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Financial Report

(Compiled)

St. Tammany Parish Waterworks

District No. 3

Mandeville, Louisiana

December 31, 1995

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

Release Date 7-31-96

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December 31, 1995

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Bourgeois Bennett

ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying general purpose financial statements of St. Tammany Parish Waterworks District No. 3 (the District) as of and for the year ended December 31, 1995, as listed in the foregoing table of contents, in accordance with Statement 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. We have not audited or reviewed the accompanying general purpose financial statements, and, accordingly, do not express an opinion or any other form of assurance on them.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
May 31, 1996.

LIABILITIES AND FUND EQUITY**Current**

Current liabilities (payable from current assets):

| | | | |
|------------------------------------|--|---------------|-----------|
| Accounts payable | | \$24,094 | |
| Retainage payable | | 16,500 | |
| Due to other governmental agencies | | <u>41,692</u> | \$ 82,286 |

Current liabilities (payable from restricted assets):

Revenue bonds payable:

| | | | |
|------------------|------------|-------|--|
| Bonds payable | \$ 9,000 | | |
| Accrued interest | <u>413</u> | 9,413 | |

Public improvement bonds payable:

| | | | |
|--------------------------|--------------|---------------|---------------|
| Bonds payable | 12,000 | | |
| Accrued interest | 518 | | |
| Matured interest payable | <u>1,149</u> | <u>13,667</u> | <u>23,080</u> |

| | | | |
|---------------------------|--|--|---------|
| Total current liabilities | | | 105,366 |
|---------------------------|--|--|---------|

Long-Term Debt (payable from restricted assets)

| | | | |
|----------------------------------|--|---------------|---------------|
| Revenue bonds payable | | 33,000 | |
| Public improvement bonds payable | | <u>42,000</u> | <u>75,000</u> |

| | | | |
|-------------------|--|--|----------------|
| Total liabilities | | | <u>180,366</u> |
|-------------------|--|--|----------------|

Fund Equity

Retained earnings:

Reserved for debt service:

| | | | |
|--|--|--|----------------|
| Revenue bonds | | | 813 |
| Public improvement bonds | | | 6,578 |
| Reserved for right-of-way construction contingencies | | | 10,000 |
| Unreserved | | | <u>552,617</u> |

| | | | |
|-------------------|--|--|----------------|
| Total fund equity | | | <u>570,008</u> |
|-------------------|--|--|----------------|

| | | | |
|-------|--|--|------------------|
| Total | | | <u>\$750,374</u> |
|-------|--|--|------------------|

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
EARNINGS - PROPRIETARY FUND TYPE - ENTERPRISE**

**St. Tammany Parish Waterworks District No. 3
Mandeville, Louisiana**

For the year ended December 31, 1995

(See Accountant's Compilation Report)

| | |
|---|------------------|
| Operating Revenues | |
| Charges for services | <u>\$102,343</u> |
| Operating Expenses | |
| Personal Services: | |
| Contract labor maintenance | 18,000 |
| Salaries and benefits | 6,851 |
| Per diem paid to commissioners | <u>2,880</u> |
| | <u>27,731</u> |
| Supplies and Materials: | |
| Maintenance and repairs | 16,449 |
| Office supplies and expense | <u>3,158</u> |
| | <u>19,607</u> |
| Outside Services: | |
| Utilities | 9,985 |
| Licenses and fees | 2,741 |
| Professional fees | 2,291 |
| Insurance | 2,019 |
| Miscellaneous | <u>1,135</u> |
| | <u>18,171</u> |
| Depreciation | <u>22,897</u> |
| Total operating expenses | <u>88,406</u> |
| Operating income | <u>13,937</u> |
| Nonoperating Revenues (Expenses) | |
| Interest income | 8,710 |
| Interest expense | (5,991) |
| Paying agent fees | <u>(906)</u> |
| Total nonoperating revenues | <u>1,813</u> |
| Net income | 15,750 |
| Retained Earnings | |
| Beginning of the year | <u>554,258</u> |
| End of year | <u>\$570,008</u> |

See notes to financial statements.

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE - ENTERPRISE

St. Tammany Parish Waterworks District No. 3
Mandeville, Louisiana

For the year ended December 31, 1995

(See Accountant's Compilation Report)

Cash Flows From Operating Activities

| | |
|--|----------------|
| Operating income | \$ 13,937 |
| Adjustments to reconcile operating income to cash provided by operating activities: | |
| Depreciation | 22,897 |
| Increase in receivables | (493) |
| Increase in prepaid insurance | (10) |
| Increase in accounts and retainage payable | 1,123 |
| Decrease in due to other governmental agencies | <u>(3,855)</u> |
| Net cash provided by operating activities | <u>33,599</u> |

Cash Flows From Capital and Related Financing Activities

| | |
|---|------------------|
| Purchase of system improvements, building and equipment | (355,183) |
| Principal paid on bonds | (21,000) |
| Interest paid on bonds | (8,093) |
| Paying agents fees | <u>(906)</u> |
| Net cash used for capital and related financing activities | <u>(385,182)</u> |

