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**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL**

**ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 1998**

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 JUN 02 1999

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL**

**Component Unit Financial Statements
As of and for the Year Ended December 31, 1998
With Supplemental Schedules**

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**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL**

**Component Unit Financial Statements
As of and for the Year Ended December 31, 1998
With Supplemental Schedules**

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BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
James D. Rabalais, CPA

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (504) 542-6372
FAX: (504) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 602 Fifth St.
Kentwood, LA 70444
VOICE: (504) 229-5955
FAX: (504) 229-5951

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana 70451

We have audited the accompanying component unit financial statements of the Tangipahoa Water District, Louisiana, a component unit of the Tangipahoa Parish Council, as of December 31, 1998, and for the year then ended, as listed in the table of contents. These component unit financial statements are the responsibility of the Tangipahoa Water District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Tangipahoa Water District has included such disclosures in Note 13. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Tangipahoa Water District's disclosures with respect to the year 2000 issue made in Note 13. Further, we do not provide assurance that the district's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the district does business with will be year 2000 ready.

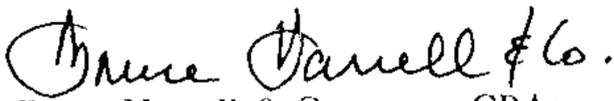
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Tangipahoa Water District, as of December 31, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 1999, on our consideration of the Tangipahoa Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of the Tangipahoa Water District. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the component unit financial statements of the Tangipahoa Water District. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.


Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

March 11, 1999

Tangipahoa Water District
Tangipahoa Parish Council
Balance Sheet - Proprietary Fund Type
December 31, 1998

Assets

Current Assets:

Cash	\$ 290,316
Accounts Receivable (Net)	117,929
Accrued Billings	82,385
Due From Other Governments	999
Inventory	51,470
Total Current Assets	<u>543,099</u>

Restricted Assets:

Cash - Customer Deposits	292,097
Cash - Capital Improvements	131,538
Cash - RUS Bond Depreciation and Contingency	96,764
Cash - RUS Bond Reserve	107,742
Cash - Series 1998 Sinking Fund	18,802
Cash - Ponchatoula East Construction	1,044
Cash - Escrow for Connection Fees	5,452
Total Restricted Assets	<u>653,439</u>

Property, Plant, and Equipment:

Land	102,707
Plant and Equipment	11,376,325
Construction in Progress	2,748,657
Total Property, Plant, and Equipment	<u>14,227,689</u>
Less: Accumulated Depreciation	<u>(2,444,129)</u>
Net Property, Plant, and Equipment	<u>11,783,560</u>

Other Assets:

Utility Deposits	705
Bond Issue Cost	48,257
Total Other Assets	<u>48,962</u>
Total Assets	<u>\$ 13,029,060</u>

(Continued)

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Tangipahoa Parish Council
Balance Sheet - Proprietary Fund Type
December 31, 1998

Liabilities and Fund Equity

Liabilities:

Current Liabilities (Payable From Current Assets):

Accounts Payable	\$ 38,684
Sales Tax Payable	3,266
Accrued Wages	18,234
Payroll Tax Payable	1,773
Due to Other Governments	47,312

Total Current Liabilities (Payable From Current Assets)

 109,269

Current Liabilities (Payable From Restricted Assets):

Accrued Interest Payable - RUS Bonds	2,619
Accrued Interest Payable - Series 1998 Bonds	1,059
Accrued Interest Payable - Ponchatoula East	55,155
Construction Accounts Payable - Ponchatoula East	138,322
Retainage Payable - Ponchatoula East	185,128
Customer Deposits Payable	363,635
Current Portion of RUS Bonds	62,096
Current Portion of Series 1998 Refunding Bonds	15,000
Liability for Connection Fees	32,750

Total Current Liabilities (Payable From Restricted Assets)

 855,764

Long-Term Liabilities:

Bonds Payable - Original System	3,068,842
Bonds Payable - Pumpkin Center #1	2,683,267
Bonds Payable - Pumpkin Center #2	126,947
Note Payable - Ponchatoula East Construction	2,369,717
Series 1998 Refunding Bonds	40,000

Total Long-Term Liabilities

 8,288,773

Total Liabilities

 9,253,806

Fund Equity:

Paid-In Capital	8,708
Contributed Capital	3,049,747
Less: Accumulated Amortization	(833,905)
Net Paid-In and Contributed Capital	2,224,550

Retained Earnings:

Reserved for RUS Bond Reserve	107,742
Reserved for RUS Bond Depreciation and Contingency	96,764

Unreserved Retained Earnings:

Designated	131,538
Undesignated	1,214,660
Total Retained Earnings	1,550,704

 3,775,254

 \$ 13,029,060

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council**

**Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings
Proprietary Fund Type
Year Ended December 31, 1998**

Operating Revenues

Water Sales	\$ 1,417,696
Penalties	29,303
Service Connection and Installation Fees	115,749
Reconnect Charges	16,550
Miscellaneous	18,589
Total Operating Revenues	1,597,887

Operating Expenses

Electricity Purchased	77,978
Wages and Salaries	303,394
Director's Fees	17,900
Minute Clerk Fees	2,675
Contract Labor	51,289
Payroll Taxes	21,997
Water Well Maintenance and Supplies	28,228
Repairs, Maintenance and Supplies	35,686
Equipment Rental	1,518
Equipment Maintenance	22,468
Operating Costs - Trucks	31,786
Retirement Contributions	9,777
Legal Fees	4,304
Professional Fees	1,470
Accounting Fees	1,011
Annual Audit Fee	10,000
Postage and Box Rent	15,103
Employee Uniforms	4,874
Dues and Subscriptions	387
Utilities	5,310
Telephone	8,628
Office Expense	10,428
Computer Expense	6,781
Educational Expense	766
Bank Charges	88
Insurance	45,718

