

**ST. TAMMANY PARISH
WATER DISTRICT NO. 3
Covington, Louisiana**

**Financial Statements
and
Independent Accountant's Compilation Report**

December 31, 2010

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 9/7/11

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Independent Accountant's Review Report

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

We have reviewed the accompanying statement of net assets of St Tammany Parish Water District No. 3 ("the District") as of December 31, 2010, and the related statement of revenues, expenses and changes in net assets and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of District management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with standards established by the American Institute of Certified Public Accountants, we have also issued a report dated April 29, 2011, on applying agreed-upon procedures for compliance with laws and regulations.

The District's management has not presented the management's discussion and analysis information that the Governmental Accounting Standards Board (GASB) has determined to be required to supplement, although not required to be part of, the basic financial statements.

A Professional Accounting Corporation

April 29, 2011

ST. TAMMANY PARISH WATER DISTRICT NO. 3
STATEMENT OF NET ASSETS
December 31, 2010

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,243,405
Revenues receivable - charges for services	19,269
Prepaid legal fees	5,000
Prepaid insurance	<u>5,385</u>
Total Current Assets	<u>1,273,059</u>
Restricted Assets	
Cash and cash equivalents	<u>32,293</u>
Total Restricted Assets	<u>32,293</u>
Noncurrent Assets	
Property, plant and equipment (net of accumulated depreciation)	<u>425,965</u>
Total Noncurrent Assets	<u>425,965</u>
TOTAL ASSETS	<u>1,731,317</u>
LIABILITIES	
Current Liabilities (Payable from Unrestricted Assets)	
Accounts payable	4,812
Due to other governmental entities	<u>57,359</u>
Total Current Liabilities (Payable from Unrestricted Assets)	<u>62,171</u>
Current Liabilities (Payable from Restricted Assets)	
Meter deposits	<u>32,631</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>32,631</u>
TOTAL LIABILITIES	<u>94,802</u>
Net Assets	
Invested in capital assets, net of related debt	425,965
Unrestricted	<u>1,210,550</u>
TOTAL NET ASSETS	<u>\$ 1,636,515</u>

See independent accountant's review report and accompanying notes to financial statements.

**ST. TAMMANY PARISH WATER DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

OPERATING REVENUES	
Charges for services	\$ 220,241
Administrative fee for new users	<u>725</u>
Total operating revenues	<u>220,966</u>
OPERATING EXPENSES	
Advertising	800
Bank charges	37
Bookkeeping	5,550
Contract labor	1,054
Depreciation	17,837
Dues and subscriptions	250
Engineering fees	27,600
Insurance	7,374
Legal and professional services	12,893
Licenses and permits	5,244
Office supplies and expenses	2,102
Postage and delivery	1,225
Repairs and maintenance	35,831
Utilities and telephone	<u>17,133</u>
Total operating expenses	<u>134,930</u>
OPERATING INCOME	86,036
NONOPERATING REVENUES	
Interest income	<u>1,665</u>
Total nonoperating revenue	<u>1,665</u>
CHANGE IN NET ASSETS	87,701
NET ASSETS BEGINNING OF YEAR	<u>1,548,814</u>
NET ASSETS END OF YEAR	<u><u>\$ 1,636,515</u></u>

See independent accountant's review report and accompanying notes to financial statements.

**ST. TAMMANY PARISH WATER DISTRICT NO. 3
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Cash flows from operating activities	
Cash received from customers	\$ 220,190
Cash payments to suppliers for goods and services	<u>(123,269)</u>
Net cash provided by operating activities	<u>96,921</u>
Cash flows from non-capital financing activities	
Net receipts from meter deposits	1,700
Cash received for other governmental entity, net	48,460
Payments for capital acquisitions	<u>(50,543)</u>
Net cash used in non-capital financing activities	<u>(383)</u>
Cash flows from investing activities	
Interest received	<u>2,400</u>
Net cash provided by investing activities	<u>2,400</u>
INCREASE IN CASH AND CASH EQUIVALENTS	98,938
Cash and cash equivalents at beginning of year	<u>1,176,760</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,275,698</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 86,036
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	17,837
Increase in receivables	(776)
Increase in prepaid expenses	(5,034)
Decrease in accounts payable	<u>(1,142)</u>
Net cash provided by operating activities	<u><u>\$ 96,921</u></u>

See independent accountant's review report and accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

The St. Tammany Parish Waterworks District No. 3 ("the District") was created by the St. Tammany Parish Police Jury ("the Police Jury"), as provided by Louisiana Revised Statute (LSA-R.S.) 33:3881. The District is governed by a four-member board of commissioners ("the Board"), 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. The District is the collection agent for St. Tammany Parish Sewerage Districts No. 1 and No. 4.

Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a component unit of the St. Tammany Parish Council ("the Council"). In accordance with GASB Codification Section 2100, the District is considered a component unit of the parish reporting entity because (1) commissioners of the District are appointed by the Council and (2) the District provides water services to residents within St. Tammany Parish. While the District is an integral part of the parish reporting entity, and should be included within the financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of the District and do not present information on the Council, the general government services provided by the Council, or on other component units that comprise the St. Tammany Parish reporting entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL STATEMENTS

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, provides that special-purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information ("RSI") consists of:

1. Management's discussion and analysis (MD&A) (The District's management has not presented MD&A that the GASB has determined to be required to supplement, although not required to be part of, the basic financial statements)
2. Statement of net assets
3. Statement of revenues, expenses, and changes in net assets
4. Statement of cash flows
5. Notes to financial statements
6. RSI, if applicable

The District is a special-purpose government engaged only in business-type activities.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their respective funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are water sales and installation fees. Operating expenses for enterprise funds include cost of services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include amounts in interest bearing and non-interest bearing demand deposits. The District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state or union or the laws of the United States. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. State Law RS 39:1225 provides that the amount of security shall at all times be equal to 100% of the amount on deposit to the credit of each depository authority, except that portion of the deposit insured by the United States of America. State law also allows the District to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. At December 31, 2010, the District did not have any investments with original maturities that exceed 90 days.

D. REVENUES RECEIVABLE

The District 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. Revenues receivable on the accompanying Statement of Net Assets are considered to be fully collectible at December 31, 2010. Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time the information becomes available, which would indicate the uncollectibility of an account.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. CAPITAL ASSETS

All capital assets of the proprietary fund are recorded at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against their operations. Pre-construction costs associated with the development of the water system, which include engineering, legal, and interest costs, are capitalized and will be depreciated over their useful lives using the straight-line method.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The following estimated useful lives are used to compute depreciation.

	Estimated Lives
Infrastructure - Water System	35 years
Equipment	15-20 years

F. FEDERAL INCOME TAXES

The District is not subject to federal income taxes in accordance with the Internal Revenue Code (IRC) Section 115 regarding income of states, municipalities, political subdivisions, etc.

G. ESTIMATES

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 at the date of the financial statements, disclosures, and reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At December 31, 2010, cash and cash equivalents for both current and restricted assets consists of the following:

Unrestricted	\$ 1,243,405
Restricted	<u>32,293</u>
Total	<u><u>\$ 1,275,698</u></u>

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

NOTES TO FINANCIAL STATEMENTS

2. CASH AND CASH EQUIVALENTS (CONTINUED)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits might not be recovered. The District's deposit policy for custodial risk conforms to state law, as described in Note 1. At December 31, 2010, the District's deposit bank balances of \$1,275,698, were secured by federal deposit insurance and pledged securities held by the District's agent in the District's name.

3. RESTRICTED ASSETS

At December 31, 2010, restricted cash of \$32,293 consisted of amounts held for meter deposits.

4. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2010, are as follows:

	Beginning Balance	Increases	Ending Balance
Capital Assets Not Being Depreciated			
Land	\$ 96,056	\$ 50,543	\$ 146,599
Capital Assets Being Depreciated			
Building	735	-	735
Water Lines	132,992	-	132,992
Water System Improvements	435,353	-	435,353
Machinery and Equipment	49,118	-	49,118
Water Storage	139,291	-	139,291
Improvements	1,941	-	1,941
Total Capital Assets Being Depreciated	759,430	-	759,430
Less Accumulated Depreciation for:			
Building	735	-	735
Water Lines	132,477	48	132,525
Water System Improvements	151,969	13,164	165,133
Machinery and Equipment	47,448	223	47,671
Water Storage	127,944	4,308	132,252
Improvements	1,654	94	1,748
Total Accumulated Depreciation	462,227	17,837	480,064
Total Capital Assets Being Depreciated - Net	297,203	(17,837)	279,366
Capital Assets - Net	\$ 393,259	\$ 32,706	\$ 425,965

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

NOTES TO FINANCIAL STATEMENTS

5. NET ASSETS

Net Assets for the year ended December 31, 2010 consist of the following:

Invested in Capital Assets	\$ 425,965
Unrestricted	<u>1,210,550</u>
Total	<u>\$ 1,636,515</u>

6. BOARD MEMBER'S PER DIEM PAYMENTS

There were no fees paid to board members during the year ended December 31, 2010.