Cash Flows From Investing Activities

| | |
|---|-----------------|
| Interest earnings | 8,710 |
| Certificates of deposit - matured | 328,947 |
| Certificates of deposit - purchased | <u>(45,701)</u> |
| Net cash provided by investing activities | <u>291,956</u> |
| Net decrease in cash | (59,627) |

Cash

| | |
|-------------------|-------------------|
| Beginning of year | <u>200,838</u> |
| End of year | <u>\$ 141,211</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**St. Tammany Parish Waterworks District No. 3**
Mandeville, Louisiana

December 31, 1995

(See Accountant's Compilation Report)

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.) 33:3811. The waterworks district is governed by a five-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 waterworks district was created on March 15, 1973, and at that time the district served 428 homes. In 1995, approximately 761 homes were being served. The water comes from deep artesian wells, and it is distributed through a central water tower. St. Tammany Parish Waterworks District No. 3 is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4.

Note 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 governmental 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,

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Reporting Entity (Continued)

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.

C. Fund Accounting

The St. Tammany Parish 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 Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

E. Cash

Cash includes amounts in regular checking and savings accounts.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables

The St. Tammany Parish 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 of accounts receivable when an account is determined 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. Depreciation is computed using the straight-line method over 10 to 35 years, the estimated useful lives of property.

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.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT

At December 31, 1995, the district has cash and certificates of deposit as follows:

| | |
|-------------------------|------------------|
| Demand deposits | <u>\$141,211</u> |
| Certificates of deposit | <u>\$65,701</u> |

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

Note 2 - CASH AND CERTIFICATES OF DEPOSIT (Continued)

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposit. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

At various times during 1995 deposits in excess of FDIC insurance were collateralized by the securities described above. The Governmental Standards Board (GASB), which promulgates the Standards for accounting and financial reporting for state and local governments considers these funds uncollateralized.

Even though these funds are considered to be uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statue 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

All of the District's cash and certificates of deposits at December 31, 1995 were insured by FDIC/FSLIC insurance. Certificates of deposit held at December 31, 1995 mature within one year.

Note 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 | \$61,790 |
| Restricted accrued interest | <u>455</u> |
| Total | <u>\$62,245</u> |

Note 3 - RESTRICTED ASSETS (Continued)

The above funds are restricted to pay the remaining principal and interest for the public improvement bonds of \$61,647 (\$60,498 principal and interest due after 1995 and \$1,149 matured interest unpaid).

Revenue Bonds:

Revenue Bond and Interest Sinking Fund:

| | |
|-----------------|----------|
| Restricted cash | \$ 5,402 |
|-----------------|----------|

Revenue Bond Reserve Fund:

| | |
|------------------------------------|--------|
| Restricted certificates of deposit | 35,701 |
|------------------------------------|--------|

| | |
|-----------------------------|--------------|
| Restricted accrued interest | <u>2,123</u> |
|-----------------------------|--------------|

| | |
|-------|------------------|
| Total | <u>\$ 43,226</u> |
|-------|------------------|

| | |
|-------------------------|------------------|
| Total restricted assets | <u>\$105,471</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 (\$12,354). The Fund is restricted to the payment of principal and interest in case of default. Excess funds have been accumulated in the fund.

Note 3 - RESTRICTED ASSETS (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. At December 31, 1995 the Board of Commissioners had expended the funds in this account to partially finance the rehabilitation and improvement of 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.

Note 4 - CHANGES IN WATER SYSTEM, BUILDING AND EQUIPMENT

A summary of changes in water system, building and equipment is as follows:

| | Balance January 1, <u>1995</u> | <u>Additions</u> | Balance December <u>31, 1995</u> |
|------------------------------|--------------------------------------|----------------------|--|
| Water system | \$ 256,035 | | \$ 256,035 |
| Buildings | 26,272 | | 26,272 |
| Equipment | 48,904 | | 48,904 |
| Construction in progress | <u>24,698</u> | <u>\$355,183</u> | <u>379,881</u> |
| Total | 355,909 | 355,183 | 711,092 |
| Accumulated depreciation | <u>(163,073)</u> | <u>(22,897)*</u> | <u>(185,970)</u> |
| Net book value | <u>\$ 192,836</u> | <u>\$332,286</u> | <u>\$ 525,122</u> |

*As of January 1, 1995 the District reevaluated its estimates of the useful lives of certain assets that were to be replaced as part of the rehabilitation and improvement of the system. Certain assets are being depreciated over periods of eighteen months to eight years in anticipation of their replacement. Additional depreciation expense of approximately \$11,450 was recognized in 1995 as a result of the revised estimates.