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council**

**Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings
Proprietary Fund Type
Year Ended December 31, 1998**

Depreciation	\$ 328,285
Office Journal	2,727
Chlorination	62,105
Amortization of Bond Issue Costs	1,433
Miscellaneous	192
Total Operating Expenses	1,114,306
Operating Income (Loss)	483,581
Nonoperating Revenues (Expenses)	
Interest Income	24,353
Recovery of Bad Debts	1,734
Interest Expense	(321,581)
Bad Debt Expense	(10,406)
Total Nonoperating Revenues (Expenses)	(305,900)
Net Income (Loss)	177,681
Unreserved Retained Earnings, Beginning	1,035,671
Amortization of Contributed Capital	87,058
(Increase) Decrease in Reserved Retained Earnings:	
Reserved for Bond Payments	(28,975)
Reserved for Bond Depreciation	(16,168)
Reserved for Certificate of Indebtedness	14,324
Reserved for Capital Improvements	(54,931)
Unreserved Retained Earnings, Ending	\$ 1,214,660

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Statement of Cash Flows - Proprietary Fund Type
Year Ended December 31, 1998**

Operating Income	\$ 483,581
Adjustments to Reconcile Net Operating Income to Cash Provided by	
Operating Activities:	
Depreciation	328,285
Bond Issue Cost Amortization	1,433
Bad Debt Expense	(10,406)
(Increase) Decrease in Accounts Receivable	(13,836)
(Increase) Decrease in Accrued Billings	(13,821)
(Increase) Decrease in Due From Other Governments	(160)
(Increase) Decrease in Inventory	(5,002)
(Increase) Decrease in Prepaid Insurance	1,414
(Increase) Decrease in Advance-Insurance Proceeds	(4,800)
Increase (Decrease) in Accounts Payable	6,183
Increase (Decrease) in Construction Accounts Payable	138,322
Increase (Decrease) in Sales Tax Payable	261
Increase (Decrease) in Accrued Wages	5,137
Increase (Decrease) in Payroll Taxes Payable	33
Increase (Decrease) in Due To Other Governments	3,831
Increase (Decrease) in Retainage Payable	185,128
Increase (Decrease) in Interest Payable	54,900
Increase (Decrease) in Customer Deposits Payable	36,162
Increase (Decrease) in Liability for Connection Fees	(700)
Net Cash Provided (Used) by Operating Activities	<u>1,195,945</u>
 Cash Flows From Noncapital Financing Activities	
Recovery of Bad Debts	1,734
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,734</u>
 Cash Flows From Capital and Related Financing Activities	
Proceeds From Note Payable	2,369,717
Proceeds From Contributions	5,371
Payment For Capital Acquisitions	(222,723)
Payment For Construction in Progress	(2,688,061)
Principal Payments - RUS Bond	(58,741)
Principal Payments - Certificate of Indebtedness	(15,000)
Interest Payments	(321,581)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(931,018)</u>

(Continued)

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Tangipahoa Parish Council
Statement of Cash Flows - Proprietary Fund Type
Year Ended December 31, 1998

Cash Flows From Investing Activities

Interest Income	\$ 24,353
Net Cash Provided (Used) by Investing Activities	24,353
 Net Cash Increase (Decrease)	 291,014
Cash, Beginning	652,741
Cash, Ending	\$ 943,755

(Concluded)

The accompanying notes are an integral part of these statements.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 1998**

INTRODUCTION

On August 5, 1992, the Tangipahoa Parish Council voted to create a parish wide water district effective November 16, 1992, in accordance with *Louisiana Revised Statute 33:3811*, thus creating the Tangipahoa Water District. The purpose of the Tangipahoa Water District was to consolidate Second Ward Water District, Fourth Ward Water District and Water Works District Number 2, which were active water districts. The Tangipahoa Water District is governed by a board of commissioners consisting of seven members. The board is appointed by the parish council and paid according to the number of meetings attended. The Tangipahoa Water District encompasses all non-incorporated portions, with a few exclusions for some previously franchised areas of Tangipahoa Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the Tangipahoa Water District 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

As the governing authority of the parish, for reporting purposes, the Tangipahoa Parish Council is the financial reporting entity for Tangipahoa Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Tangipahoa Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The *GASB* has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the parish council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.
2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Tangipahoa Parish Council appoints the governing board, has the ability to significantly influence operations and the scope of public service is within the parish council, the district was determined to be a component unit of the Tangipahoa Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the parish council, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

C. FUND ACCOUNTING

The Tangipahoa Water District 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 continuing 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 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. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the 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. INVENTORIES

Inventories consist of materials and supplies and are recorded as an expense when consumed. Inventories are valued at cost using the first-in, first-out method.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

G. PREPAID ITEMS

Prepaid items consist of prepaid insurance premiums.

H. RESTRICTED ASSETS

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants.

I. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

J. COMPENSATED ABSENCES

The district has the following policy relating to vacation and sick leave:

Employees earn one week of paid vacation after working full-time for one year, two weeks of paid vacation after working full-time for three years, and three weeks of paid vacation after working full-time for ten years. Employees are not allowed to accumulate vacation leave, unless there is a business need. Overtime can be earned from the first day of employment. Regulations of the district provide that an employee may accumulate six hours per month, up to a maximum of forty days.

K. LONG-TERM LIABILITIES

Long-term liabilities are recognized within the Enterprise Fund.

L. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

M. USE OF ESTIMATES

The preparation of financial statements in conformance with generally accepted accounting principles requires managements to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At December 31, 1998, the district had cash and cash equivalents (book balances) totaling \$943,755, as follows:

Interest-Bearing Demand Deposits	\$943,755
Money Market Accounts	-
Time Deposits	-
Total	\$943,755

These deposits are stated at cost, which approximates market. 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. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1998, the district has \$950,756 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$850,756 of securities held by the custodial bank in the name of the fiscal agent bank (*GASB Category 3*).

