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ST. TAMMANY PARISH WATERWORKS
DISTRICT NO. 3
Covington, Louisiana

FINANCIAL STATEMENTS AND ACCOUNTANT'S REPORT
December 31, 1999 and 1998

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.

JUL 12 2000
Release Date _____

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To the Board of Commissioners
St. Tammany Parish Waterworks District No. 3
Covington, Louisiana

I have compiled the accompanying balance sheets of St. Tammany Parish Waterworks District No. 3 as of December 31, 1999 and 1998, 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 in 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.

The 1998 financial statements of St. Tammany Parish Waterworks District No. 3 were compiled by another accountant, whose report dated June 17, 1999, stated that she did not express an opinion or any other form of assurance on those statements.

Donna Marshall
Certified Public Accountant

Donna Marshall CPA

June 10, 2000

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$369,703	\$244,083
Revenues Receivable - Charges for services	14,657	11,643
Accrued Interest	3,813	1,394
Prepaid Insurance	3,039	2,755
	-----	-----
Total Current Assets	391,212	259,875
Restricted Assets		
Cash and cash equivalents (Note 2)	36,466	59,841
Accrued Interest	1,260	1,506
	-----	-----
	37,726	61,347
Water System, Building and Equipment (Net of accumulated depreciation)	458,044	480,011
	-----	-----
TOTAL ASSETS	\$886,982	\$801,233
	=====	=====

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

LIABILITIES AND FUND EQUITY

	<u>1999</u>		<u>1998</u>	
Current				
Current Liabilities (Payable from Current Assets)				
Account Payable	\$4,051		\$1,853	
Due to Other Governmental Agencies	113,823	\$117,874	67,224	\$69,077
	-----		-----	
Current Liabilities (Payable from Restricted Assets):				
Revenue Bonds Payable:				
Bonds Payable	0		12,000	
Accrued Interest	0	0	118	

				12,118
Public Improvement Bonds Payable:				
Bonds Payable			15,000	
Accrued Interest			144	
Matured Interest Payable	574	574	574	15,718
	-----	-----	-----	-----
Total Current Liabilities		118,448		96,913
		-----		-----
Total Liabilities		<u>\$118,448</u>		<u>\$96,913</u>
FUND EQUITY				
Reserved for Prepaid Expenses		\$3,040		\$2,756
Reserved for Debt Service:		37,008		0
Revenue Bonds		487		33,080
Public Improvement Bonds				486
Reserved for Right-of-way Construction Contingencies		10,000		10,000
Unreserved		717,999		657,998
		-----		-----
Total Fund Equity		768,534		704,320
		-----		-----
TOTAL LIABILITIES AND FUND EQUITY		<u>\$886,982</u>		<u>\$801,233</u>

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
OPERATING REVENUES		
Charges for services	\$148,964	\$143,191
OPERATING EXPENSES		
Bank charges		26
Personal services		
Salaries and benefits	4,562	8,277
Per diem paid to commisioners	2,340	2,390
Contract labor	24,365	18,400
Office supplies and expenses	314	1,173
Insurance	4,283	4,505
Utitlies	12,332	12,343
Professional services	2,364	2,300
Depreciatlon	21,967	21,965
Postage	522	736
Taxes & Licenses	1,022	1,210
Miscellaneous		-
Repairs & Maintenance	19,146	13,997
	-----	-----
Total operating expenses	93,217	87,322
OPERATING INCOME	55,747	55,869
NON OPERATING REVENUES		
Interest Income	8,991	3,815
Interest expense	(524)	(2,558)
Paying agent fee		(416)
	-----	-----
Total nonoperating expenses	8,467	841
NET INCOME	64,214	56,710
RETAINED EARNINGS AT BEGINNING OF YEAR	704,320	647,610
RETAINED EARNINGS AT END OF YEAR	\$768,534 =====	\$704,320 =====

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
Cash Flows From Operating Activities		
Operating Income	\$55,747	\$55,869
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	21,967	21,965
Decrease/(Increase) In receivables	(5,188)	2,369
(Increase) In prepaid insurance	(284)	(230)
(Decrease)/Increase In due to other governmental activity	46,600	43,706
Increase/(Decrease) In accounts payable	1,936	(1,104)
	-----	-----
Net cash provided by operating activities	120,778	122,575
Cash flows from capital and related financing activities -		
Acquisition and construction of capital assets		-
Principal paid on bonds	(27,000)	(25,000)
Interest paid on bonds	(524)	(4,343)
Paying agents fees		(416)
	-----	-----
Net cash used by capital and related financing activities	(27,524)	(29,759)
Cash flows from Investing activities -		
Receipt of interest	8,991	3,815
	-----	-----
Net increase/(decrease) In cash	102,245	96,631
Cash and cash equivalents at beginning of year	303,924	207,293
	-----	-----
Cash and cash equivalents at end of year	\$406,169	\$303,924
	=====	=====

ST. TAMMANY PARISH WATERWORKS

DISTRICT NO. 3
Covington, Louisiana

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

The St. Tammany Parish Waterworks District No. 3 was created by the St. Tammany Parish Police Jury, as provided by Louisiana Revised Statute (LSA-R.S.) 33:3881. The waterworks district is governed by a four-member board of commissioners who are residents of and own real estate in the district. The board is appointed by the police jury and is responsible for providing water service to users within the boundaries of the district. The water comes from deep artesian wells, and it is distributed through a central water tower. St. Tammany Waterworks District No. 3 is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of St. Tammany Parish Waterworks District No. 3 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.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Notes to the Financial Statements, continued

C. FUND ACCOUNTING

The St. Tammany Waterworks District No. 3 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 Waterworks District No. 3 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 to 35 years.