Note 5 - 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, 1995 are as follows:

| <u>Due To</u> | <u>Amount</u> |
|--|-----------------|
| St. Tammany Parish Sewerage District No. 1 | \$12,374 |
| St. Tammany Parish Sewerage District No. 4 | <u>29,318</u> |
| Total | <u>\$41,692</u> |

Note 6 - LONG-TERM DEBT

The following is a summary of the long-term debt transactions for the year ended December 31, 1995:

| | <u>Water Revenue Bonds</u> | <u>Public Improvement Bonds</u> | <u>Total</u> |
|--------------------------------------|------------------------------------|---|------------------|
| Bonds payable at January 1, 1995 | \$51,000 | \$ 66,000 | \$117,000 |
| Less bond principal payments in 1995 | <u>(9,000)</u> | <u>(12,000)</u> | <u>(21,000)</u> |
| Bonds payable at December 31, 1995 | <u>\$42,000</u> | <u>\$ 54,000</u> | <u>\$ 96,000</u> |
| Current portion | \$ 9,000 | \$12,000 | \$21,000 |
| Long-term portion | <u>33,000</u> | <u>42,000</u> | <u>75,000</u> |
| Totals | <u>\$42,000</u> | <u>\$54,000</u> | <u>\$96,000</u> |

The long-term bonded debt outstanding at December 31, 1995, consists of the remaining Revenue Bonds of \$150,000 dated May 1, 1974, and the remaining Public Improvement Bonds of \$200,000 dated May 1, 1974. These bonds were issued to construct and/or acquire a waterworks system for St. Tammany Parish Waterworks District No. 3. The bonds mature through 1999 at interest rates of 5.00 to 5.95 per cent per annum. The Revenue Bonds are payable from the income and revenues derived from the operation of the waterworks district.

Note 6 - LONG-TERM DEBT (Continued)

The Public Improvement Bonds are secured by an ad valorem tax on all taxable property within the corporate limits of the waterworks district. However, no tax was levied in 1995 for debt service requirements of the public improvement bonds since sufficient funds had been accumulated to retire both the remaining principal and future interest on the outstanding bonds.

The annual requirements to amortize all bonds outstanding at December 31, 1995, including interest of \$5,251 and \$6,497 on the Water Revenue Bonds and Public Improvements Bonds, respectively, are as follows:

| <u>Fiscal Year</u> | <u>Revenue Bonds</u> | <u>Public Improvement Bonds</u> | <u>Total</u> |
|--------------------|--------------------------|---|------------------|
| 1996 | \$11,212 | \$14,760 | \$ 25,972 |
| 1997 | 11,652 | 15,041 | 26,693 |
| 1998 | 12,033 | 15,265 | 27,298 |
| 1999 | <u>12,354</u> | <u>15,432</u> | <u>27,786</u> |
| Totals | <u>\$47,251</u> | <u>\$60,498</u> | <u>\$107,749</u> |

Note 7 - COMMITMENTS

In 1994 the District embarked upon a major capital project for the replacement of and improvements to the water system. At December 31, 1995 there were services to be provided under contracts in the amount of \$18,876. Construction in relation to this project is expected to be completed in the early part of 1996.

Note 8 - 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> |
|---------------------|--|----------------|
| Howard Dearing | 12 | \$ 420 * |
| Raymond Legendre | 5 | 300 |
| William Burkstaller | 12 | 720 |
| Wilfred Glockner | 12 | 720 |
| John North | 12 | <u>720</u> |
| Total | | <u>\$2,880</u> |

*Elected not to be compensated for five meetings in 1995.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

INDEPENDENT ACCOUNTANT'S
REPORT ON COMPLIANCE BASED ON AN
EXAMINATION OF MANAGEMENT'S ASSERTION

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

We have examined management's assertion about St. Tammany Parish Waterworks District No. 3 (the District) compliance with certain laws and regulations during the year ended December 31, 1995 included in the accompanying Louisiana Attestation Questionnaire. Management is responsible for St. Tammany Parish Waterworks District No. 3 compliance with those laws and regulations. Our responsibility is to express an opinion on management's assertion about the District's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and accordingly included examining, on a test basis, evidence about St. Tammany Parish Waterworks District No. 3's compliance with those laws and regulations and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on St. Tammany Parish Waterworks District No. 3's compliance with those laws and regulations.

In our opinion, management's assertion on certain laws and regulations as responded to in the accompanying Louisiana Attestation Questionnaire, that except for noncompliance with the provisions of the Open Meetings Law as provided in RS42:1 through 42:12, the District complied with the aforementioned laws and regulations for the year ended December 31, 1995 is fairly stated, in all material respects.

As discussed in management's assertion, during the year ended December 31, 1995 the District failed to provided notice of meetings as required by RS 42:1 though 42:12. We have been informed by management they have asked their attorney to assist them in interpretation of the requirements applicable to them and will immediately take whatever action is necessary to rectify this noncompliance.

This report is intended solely for Management, the Board of Commissioners, the State of Louisiana and the Legislative Auditors for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
May 31, 1996.