Even though the pledged securities are considered uncollateralized (*Category 3*) under the provisions of *GASB Statement 3, Louisiana Revised Statute 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 district that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The following is a summary of receivables at December 31, 1998:

Current	\$ 94,297
31 - 60	16,147
61 - 90	4,924
Over 90	13,190
Total	128,558
Less: Allowance for Uncollectible Accounts	(10,629)
Net Accounts Receivable	\$ 117,929

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

All customer receivables are reported at gross value and reduced by the portion that is expected to be uncollectible. The Board of Commissioners of Tangipahoa Water District established a monthly allowance for uncollectible accounts, based on .75% of gross water sales, the amount based on past experience in customer collections. Periodically, the Board reviews the aging of receivables and determines the actual amounts uncollectible. Per board approval, uncollectible amounts are written off against accounts receivable, and the allowance for doubtful accounts is adjusted to a reasonable estimate of uncollectibility. For the fiscal year ending December 31, 1998, the district had recorded \$10,406 in bad debt expense.

Estimated unbilled revenues are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billing during the month following the close of the fiscal year. Accrued billings at December 31, 1998, totaled \$82,385.

4. RESTRICTED ASSETS

At December 31, 1998, the district had restricted assets totaling \$653,439, as follows:

Cash-Customer Deposits	\$ 292,097
Cash-RUS Depreciation and Contingency Fund	96,764
Cash-RUS Bond Reserve Fund	107,742
Cash-Series 1998 Sinking Fund	18,802
Cash-Capital Improvements Fund	131,538
Cash-Escrow for Connection Fees	5,452
Cash-Construction RUS Project	1,044
Total	<u>\$ 653,439</u>

Cash in the Capital Improvements Fund, totaling \$131,538, is restricted by the Board of Directors of Tangipahoa Water District, for future construction projects. The second Construction Fund, totaling \$1,044, is the balance remaining in the Ponchatoula East project for construction of water system expansion and improvements, under a Rural Utilities Service (RUS) project. As noted in Footnote 8 (Long-Term Liabilities), construction under the RUS project is currently being funded with interim financing, to be replaced by permanent RUS financing at final loan closing.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

5. FIXED ASSETS

A summary of fixed assets at December 31, 1998, follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 102,707	\$ -	\$ 102,707
Building	208,020	36,335	171,685
Equipment	345,903	274,058	71,845
Furniture and Fixtures	10,111	8,263	1,848
Water Distribution System	10,812,291	2,125,473	8,686,818
Construction in Progress	2,748,657	-	2,748,657
Total	<u>\$ 14,227,689</u>	<u>\$ 2,444,129</u>	<u>\$ 11,783,560</u>

Construction in Progress at December 31, 1998, consists of \$2,748,558 for the Rural Utilities Service Ponchatoula East Project, plus \$99 in various construction projects.

Equipment, furniture and fixtures are depreciated using useful lives of 5 to 10 years, and the water distribution system uses a useful life of 30 to 50 years. All assets are depreciated under the straight-line method. Depreciation expense for the fiscal year ending December 31, 1998 totaled \$328,285.

6. COMPENSATED ABSENCES

At December 31, 1998, employees of Tangipahoa Water District have accumulated and vested \$18,234 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

7. RETIREMENT PROGRAM

On January 27, 1994, the Board of Commissioners of the Tangipahoa Water District, adopted the *Louisiana Public Employees Deferred Compensation Plan*, with the provision that Tangipahoa Water District, the employer, will match employee contributions, up to 5% of gross wages, for the fiscal year ending December 31, 1998. The contribution by the employer will be re-established by the Board of Commissioners before the beginning of each fiscal year. Under the terms of the State of Louisiana Public Employees Deferred Compensation Plan, an employee may contribute up to a maximum of 25% of adjusted gross income, not to exceed \$7,500 per calendar year. A special "catch-up" provision may be used to save up to \$15,000 per year for the three years prior to retirement.

As reported by the State of Louisiana Deferred Compensation Program, for fiscal year ending December 31, 1998, the aggregate account balance of employee's of Tangipahoa Water District participating in the plan was \$77,980, with \$10,920 in total employee contributions in 1998, and \$9,777 in 1998 employer contributions.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

8. LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions during the year:

Description	Long-Term Liabilities Payable at Beginning of Year	Additions	Deletions	Long-Term Liabilities Payable at End of Year
1992 Revenue Bonds	\$ 3,137,553	-	(33,416)	\$ 3,104,137
1993 Certificate of Indebtedness	70,000	-	(70,000)	-
1995 Water Revenue Bonds	2,732,954	-	(24,211)	2,708,743
1995 Series 1995-A Revenue Bonds	129,386	-	(1,114)	128,272
1998 Revenue Refunding Bonds	-	70,000	(15,000)	55,000
1998 Interim Financing - Ponchatoula East Project	-	2,369,717	-	2,369,717
Totals	<u>\$ 6,069,893</u>	<u>\$ 2,439,717</u>	<u>\$(143,741)</u>	<u>\$ 8,365,869</u>

A detailed listing of general long-term liabilities follows:

As of December 31, 1998, the Tangipahoa Water District has three Rural Utilities Service (RUS) Revenue Bonds. The original bond was issued on December 28, 1992, at \$3,313,000, at an annual interest rate of 5.5% per annum. These bonds are payable in monthly, fully amortized payments of principal and interest of \$17,095, with the payments falling due on the 28th day of each month beginning January 28, 1993, and ending December 28, 2032.

The two remaining water revenue bonds, consisting of the 1995 Water Revenue Bonds, and the Series 1995-A Bonds, provide funding for construction improvements for the RUS project entitled "Pumpkin Center Area" project. As of December 31, 1998, the project is in the construction phase, although the bonds were issued December 31, 1997. The balance of the bond issue, up to the authorized bond issue amount, will be provided directly from the RUS office, based on construction progress invoices. The 1995 Water Revenue Bonds totaling \$2,756,000, were issued December 28, 1995, at an annual interest rate of 5 & 1/8 per cent. As of December 31, 1998, all of the authorized \$2,756,000 had been received by Tangipahoa Water District. The bond is payable over a 40-year period with the payment which falls on the anniversary date of the bond (December 28, 1996) consisting of principal and interest of \$120,710. Commencing on January 28, 1997, and on the 28th day of each month thereafter, to and through December 28, 2035, the payment shall consist of fully amortized monthly installments of principal and interest, estimated at \$13,642 per month, based on receipt by Tangipahoa Water District of the total authorized bond proceeds of \$2,756,000.

