

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

December 31, 1996

(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.) 33:2811. 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. 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 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, reserves and replacements necessary to properly operate the System. At December 31, 1996, 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 Fund 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, 1996	Additions	(Deletions)	Balance December 31, 1996
Water system	\$ 356,895	\$394,617		\$699,682
Buildings	28,272		\$ (25,536)	736
Equipment	48,904		(2,600)	46,304
Construction in progress	379,881	14,336	(394,617)	
Totals	711,892	409,353	(422,753)	697,692
Accumulated depreciation	(385,970)	(22,320)	28,126	(380,333)
Net book value	\$ 325,922	\$386,616	\$ (394,617)	\$317,359

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;

We examined supporting documentation for each of the six selected 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

The payments were properly described in the cash disbursement journal.

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

Inspection of documentation supporting each of the six selected disbursements indicated proper approvals.

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.

St. Tammany Parish Waterworks District No. 3 published in a local newspaper an annual notice of meeting stating the scheduled meetings and times.

Debt

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

We 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.

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 interest of all board members and employees, as well as their immediate families.

Management provided us with the required list including the needed information.

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

Management provided us with the required list of its one employee.

4. Determine whether any of these 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 (agreed-upon procedure (3)) did not appear on the list provided by management in agreed-upon procedure.

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 in 1995.

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 or expenditures exceed budgeted amounts by more than 5%.

Not applicable.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Note 5 - DUE TO OTHER GOVERNMENTAL AGENCIES

The District is the collection agent for St. Tammany Parish Sewerage Districts No. 3 and No. 4. Sewerage fees collected that have not been remitted to the sewerage districts at December 31, 1996 are as follows:

<u>Due To</u>	<u>Amount</u>
St. Tammany Parish Sewerage District No. 3	\$43,727
St. Tammany Parish Sewerage District No. 4	10,464
Total	<u>\$56,191</u>

Note 6 - LONG-TERM DEBT

The following is a summary of the long-term debt transactions for the year ended December 31, 1996:

	<u>Water Revenue Bonds</u>	<u>Public Improvement Bonds</u>	<u>Total</u>
Bonds payable at January 1, 1996	\$42,000	\$ 54,000	\$ 96,000
Less total principal payments in 1996	<u>(9,000)</u>	<u>(12,000)</u>	<u>(21,000)</u>
Bonds payable at December 31, 1996	<u>\$33,000</u>	<u>\$ 42,000</u>	<u>\$ 75,000</u>
Current portion	\$10,000	\$13,000	\$23,000
Long-term portion	<u>23,000</u>	<u>29,000</u>	<u>52,000</u>
Totals	<u>\$33,000</u>	<u>\$42,000</u>	<u>\$75,000</u>

The long-term bonded debt outstanding at December 31, 1996, consists of the remaining Revenue Bonds of \$138,000 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 5.75 per cent per annum. The Revenue Bonds are payable from the income and revenues derived from the operation of the waterworks district.

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.

A reading of the minutes of the District for the year indicated no approval for the payments noted. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

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

This report is intended solely for the use of Management of St. Tammany Parish Waterworks (District No. 3), and Legislative Auditors, 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.

Burgess Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
May 13, 1999.

Note 3 - RESTRICTED ASSETS (Continued)

The above funds are restricted to pay the remaining principal and interest for the public improvement bonds of \$45,945 (\$45,738 principal and interest due after 1998 and \$1,207 matured interest unpaid).

Revenue Bonds:	
Revenue Bond and Interest Sinking Fund:	
Restricted cash	\$ 7,939
Revenue Bond Reserve Fund:	
Restricted certificates of deposit	35,701
Restricted accrued interest	<u>1,604</u>
Total	<u>\$45,244</u>
Total restricted assets	<u>\$45,244</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.

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/PSLIC 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 affiliated bank or trust company for the account of the political subdivision.

At various times during 1996 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 Statute 38:1228 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, 1996 were insured by FDIC/PSLIC insurance. Certificates of deposit held at December 31, 1996 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	367,088

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 (expense, 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 as the time liabilities are incurred.

e. Cash

Cash includes amounts in regular checking and savings accounts.



Bourgeois Bennett

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures included in the Louisiana Government Audit Guide and enumerated below, which were agreed to by the management of St. Tammany Parish Waterworks District No. 3 and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about St. Tammany Parish Waterworks District No. 3 compliance with certain laws and regulations during the year ended December 31, 1996 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, we 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 38:312 (the public bid law).

No expenditures were made during the year for materials and supplies exceeding \$5,000 or for public works exceeding \$50,000.