7. REVENUES RECEIVABLE - CHARGES FOR SERVICES

The District had the following accounts receivable categorized by coverage area for the year ended December 31, 2010, as follows:

Riverwood	\$ 8,954
Covington Country Club	<u>10,315</u>
Total	<u>\$ 19,269</u>

8. 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, 2010, are as follows:

Due To	Amount
St. Tammany Parish Sewerage District No. 1	\$ 10,920
St. Tammany Parish Sewerage District No. 4	<u>46,439</u>
Total	<u>\$ 57,359</u>

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction to assets; errors and omissions; injuries to its employee; and natural disasters. The District purchases commercial insurance in amounts it believes sufficient to cover the risk of loss to which it is exposed.



Independent Accountant's Report On Applying Agreed-Upon Procedures

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

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of St. Tammany Parish Water District No. 3 (the District) and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the District's compliance with certain laws and regulations during the year ended December 31, 2010, 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 and applicable standards of *Government Auditing Standards*. 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 \$20,000, or public works exceeding \$100,000, and determine whether such purchases were made in accordance with LSA-R.S. 38:2211-2251 (the public bid law).

A review was made of all disbursements for the year. There were no disbursements for materials and supplies that exceeded \$20,000 nor any disbursements for public works exceeding \$100,000 made during the year.

One disbursement of \$49,543 was made for the purchase of land that has been capitalized.

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-R.S. 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 us with the required list including the noted information. We noted no transactions with any of these parties during the year.

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

There were no employees. Contact labor consisted of a bookkeeper, Kinta Roberts and a billings position, Lynn Swiger.

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.

None of the individuals have a relationship with any of the Commissioners.

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 2010.

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 failed to meet budgeted revenues by 5% or more or if actual expenditures exceeded budgeted amounts by 5% or more.

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;

We 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

Payments were properly coded to the correct fund and account.

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

Inspection of documentation indicated proper approval was received concerning disbursements.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-R.S. 42:1 through 42:12 (the open meetings law).

Meeting dates were not posted in advance in accordance with the open meetings law.

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.

There were no proceeds from bank loans, bonds or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees, which may constitute bonuses, advances, or gifts.

There were no payments noted that may 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 any opinion on management's assertions. Accordingly, we do not express such an opinion on management's assertions. 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 Water 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

April 29, 2011

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

5/12/11 (Date Transmitted)

_____ (Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office. Yes [] No []

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124. Yes No []

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119. Yes No []

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34. Yes No []

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36. Yes No []

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable. Yes No []

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

Meetings

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

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII,

Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65. Yes No

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729. Yes No

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Date Secretary _____

Date Treasurer _____

5/12/11
Date President 



To: "e reports" <ereports@lla.state.la.us>, "Lorraine Dendinger" <ldendinger@laporte.com>, <bhuval@laporte.com>,
Cc:
Bcc:
Subject: RE: St. Tammany Parish Water District No. 3 - ID #3261
From: "Ross Lagarde" <ross@joneslagarde.com> - Tuesday 08/30/2011 04:05 PM
This message will be sent with a digital signature.

History: This message has been forwarded.

1 attachment



Invoice (No. 34148) - from St. Tammany Farmer, Inc., Jones Lagarde, LLC.PDF

Sudha,

In response to the open meetings law issue, the board corrected the problem by publishing notice of our monthly meeting in the St. Tammany Parish Farmer (the official journal of the Parish). The notice was designed to comply with the requirements of the open meetings law. The invoice for publication of the notice is attached for your confirmation. This should eliminate any issue with respect to publication of the notice of meeting in advance of the actual meeting. The meetings are always open to the public.

Please let us know if any additional information is needed.

Regards,

Ross