The Series 1995-A Water Revenue Bonds, also provide funding for the "Pumpkin Center Area" project. The Series 1995-A Bonds totaling \$133,000, were issued December 28, 1995, at an annual interest rate of 5 & 1/4 percent. The bond is payable over a 40-year period with the payment which falls on the anniversary date of the bond (December 28, 1996) consisting of interest only. The principal and interest payment, due December 28, 1996, was \$525. Commencing on January 28, 1997, and on the 28th day of each month thereafter, to and through December 28, 2035, the payment

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

shall consist of fully amortized monthly installments of principal and interest of \$669, based on receipt by Tangipahoa Water District of the total authorized bond proceeds of \$133,000.

On August 13, 1993, the Tangipahoa Water District issued *Certificates of Indebtedness, Series 1993*, totaling \$130,000. The Certificates were issued to acquire and construct an office building for Tangipahoa Water District and to pay the costs incurred in connection with the issuance of the bonds. The bonds are payable with principal payments of \$15,000 due beginning on March 1, 1994, and due annually thereafter with a final annual installment of \$70,000, due March 1, 1998. Interest installments, at an annual interest rate of 6.0%, are due semiannually on March 1, and September 1, of each year, with the initial interest installment due March 1, 1994, and the final interest installment due March 1, 1998. During fiscal year 1998, the balance of this note, consisting of the total of \$70,000 less the payment of \$15,000 due March 1, 1998, for a total balance of \$55,000, was retired, and replaced by *Revenue Refunding Bonds, Series 1998*, as noted below.

Terms of the new issue, *Revenue Refunding Bonds, Series 1998*, dated February 20, 1998, require four principal payments, consisting of payments of \$15,000 each due on March 1, 1999, March 1, 2000, and March 1, 2001, with a final payment due of \$10,000 due at March 1, 2002. Interest payments are due, at an annual rate of 5.75%, with the first interest payment due September 1, 1998, and payments due March 1, and September 1, of each year, with the final interest payment due March 1, 2002.

As of December 31, 1998, Tangipahoa Water District, has received a total of \$2,369,717 in loans from interim financing for the Rural Utilities Service (RUS) project for the "Ponchatoula East" water system improvements and additions. Under a *Letter of Conditions*, dated November 22, 1996, from the Rural Utilities Service, Tangipahoa Water District is eligible for a total of \$2,900,000 in permanent loan financing. The project is scheduled for completion in mid-summer 1999, and as of the date of this audit report, a loan closing date had not been scheduled for permanent financing. In accordance with NCGA Interpretation 9, and FASB Statement No. 6, *Classification of Short-Term Obligations Expected to Be Refinanced*, interim financing proceeds are classified on long-term liabilities since the refinancing will not require the use of enterprise working capital in the ensuing fiscal year, and the RUS *Letter of Conditions* is evidence of an intent to provide permanent financing.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

The annual requirements to amortize all debt outstanding as of December 31, 1998, including interest payments of \$11,215,569, are as follows:

Year Ending December 31,	1992 RUS Revenue Bonds \$3,313,000	1998 Revenue Refunding Bonds \$55,000	1995 Water Revenue Bonds \$2,756,000	1995-A Water Revenue Bonds \$133,000	1999 Revenue Bonds \$2,900,000	Total
1999	\$ 205,141	\$ 18,259	\$ 163,706	\$ 8,029	\$ 69,919	\$ 465,054
2000	205,141	17,300	163,706	8,029	167,804	561,980
2001	205,141	16,438	163,706	8,029	167,804	561,118
2002	205,141	10,575	163,706	8,029	167,804	555,255
2003	205,141	-	163,706	8,029	167,804	544,680
2004-2008	1,025,705	-	818,530	40,145	839,020	2,723,400
2009-2013	1,025,705	-	818,530	40,145	839,020	2,723,400
2014-2018	1,025,705	-	818,530	40,145	839,020	2,723,400
2019-2023	1,025,705	-	818,530	40,145	839,020	2,723,400
2024-2028	1,025,705	-	818,530	40,145	839,020	2,723,400
2029-2033	820,564	-	818,530	40,145	839,020	2,518,259
2034-2038	-	-	327,412	24,087	839,020	1,190,519
2039	-	-	-	-	97,856	97,856
	<u>\$ 6,974,794</u>	<u>\$ 62,572</u>	<u>\$6,057,122</u>	<u>\$ 305,102</u>	<u>\$ 6,712,131</u>	<u>\$20,111,721</u>

Note that the projected payoff of the 1999 Revenue Bonds for the Ponchatoula East project financing is estimated at an interest rate of 5%, for a term of forty (40) years, on a projected loan amount of \$2,900,000. Actual payoff will vary since as of audit report date, Rural Utilities Service (RUS) had not yet scheduled a loan closing for permanent financing. The final interest rate for the loan and the total loan amount may vary as the project is completed and permanent financing obtained.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

9. FLOW OF FUNDS, RESTRICTIONS ON USE

The Tangipahoa Water District has the following bond and reserve requirements that apply to *Rural Utilities Service (RUS)* bonds:

That all of the income and revenues derived or to be derived by the Issuer from the operation of the district shall continue to be deposited in a separate and special bank account with the regularly designated fiscal agent bank of the Issuer, to be established with the regularly designated fiscal agent bank of the Issuer and designated as the "*Waterworks Revenue Fund*," said Fund to be maintained and administered in the following order of priority and for the following express purposes:

- (a) The payment of, first, all reasonable and necessary expenses of operating and maintaining the System.
- (b) The establishment and maintenance of the "Waterworks Revenue Bond and Interest Sinking Fund", sufficient in amount to pay promptly and fully the principal of and the interest on the Bond and any pari passu bonds issued hereafter in the manner provided by this resolution by transferring from the Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year a sum equal to the principal and interest falling due on the next principal and interest payment date together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due. The Tangipahoa Water District has decided to make these monthly payments directly to RUS, thus eliminating the need for a Sinking Fund.
- (c) The establishment and maintenance of the "Waterworks Reserve Fund" (*the Reserve Fund*), by transferring from said Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year, a sum (rounded up to the nearest dollar) at least equal to five percent (5%) of the amount to be paid into the Sinking Fund provided for in paragraph (b) above, the payments into the Reserve Fund to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bond as a Debt Service Reserve, the money in the Reserve Fund to be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, the payments into the Reserve Fund shall continue, or if the said payments have ceased because of the accumulation of the maximum amount provided above, then such payments shall be resumed, until such time as there has been accumulated in the Reserve Fund an amount of money equal to the highest combined principal and interest requirements for any succeeding twelve (12) month period on such bonds payable from the Reserve Fund.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
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NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

With the issuance on December 28, 1995, of the 1995 Water Revenue Bonds and the Series 1995-A Water Revenue Bonds, requirements for Reserve Fund deposits were revised as follows:

For the period of 1/20/96 through 12/20/96, the Reserve Fund's monthly deposit requirement is increased from \$855 per month, to a sum of \$1,473 per month. For the period of 1/20/97 through 12/20/2032, a sum of \$1,571 per month must be deposited monthly until \$376,875 has been accumulated therein. On December 28, 2032, the funds on deposit in the Reserve Fund are to be reduced to \$171,734.

With the completion of the Rural Utilities Service project for the Ponchatoula East water system improvements and additions, and as the system becomes revenue producing, monthly reserve deposits are to be increased by 5% of the annual payment, divided by 12 (0.4167% of the annual payment) rounded to the nearest dollar. Loan closing for the Ponchatoula East project is anticipated for fiscal year 1999.

As of December 31, 1998, the Rural Utilities Service (RUS) Reserve Fund was fully funded per debt restrictions, with a balance of \$107,742.

- (d) The establishment and maintenance of the "Waterworks Depreciation and Contingency Fund" (*the Contingency Fund*) to care for depreciation, extensions, additions, improvements and replacements necessary to operate properly the district, by transferring from the Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of each month of each year, the sum of \$875 per month, all as required by the government in purchasing the bond. With the issuance on December 28, 1995, of the 1995 Water Revenue Bonds and the Series 1995-A Water Revenue Bonds, the monthly deposit requirement for the Depreciation and Contingency Fund is increased from \$875 per month to \$1,569 per month. The requirement to deposit \$1,569 per month is effective January 20, 1996. Money in the Contingency Fund shall also be used to pay the principal of and the interest on any bond for the payment of which there is not sufficient money in the Sinking Fund or the Reserve Fund, but if so used, such money shall be replaced by the Issuer as soon as possible thereafter out of the earnings of the System after making the required payments into the respective funds and accounts herein above specified.

With the completion of the Rural Utilities Service project for the Ponchatoula East water system improvements and additions, and as the system becomes revenue producing, monthly deposits to the depreciation and contingency fund are to be increased by \$716 per month, for a total of \$2,272 per month. Loan closing for the Ponchatoula East project is anticipated for fiscal year 1999.

If, at any time, it shall be necessary to use moneys in the Reserve Fund or the Contingency Fund as above provided for the purpose of paying principal of or interest on bonds payable as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues first thereafter received, not herein above required to be used for operation and maintenance of the district or for current principal, interest and reserve requirements.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

Subject to the foregoing, which are cumulative, the balance of the excess funds on deposit in the Waterworks Revenue Fund may be used by the Issuer for the purpose of calling and/or paying bonds payable from the income and revenues of the district or for such other lawful corporate purposes as the governing authority of the Issuer may determine, whether or not such purposes are or are not related to the district.

All or any part of the moneys in any of the aforesaid funds and accounts described in subparagraphs (b), (c) and (d) shall, at the written request of the Issuer, be invested in direct obligations of the United States of America or other obligations permitted by Louisiana law, maturing in five (5) years or less, in which event all income derived from investments in the Sinking Fund and the Reserve Fund shall be deposited in the Waterworks Revenue Fund as income and revenues of the district and all income from investments in the *Contingency Fund shall be added to the Contingency Fund*. Such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which said respective funds and accounts are herein maintained.

As of December 31, 1998, the Rural Utilities Service (RUS) Depreciation and Contingency Fund was fully funded, per debt restrictions, with a balance of \$96,764.

- (e) During the fiscal year ending December 31, 1998, the Series 1993 Certificates of Indebtedness were retired by the \$55,000 *Revenue Refunding Bonds, Series 1998*. The bond agreement for the *Series 1998 Revenue Refunding Bonds* specifies the creation of a "Revenue Refunding Bond Sinking Fund", sufficient in amount to pay promptly the principal of and the interest on the Bond by transferring from the Waterworks Revenue Fund to the regularly designated fiscal agent bank of the Issuer, monthly in advance on or before the 20th day of the month of each year, one-sixth of the interest falling due on the next interest date, and one-twelfth of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay the required principal and interest payments.

At December 31, 1998, the sinking fund for the *Series 1998 Revenue Refunding Bonds* was fully funded with a balance of \$18,802.

10. RESERVED RETAINED EARNINGS

Reserved retained earnings, totaling \$204,506, is created in conjunction with the issuance of revenue bonds and is funded by transfers from the revenue account based on assets held by the water district that are restricted for bond payments and emergency repairs. The purpose of the reserved retained earnings is to service the revenue bonds. The board of commissioners of the district at December 31, 1998 had also designated a total of \$131,538 of unreserved retained earnings for future capital improvement projects.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (continued)
As of and for the Year Ended December 31, 1998**

11. LITIGATION AND CLAIMS

At December 31, 1998, the district is involved in continuing litigation. There has been no determination as to the probability of an unfavorable outcome, and the district is vigorously defending the case.