H. LONG-TERM OBLIGATION

The waterworks district has no long-term obligations at December 31, 1999 and 1998.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Notes to the Financial Statements, continued

1. 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.

2. CASH AND CASH EQUIVALENTS

At December 31, 1999 and 1998, respectively, the district has cash (book balances) totaling \$206,326 and \$183,223 in interest bearing demand deposit accounts and \$199,793 and \$120,701 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. RESTRICTED ASSETS

Bond requirements contain limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds. The District is in compliance with all such significant limitations and restrictions. A summary of restricted assets are as follows:

Public Improvement Bonds:	
Restricted cash	<u>\$ 575</u>

The above funds are restricted to pay the remaining principal and interest for the public improvement bonds of \$15,718 (\$15,144 principal and interest due after 1997 and \$574 matured interest unpaid).

Revenue Bonds:	
Revenue Bond and Interest Sinking Fund:	
Restricted cash	\$ 47
Revenue Bond Reserve Fund:	
Restricted certificates of deposit	35,701
Restricted accrued interest	<u>1,259</u>
Total	<u>\$ 37,007</u>
Total restricted assets	<u>\$ 37,582</u>

The purpose of these funds are as follows:

a) Revenue Bond and Interest Sinking Fund:

Monthly transfers are required to this Fund in an amount necessary to make the principal and interest payments as they become due. The Fund is restricted for this purpose.

b) Revenue Bond Reserve Fund:

Monthly transfers were required to be made to this fund until it accumulated the maximum amount of principal and interest due in one year. The Fund is restricted to the payment of principal and interest in case of default. Excess funds have been accumulated in the fund.

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
Notes to the Financial Statements, continued

c) Depreciation and Contingencies Fund:

Monthly transfers of \$292 were required until the Fund accumulated \$17,500. The Fund is restricted to payments for extensions, additions, improvements, renewals and replacements necessary to properly operate the System. Transfers are not considered necessary since excess funds accumulated in the Revenue Bond Reserve Fund exceed the \$17,500 required accumulation for depreciation and contingencies.

4. CHANGES IN FIXED ASSETS

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

	Balance January 1, 1999	Additions 1999	Balance December 31, 1999
Water System	\$657,595		\$657,595
Buildings	736		736
Equipment	46,304		46,304
Total	704,635	-0-	704,635
Less - Accumulated Depreciation	(224,624)	(21,967)	(246,591)
Balance at December 31, 1999	<u>\$480,011</u>	<u>\$(21,967)</u>	<u>\$458,044</u>

5. LEASES

The sewerage district has no capital or operating leases at December 31, 1999 and 1998.

6. LITIGATION

The sewerage district is not involved in any litigation at December 31, 1999.

7. DUE TO OTHER GOVERNMENTAL AGENCIES

The District is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No.4. Sewerage fees collected that have not been remitted to the sewerage districts at December 31, 1998 are as follows:

<u>Due To</u>	<u>Amount</u>
St. Tammany Parish Sewerage District No. 1	\$ 58,299
St. Tammany Parish Sewerage District No. 4	<u>\$ 55,524</u>
Total	<u>\$113,823</u>

ST. TAMMANY PARISH WATERWORKS DISTRICT NO. 3
 Notes to the Financial Statements, continued

8. LONG-TERM DEBT

The following is a summary of the long-term debt transactions for the year ended December 31, 1999.

	<u>Water Revenue Bonds</u>	<u>Public Improvement Bonds</u>	<u>Total</u>
Bonds payable at January 1, 1999	\$12,000	\$15,000	\$ 27,000
Less bond principal payments in 1999	<u>(12,000)</u>	<u>(15,000)</u>	<u>(27,000)</u>
Bonds payable at December 31, 1999	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

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>
Raymond Legendre	9	\$ 540
Wilfred Glockner	7	420
John North	12	720
William Burkstaller	11	<u>660</u>
Total		<u>\$2,340</u>

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

To the Board of Commissioners
St. Tammany Waterworks District No. 3
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 Waterworks District No. 3 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about St. Tammany Waterworks District No. 3's compliance with certain laws and regulations during the year ending December 31, 1999 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. 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 \$5,000, or public works exceeding \$50,000, 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 \$5,000, and no one expenditure was made for public works exceeding \$50,000.

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 Waterworks District No. 3. There are no full-time employees of the Waterworks District No. 3.

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. Obtained 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 in 1999.

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 Waterworks District No.3 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 will publish a notice the week of July, 2000 in the local newspaper that meetings are held beginning at 7:30 P.M. on the third Tuesday of each month at 164 Crepe Myrtle Road, 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, advance, or gifts.

There were no full time employees of the Waterworks District No. 3 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 Waterworks District No. 3 and the Legislative Auditor, State of Louisiana, 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. However, this report is a matter of public record and its distribution is not limited.



Donna Marshall
Certified Public Accountant

June 10, 2000

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

Meetings:

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

Debt *MANAGEMENT WILL BE DILIGENT TO ADVERTISE MEETINGS AS OPEN TO THE PUBLIC IN FUTURE YEARS.*

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 47:1410.60.
Yes [X] 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 [X] 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.

<i>[Signature]</i>	TREASURER	<i>June 7, 2000</i>	Date
<i>[Signature]</i>	Secretary	<i>June 7, 2000</i>	Date
<i>[Signature]</i>	Treasurer	<i>June 7, 2000</i>	Date
<i>[Signature]</i>	President	<i>June 8, 2000</i>	Date

Note-Quasi-public entities should delete reference to the above statutes, unless required to follow such laws by contract with their public funding agencies. The quasi-public entities should include a representation that they have complied with the contractual provisions under which they have received state and/or local funds.