transfers (to)/from other funds	(251,520)	251,520	(91,211)	-
Total other financing sources and uses	(251,520)	251,520	(91,211)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	18,000	26,064	(482,171)	(469,281)
FUND BALANCE-BEGINNING OF YEAR	308,908	231,920	1,281,117	2,421,945
FUND BALANCE-END OF YEAR	\$ 326,908	\$ 257,984	\$ 1,281,046	\$ 2,195,744

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5
 RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE OF
 GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2003**

Net changes in fund balances - Total governmental fund	\$ (494,367)
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlays as expenditures. The entity is acquiring land which is not depreciable. This amount is the capitalization of land purchases.	32,691
Governmental funds report principal portion of debt as expenditures. In the statement of activities, the principal portion of debt payment reduces the debt.	<u>108,000</u>
Changes in net assets of governmental activities	<u>\$ (353,710)</u>

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH GRAVITY DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ 203,835	\$ 203,835
Interest income	-	-	209	209
Total revenue	-	-	204,044	204,044
EXPENDITURES				
Compensation paid to board members	1,100	1,100	2,560	(1,460)
Legal and professional	19,000	19,000	17,888	(2,899)
Miscellaneous	-	-	876	(876)
Office expenditures	1,800	1,800	240	1,560
Payroll taxes	-	-	180	(180)
Telephone	1,100	1,100	1,180	(80)
Total expenditures	19,000	19,000	22,516	(3,016)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,000)	(19,000)	201,528	208,528
OTHER FINANCING SOURCES & USES				
Transfers (to)/from other funds	-	-	(258,877)	(258,877)
Total other financing sources and uses	-	-	(258,877)	(258,877)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(19,000)	(19,000)	12,651	29,651
FUND BALANCE-BEGINNING OF YEAR	-	-	208,688	(208,688)
FUND BALANCE-END OF YEAR	\$ (19,000)	\$ (19,000)	\$ 210,644	\$ (275,340)

The accompanying notes are an integral part of this statement.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Tammany Parish Gravity Drainage District No. 3 (the "District") was established by Louisiana Revised Statutes 38:1486 and Police Jury Ordinance P55 No. 93-1792 on July 15, 1993. The District's boundaries are within Precincts 305-A, 386, and 397 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. St. Tammany Parish appoints five commissioners, two commissioners for a term of two years and three for a term of four years. All re-elections 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. 3 have been prepared in conformity with U.S. 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.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the District's activities.
- A change in the basic financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The District has elected early implementation of the provisions of GASB No. 34 as required by the St. Tammany Parish for the year ending December 31, 2005.

1. The Reporting Entity

The component-unit financial statements of the District include all funds 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 Council, St. Tammany 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 Parish Council is the financial reporting entity for the Parish of St. Tammany. The financial reporting entity consists of (a) the primary government (the Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which entry 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.

ST. TAMMANY PARISH GRANTILE DRAINAGE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- a) Appointing a voting majority of an organization's governing body, and the ability of the Council 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 Council.
- b) Organizations for which the Council does not appoint a voting majority but is financially dependent on the Council.
- 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 Council appoints a voting majority of the organization's governing body, the District was determined to be a component unit of the St. Tammany Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Basis of Presentation

Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. There were no activities of the District categorized as a business type activity.

In the government-wide Statement of Net Assets, the governmental activity column total is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the District's function. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (other operating or capital) grants while capital grants reflect capital-specific grants.

The net costs (by function) are normally covered by general revenues (interest and investment earnings, etc.).

The District does not allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 3

NOTES TO FINANCIAL STATEMENTS

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

Basic Financial Statements – Fund Financial Statements

The District uses fund accounting 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.

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 used by the District are as follows:

Governmental Fund Types

Governmental fund types 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.

b) Debt Service Fund

The debt service fund accounts for transactions relating to resources retained and used for the payment of principal and interest on long-term obligations.

c) Capital Projects Fund

The capital projects fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in other governmental funds.

2. 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) to net current assets.

NOTES TO FINANCIAL STATEMENTS

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

Basic Financial Statements – Fund Financial Statements (Continued):2. Basis of Accounting (continued)

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. Revenues are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Three revenues of the District susceptible to accrual are ad valorem taxes, Parish fees, and interest. Substantially all other revenues are recorded when received.

3. 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 the portion of the applicable appropriation.

4. 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. 38:1271, 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 United States Government or its agencies.

5. 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. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Pension Plan, Vacation, and Sick Leave Policy

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.

7. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

8. Ad Valorem Taxes

Ad valorem taxes are normally levied in November and billed in December. These taxes are due in January of the following year. Any unpaid taxes are collected in connection with an auction held in May. The Sheriff's department bills and collects the District's ad valorem taxes.

Ad valorem taxes are levied based on property values determined by the St. Tammany Parish Assessor (a separate entity). All land and residential improvements are assessed at 10 percent of its fair market value, and other property at 15 percent of its fair market value.

The District's ad valorem tax revenues are recognized when levied to the extent that they are determined to be currently collectible.

9. Fund Equity

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

10. Total Columns 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.

SE. TAMMANSY PARISH GRANTY DRAINAGE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets reported in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the unamortized balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Also, net assets are increased/decreased by the change in compensated absences. At December 31, 2003, the District had \$162,148 in accounts payable, \$2,461,008 of outstanding long-term debt and no compensated absences.

Change in Accounting Principles and Restatement of Prior Year Results

For the year ended December 31, 2003, the District implemented the following GASB Standards:

- Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments
- Statement No. 31 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments
- Statement No. 33 - Certain Financial Statement Note Disclosures
- Interpretation No. 4 - Recognition and Measurement of Certain Liabilities and Expenses in Governmental Fund Financial Statements

The transition from governmental fund balance net-equity to net assets for December 31, 2003 reported a net decrease of \$2,299,844.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget

In accordance with the Louisiana Local Government Budget Act, the procedures used by the District in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections, and public hearings.