12. CONSTRUCTION COMMITMENTS

Tangipahoa Water District, at December 31, 1998, had recorded \$2,748,558 as construction in progress for the Rural Utilities Service Ponchatoula East project for water system improvements and additions. Construction improvements are through interim financing, with the loan closing for permanent financing anticipated for fiscal year 1999. The Rural Utilities Service Letter of Conditions, dated November 22, 1996, specifies an eligible loan amount of \$2,900,000.

Bids were also awarded in fiscal year 1997, by the Tangipahoa Parish Council, for a water system improvements project funded by a \$600,000 Louisiana Community Development Block Grant (LCDBG) Project. At December 31, 1998, the project was substantially complete. Upon completion and close-out of the LCDBG project by the Tangipahoa Parish Council, and formal donation of the system to the Tangipahoa Water District, the project will be recorded on *the books of the Tangipahoa Water District as contributions from the Parish Council.*

13. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the district's operations as early as fiscal year 1999.

The Tangipahoa Water District has not inventoried computer systems and other electronic equipment that may be *affected by the year 2000 issue and that are necessary to conduct the district operations.* It was noted the Tangipahoa Water District is currently implementing accounting and utility billing programs that are reported to be year 2000 compliant, and is planning a review of all computer systems for year 2000 compliance.

Because of the unprecedented nature of the year 2000 issue, its effect and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the district will be year 2000 ready, the district's remediation efforts will be successful in whole or in part, or that parties with whom the district does business will be year 2000 ready.

SUPPLEMENTARY INFORMATION

**Tangipahoa Water District
Tangipahoa Parish Council
Comparative Balance Sheet - Proprietary Fund Type
December 31, 1998 and 1997**

Assets	Enterprise Fund	
	1998	1997
Current Assets:		
Cash	\$ 290,316	\$ 86,162
Accounts Receivable (Net)	117,929	104,093
Accrued Billings	82,385	68,564
Due From Other Governments	999	839
Inventory	51,470	46,468
Prepaid Insurance	-	1,414
Total Current Assets	543,099	307,540
Restricted Assets:		
Cash - Customer Deposits	292,097	257,651
Cash - Capital Improvements	131,538	76,608
Cash - RUS Bond Depreciation and Contingency	96,764	80,596
Cash - RUS Bond Reserve	107,742	78,766
Cash - Certificate of Indebtedness Sinking	-	18,248
Cash - Series 1998 Sinking Fund	18,802	-
Cash - Certificate of Indebtedness Reserve	-	14,324
Cash - Pumpkin Center Construction	-	5,157
Cash - Ponchatoula East Construction	1,044	-
Cash - Escrow for Connection Fees	5,452	35,229
Total Restricted Assets	653,439	566,579
Property, Plant, and Equipment:		
Land	102,707	102,707
Plant and Equipment	11,376,325	11,153,602
Construction in Progress	2,748,657	60,596
Total Property, Plant, and Equipment	14,227,689	11,316,905
Less: Accumulated Depreciation	(2,444,129)	(2,115,844)
Net Property, Plant, and Equipment	11,783,560	9,201,061
Other Assets:		
Utility Deposits	705	705
Bond Issue Cost	48,257	49,690
Total Other Assets	48,962	50,395
Total Assets	\$ 13,029,060	\$ 10,125,575

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Comparative Balance Sheet - Proprietary Fund Type
December 31, 1997 and 1996**

Liabilities and Fund Equity	Enterprise Fund	
	1998	1997
Liabilities:		
Current Liabilities (Payable From Current Assets):		
Accounts Payable	\$ 38,684	\$ 32,501
Advance-Insurance Proceeds	-	4,800
Sales Tax Payable	3,266	3,005
Accrued Wages	18,234	13,097
Payroll Tax Payable	1,773	1,740
Due to Other Governments	47,312	43,481
Total Current Liabilities (Payable From Current Assets)	109,269	98,624
Current Liabilities (Payable From Restricted Assets):		
Accrued Interest Payable - RUS Bonds	2,619	2,619
Accrued Interest Payable - Certificate of Indebtedness	-	1,314
Accrued Interest Payable - Series 1998 Bond	1,059	-
Accrued Interest Payable - Ponchatoula East	55,155	-
Construction Accounts Payable - Ponchatoula East	138,322	-
Retainage Payable - Ponchatoula East	185,128	-
Customer Deposits Payable	363,635	327,473
Current Portion of RUS Bonds	62,096	58,306
Current Portion of Certificate of Indebtedness	-	15,000
Current Portion of Series 1998 Refunding Bonds	15,000	-
Liability for Connection Fees	32,750	33,450
Total Current Liabilities (Payable From Restricted Assets)	855,764	438,162
Long-Term Liabilities:		
Bonds Payable - Original System	3,068,842	3,104,144
Bonds Payable - Pumpkin Center #1	2,683,267	128,695
Bonds Payable - Pumpkin Center #2	126,947	2,708,748
Note Payable - Ponchatoula East Construction	2,369,717	-
Certificate of Indebtedness	-	55,000
Series 1998 Refunding Bonds	40,000	-
Total Long-Term Liabilities	8,288,773	5,996,587
Total Liabilities	9,253,806	6,533,373
Fund Equity:		
Paid-In Capital	8,708	8,708
Contributed Capital	3,049,747	3,044,376
Less: Accumulated Amortization	(833,905)	(746,847)
Net Paid-In and Contributed Capital	2,224,550	2,306,237
Retained Earnings:		
Reserved for RUS Bond Reserve	107,742	78,766
Reserved for RUS Bond Depreciation and Contingency	96,764	80,596
Reserved for Certificate of Indebtedness	-	14,324
Unreserved Retained Earnings:		
Designated	131,538	76,608
Undesignated	1,214,660	1,035,671
Total Retained Earnings	1,550,704	1,285,965
Total Fund Equity	3,775,254	3,592,202
Total Liabilities and Fund Equity	\$ 13,029,060	\$ 10,125,575