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPE - ENTERPRISE**

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

For the year ended December 31, 1996

(See Accountant's Compilation Report)

Cash Flows From Operating Activities	
Operating income	\$ 25,476
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	22,739
Decrease in receivables	4,737
Decrease in prepaid insurance	9
Decrease in accounts payable	(38,175)
Increase in due to other governmental agencies	<u>14,899</u>
Total adjustments	<u>3,899</u>
Net cash provided by operating activities	<u>29,285</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of water system improvements, building and equipment	(14,796)
Principal paid on bonds	(21,000)
Interest paid on bonds	(4,914)
Paying agents fees	(1,196)
Bad debt expense	<u>(455)</u>
Net cash used for capital and related financing activities	<u>(42,361)</u>
Cash Flows From Investing Activities	
Interest earnings	2,579
Certificates of deposit - matured	<u>20,000</u>
Net cash provided by investing activities	<u>22,579</u>
Net increase in cash	9,603
Cash	
Beginning of year	141,210
End of year	\$ <u>150,814</u>
See notes to financial statements.	

Nonoperating Revenues (Expenses)

Interest income	2,579
Interest expense	(4,769)
Fraying agent fee	(1,136)
Bad debt expense	(855)

Total nonoperating revenues (expenses)	(2,781)
Net income	20,685

Retained Earnings

Beginning of year	\$ 70,000

End of year	\$ 90,785

See notes to financial statements.

LIABILITIES AND FUND EQUITY

Current

Current liabilities (payable from current assets):

Accounts payable		\$ 2,419	
Due to other governmental agencies		<u>56,191</u>	\$ 58,610

Current liabilities (payable from restricted assets):

Revenue bonds payable:			
Bonds payable	\$ 10,000		
Accrued interest	<u>325</u>	10,325	
Public improvement bonds payable:			
Bonds payable	13,000		
Accrued interest	<u>400</u>		
Matured interest payable	<u>1,200</u>	<u>14,600</u>	24,935

Total current liabilities			83,545
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Long-Term Debt

(Payable from restricted assets)

Revenue bonds payable		20,000	
Public improvement bonds payable		<u>30,000</u>	50,000

Total liabilities			133,545
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FUND EQUITY

Fund Equity

Retained earnings:

Reserved for debt service:			
Revenue bonds			11,500
Public improvement bonds			1,477
Reserved for right-of-way construction contingencies			10,000
Unreserved			<u>566,306</u>

Total fund equity			591,703
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Total			\$ 727,248
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BALANCE SHEET - PROPRIETARY FUND TYPE - ENTERPRISE

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

December 31, 1996

(See Accountant's Compilation Report)

ASSETS**Current**

Cash	\$ 99,807
Certificates of deposit	10,000
Receivable - charges for services	10,392
Prepaid insurance	1,598
Total current assets	121,797

Restricted

Cash	\$ 55,027
Certificates of deposit	35,701
Accrued interest	1,604
Total restricted assets	92,332

Water System, Building and Equipment

(Net of \$180,373 accumulated depreciation) 517,119

Total **\$ 732,248**

See notes to financial statements.



Bourgeois Bennett

ACCOUNTANT'S COMPILATION REPORT

To the Board of Commissioners,
St. Tammany Parish Waterworks District No. 3,
Meadville, 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, 1996, 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 15, 1997.

TABLE OF CONTENTS

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

December 31, 1995

	Exhibits	Page Number
Accountant's Compilation Report		1
Exhibits		
Balance Sheet - Proprietary Fund Type - Enterprise	A	2 - 3
Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type - Enterprise	B	4 - 5
Statement of Cash Flows - Proprietary Fund Type - Enterprise	C	6
Notes to Financial Statements	D	7 - 14
Special Report Of Certified Public Accountants		
Independent Accountant's Report on Applying Agreed-Upon Procedures		15 - 18
Louisiana Attestation Questionnaire - Management's Assertion		19 - 20



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Financial Report

(Compiled)

St. Tammany Parish Waterworks

District No. 3

Mandeville, Louisiana

December 31, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 DEC 02 1997

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 Absence 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, 1996, the District has cash and certificates of deposit as follows:

Demand deposits	<u>\$159,824</u>
Certificates of deposit	<u>\$41,791</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 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 1996 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, 1996, including interest of \$3,039 and \$3,738 on the Water Revenue Bonds and Public Improvements Bonds, respectively, are as follows:

Fiscal Year	Revenue Bonds	Public Improvement Bonds	Total
1997	\$11,652	\$15,841	\$28,093
1998	12,833	15,265	27,298
1999	12,338	15,432	27,770
Totals	<u>\$36,823</u>	<u>\$46,538</u>	<u>\$83,361</u>

Note 7 - PER DIEM PAID COMMISSIONERS FOR BOARD MEETINGS

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

Commissioner	Number of Meetings Attended	Amount
Raymond Legendre	5	\$ 300
William B. Kistler	12	720
Wilfred Glockner	11	660
John North	11	660
Total		<u>\$2,340</u>