The District does legally adopt the budget. Budgeted amounts for the general fund included in the accompanying statements are as originally adopted by the District for the years 2003 and 2002 as of December 6, 2002 and December 13, 2001, respectively.

NOTE C - CASH AND CASH EQUIVALENTS

At December 31, 2003, the District had cash and cash equivalents totaling \$1,300,889 at a local financial institution. These deposits are covered from risk by \$300,889 in federal deposit insurance and \$1,175,712 of pledged securities held by the custodial bank in the name of the fiscal agent bank (PLA&B Company 3). The District's cash was in excess of the FDIC insurance in the amount of \$1,107,009 at December 31, 2003.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

NOTE D - AD VALOREM TAXES

The District is authorized to levy an ad valorem tax of 2 mills (previously 1.58 mills), commencing in 1999 and ending in the year 2013. The tax is to be used for the purpose of engineering, constructing, improving, and maintaining gravity drainage within the boundaries of Ward 1-of-19, Tammany Parish. In 2004, the District raised the levy to be reduced to .500 mills due to the increased tax payments because of increases in property values.

The State assumes all governmental units that receive Ad Valorem taxes a pro-rata plan reimbursement for various beneficiaries throughout the State. This amount is withheld from payments received by the District. For the year ended December 31, 2003, \$9,533 and is shown net of the revenues from Ad Valorem taxes.

NOTE E - CERTIFICATES OF INDEBTEDNESS

The District pursuant to an election, and authority granted by the State Bond Commission, was authorized to levy a tax of 9 mills (previously 7.5 mills) for the period from 1999 through 2013. In conjunction with the authorization, the District issued its certificates of indebtedness to a bank in the original amount of \$2,750,000. The purpose of the issuance of the certificates of indebtedness was for the construction, improvement, and maintenance of drainage in the District. These certificates have a maturity of twenty (20) years beginning in 2004, and bear interest at 5.00%. Principal payments are due annually on March 1 and interest is payable on March 1 and September 1 of each year.

Annual debt service requirements to maturity, including interest of \$1,201,826, are as follows:

Year ending December 31,	Amount
2004	\$ 234,004
2005	234,248
2006	234,176
2007	211,943
2008	230,248
Thereafter	<u>2,881,496</u>
	<u>\$ 3,691,029</u>

NOTE F - CAPITALIZED ASSETS

The District purchases land for retention ponds to aid in its drainage projects. Prior to January 1, 2003, the District had acquired \$341,756 of land. During 2003, \$12,651 of land was acquired. In February of 2004, \$129,893 of land was acquired. All land is now capitalized as required by GASB 34.

NOTE G - ARRANGEMENTS WITH PARISH

The District purchased approximately \$275,000 in equipment for use in its drainage projects. Under an arrangement with St. Tammany Parish, the District uses the equipment for approximately one-half of its available use and the Parish uses it the other one-half. In 2004, the title to this equipment will be transferred to the Parish.

SUPPLEMENTARY INFORMATION SCHEDULE

SE. TAPIRAY PARISH GRAVITY DRAINAGE DISTRICT NO. 1

SUPPLEMENTAL INFORMATION SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2010

COMPENSATION PAID TO BOARD OF COMMISSIONERS

House Concurrent Resolution No. 34 of the 1979 Session of the Louisiana Legislature provides for payments to the board of commissioners for each board meeting attended. As provided by Louisiana Revised Statute 33:485(C), most commissioners receive \$30 for each board meeting attended, up to nine meetings per month. The secretary/treasurer is entitled to receive \$50 per each board meeting attended, up to two meetings per month.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 3
SCHEDULE OF COMPENSATION PAID TO BOARD OF COMMISSIONERS
FOR THE YEAR ENDED DECEMBER 31, 1983

For the year ended December 31, 1983, the board of commissioners did not receive any payments for board meetings. However, \$1,548 in-commissioners fees were accrued in Accounts payable for the year ended December 31, 1983.

This amount includes fees for prior years as follows:

1981	\$	720
1982		600
1983		1,148

Skarda & Silva, L.L.P.

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

Board of Commissioners
St. Tammany Parish Gravity Drainage District No. 5

We have audited the component unit financial statements of the St. Tammany Parish Gravity Drainage District No. 5, as of December 31, 2009 and for the the year then ended, and have issued our report thereon dated June 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Tammany Parish Gravity Drainage District No. 5's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determinations of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of non-compliance with laws and regulations.

Internal Control over Financial Reporting

In planning and performing our audit, we considered St. Tammany Parish Gravity Drainage District No. 5's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the component unit 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 solely for the information and use of management, others within the organization, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.



June 23, 2009

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 5

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2003

Section I – Internal Control and Compliance Material to the Financial Statements

Budget not legally prepared or adopted in accordance with LRS 96:1081 Unresolved

Actual revenue and expenditures amounts exceeds budget revenue and expenditures by more than 1% Unresolved

Section II – Internal Control and Compliance Material to Federal Awards

Not applicable

Section III – Management Letter

1. Management only budgeted selected expense items. No budget was prepared for revenue items.

ST. TAMMANY PARISH GRAVITY DRAINAGE DISTRICT NO. 2
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Ref/No.</u>	<u>Description</u>	<u>Explanation</u>
1.	Budget preparation deficiencies	The District will prepare its budget for the year ended December 31, 2004 to reflect Ad Valorem taxes and interest income expected and additional expenditures. Also, the budget will be amended and revised as needed.