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Proprietary Fund Type**

**Schedule of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual)
For the Year Ended December 31, 1998
And Actual for the Year Ended December 31, 1997**

	Enterprise Fund			
	Budget 1998	Actual 1998	Variance Favorable (Unfavorable)	Actual 1997
Operating Revenues				
Water Sales	\$ 1,313,100	\$ 1,417,696	\$ 104,596	\$ 1,257,803
Penalties	33,336	29,303	(4,033)	31,128
Service Connection and Installation Fees	97,350	115,749	18,399	90,927
Reconnect Charges	13,200	16,550	3,350	14,150
Miscellaneous	12,600	18,589	5,989	12,225
Total Operating Revenues	<u>1,469,586</u>	<u>1,597,887</u>	<u>128,301</u>	<u>1,406,233</u>
Operating Expenses				
Electricity Purchased	97,000	77,978	19,022	96,817
Water Purchased	-	-	-	7,773
Wages and Salaries	316,000	303,394	12,606	289,274
Director's Fees	16,320	17,900	(1,580)	16,300
Minute Clerk Fees	2,450	2,675	(225)	2,400
Contract Labor	54,000	51,289	2,711	48,451
Payroll Taxes	25,584	21,997	3,587	23,324
Water Well Maintenance and Supplies	16,000	28,228	(12,228)	20,909
Repairs, Maintenance and Supplies	27,800	35,686	(7,886)	44,527
Equipment Rental	1,100	1,518	(418)	1,018
Equipment Maintenance	20,000	22,468	(2,468)	23,038
Operating Costs - Trucks	41,000	31,786	9,214	37,917
Retirement Contributions	8,400	9,777	(1,377)	8,588
Legal Fees	5,900	4,304	1,596	6,504
Professional Fees	5,800	1,470	4,330	4,873
Accounting Fees	2,000	1,011	989	1,054
Annual Audit Fee	8,000	10,000	(2,000)	8,000
Postage and Box Rent	13,200	15,103	(1,903)	13,362
Employee Uniforms	4,100	4,874	(774)	4,366
Dues and Subscriptions	460	387	73	402
Utilities	6,300	5,310	990	6,033
Telephone	7,600	8,628	(1,028)	7,678
Office Expense	9,400	10,428	(1,028)	10,730
Computer Expense	1,800	6,781	(4,981)	4,081
Educational Expense	1,350	766	584	1,174
Bank Charges	30	88	(58)	27
Insurance	54,900	45,718	9,182	54,556

(Continued)

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Proprietary Fund Type
Tangipahoa Parish Council
Schedule of Revenues, Expenses, and Changes in Unreserved Retained Earnings (Budget and Actual)
For the Year Ended December 31, 1998
And Actual for the Year Ended December 31, 1997

	Enterprise Fund			
	Budget 1998	Actual 1998	Variance Favorable (Unfavorable)	Actual 1997
Depreciation	\$ 330,000	\$ 328,285	\$ 1,715	\$ 323,044
Official Journal	2,000	2,727	(727)	2,020
Chlorination	60,000	62,105	(2,105)	53,301
Amortization of Bond Issue Costs	1,400	1,433	(33)	1,416
Miscellaneous	500	192	308	749
Total Operating Expenses	<u>1,140,394</u>	<u>1,114,306</u>	<u>26,088</u>	<u>1,123,706</u>
Operating Income (Loss)	<u>329,192</u>	<u>483,581</u>	<u>154,389</u>	<u>282,527</u>
Nonoperating Revenues (Expenses)				
Interest Income	12,500	24,353	11,853	12,564
Recovery of Bad Debts	2,100	1,734	(366)	1,980
Loss on Equipment Damage	-	-	-	(411)
Gain on Sale of Fixed Assets	-	-	-	1,855
Interest Expense	(331,000)	(321,581)	9,419	(324,595)
Bad Debt Expense	(9,500)	(10,406)	(906)	(9,489)
Total Nonoperating Revenues (Expenses)	<u>(325,900)</u>	<u>(305,900)</u>	<u>20,000</u>	<u>(318,096)</u>
Net Income (Loss)	<u>\$ 3,292</u>	177,681	<u>\$ 174,389</u>	<u>(35,569)</u>
Unreserved Retained Earnings, Beginning		1,035,671		
Amortization of Contributed Capital		87,058		
(Increase) Decrease in Reserved Retained Earnings:				
Reserved for Bond Payments		(28,975)		
Reserved for Bond Depreciation		(16,168)		
Reserved for Certificate of Indebtedness		14,324		
Reserved for Capital Improvements		(54,931)		
Unreserved Retained Earnings, Ending		<u>\$ 1,214,660</u>		

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council**
Comparative Schedule of Cash Flows - Proprietary Fund Type
For the Years Ended December 31, 1998 and 1997

	Enterprise Fund	
	1998	1997
Operating Income	\$ 483,581	\$ 282,527
Adjustments to Reconcile Net Operating Income to Cash Provided by		
Operating Activities:		
Depreciation	328,285	323,044
Bond Issue Cost Amortization	1,433	1,416
Bad Debt Expense	(10,406)	(9,489)
(Increase) Decrease in Accounts Receivable	(13,836)	(999)
(Increase) Decrease in Accrued Billings	(13,821)	(5,921)
(Increase) Decrease in Due From Other Governments	(160)	(93)
(Increase) Decrease in Inventory	(5,002)	2,984
(Increase) Decrease in Prepaid Insurance	1,414	38,675
(Increase) Decrease in Advance-Insurance Proceeds	(4,800)	4,800
Increase (Decrease) in Accounts Payable	6,183	(6,993)
Increase (Decrease) in Construction Accounts Payable	138,322	-
Increase (Decrease) in Sales Tax Payable	261	(651)
Increase (Decrease) in Accrued Wages	5,137	(3,866)
Increase (Decrease) in Payroll Taxes Payable	33	(187)
Increase (Decrease) in Due To Other Governments	3,831	8,460
Increase (Decrease) in Retainage Payable	185,128	(10,000)
Increase (Decrease) in Interest Payable	54,900	(9,061)
Increase (Decrease) in Customer Deposits Payable	36,162	30,288
Increase (Decrease) in Liability for Connection Fees	(700)	9,650
Net Cash Provided (Used) by Operating Activities	1,195,945	654,584
Cash Flows From Noncapital Financing Activities		
Recovery of Bad Debts	1,734	1,980
Net Cash Provided (Used) by Noncapital Financing Activities	1,734	1,980
Cash Flows From Capital and Related Financing Activities		
Proceeds From RUS Bond	-	110,100
Proceeds From Note Payable	2,369,717	-
Proceeds From Sale of Fixed Assets	-	10,755
Proceeds From Contributions	5,371	-
Net Proceeds From Insurance Settlement	-	2,773
Payment For Capital Acquisitions	(222,723)	(374,545)
Payment For Construction in Progress	(2,688,061)	-
Principal Payments - RUS Bond	(58,741)	(48,292)
Principal Payments - Certificate of Indebtedness	(15,000)	(15,000)
Interest Payments	(321,581)	(324,595)
Net Cash Provided (Used) by Capital and Related Financing Activities	(931,018)	(638,804)

(Continued)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Comparative Schedule of Cash Flows - Proprietary Fund Type
For the Years Ended December 31, 1998 and 1997**

	Enterprise Fund	
	1998	1997
Cash Flows From Investing Activities		
Interest Income	\$ 24,353	\$ 12,564
Net Cash Provided (Used) by Investing Activities	<u>24,353</u>	<u>12,564</u>
Net Cash Increase (Decrease)	291,014	30,324
Cash, Beginning	652,741	622,417
Cash, Ending	<u>\$ 943,755</u>	<u>\$ 652,741</u>

(Concluded)

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana**

Schedule 4

**Supplemental Information Schedule
For the Year Ended December 31, 1998**

COMPENSATION PAID BOARD MEMBERS

	<u>Amount</u>
Eugene Traylor	\$ 2,200
Gerald Owens	2,400
Larry McDaniel	2,700
John Jackson	2,700
Larry Byers	2,600
Dr. J. L. Garret	2,700
Brent Thompson	2,600
	<u>\$ 17,900</u>

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana**

Schedule 5

**Supplemental Information Schedule
As of and for the Year Ended December 31, 1998**

SCHEDULE OF INSURANCE

<u>Insurance Company</u>	<u>Coverage</u>	<u>Amount</u>	<u>Period</u>
Coregis Insurance Company - Policy # 5031640008	Commercial Umbrella	\$1,000,000	01/01/98 - 01/01/99
Valley Forge Insurance Company - Policy # WC 174989409	Worker's Compensation	Statutory coverage with \$500,000 of Employer's Liab.	01/01/98 - 01/01/99
General Star Indemnity Insurance Company Policy Number IYA602292	Liability: Directors & Officers	\$1,000,000	01/01/98 - 01/01/99
Coregis Insurance Company Policy Number 6510071435	Business Automobile: Liability Uninsured Motorist Underinsured Motorist Comprehensive Deductible Collision Deductible	\$500,000 500,000 500,000 250 500	01/01/98 - 01/01/99
Coregis Insurance Company Policy Number 6510071435	Commercial Package Policy: General Liability: General Aggregate Each Occurrence Employee Dishonesty Blanket (Endorsed to Provide Blanket Coverage for Board Members) Theft, Inside Theft, Outside Contractor's Equipment (incl Computer Equip) Property-Building & Contents (Including scheduled coverage for water wells, pumps, and tanks)	\$2,000,000 1,000,000 550,000 10,000 10,000 161,210 2,931,148	01/01/98 - 01/01/99
United Capital Insurance Company Policy Number PEEC 100 0014	Public Entities Environmental Liability Coverage: General Aggregate Each Occurrence	1,000,000 1,000,000	

The accompanying notes are an integral part of these statements.

Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana

Schedule 6

SCHEDULE OF WATER CUSTOMERS
December 31, 1998

LISTING OF CUSTOMERS BY TYPE SERVICE

<u>TYPE SERVICE</u>	<u>NUMBER OF CUSTOMERS</u>
RESIDENTIAL	5,952
COMMERCIAL	326
APARTMENTS	174
TOTAL CUSTOMERS	<u>6,452</u>

SCHEDULE OF WATER RATES
December 31, 1998

<u>TYPE SERVICE</u>	<u>BASE RATE</u>	<u>COST PER 1,000 GALLONS ABOVE BASE RATE</u>
RESIDENTIAL METERED	\$8.00 FIRST 2,500 GALLONS;	\$1.25 OVER 2,500 GALLONS
RESIDENTIAL FLAT RATE -		-
COMMERCIAL:		
1" METER	\$20.00 FIRST 10,000 GALLONS;	\$1.25 OVER FIRST 10,000 GAL
1 & 1/2" METER	\$40.00 FIRST 20,000 GALLONS;	\$1.25 OVER FIRST 20,000 GAL
2" METER	\$60.00 FIRST 30,000 GALLONS;	\$1.25 OVER FIRST 30,000 GAL
3" METER	\$80.00 FIRST 40,000 GALLONS;	\$1.25 OVER FIRST 40,000 GAL
4" METER	\$100.00 FIRST 50,000 GALLONS;	\$1.25 OVER FIRST 50,000 GAL
APARTMENTS:		
METERED	\$7.50 PER UNIT FIRST 2,500 GAL	\$1.25 OVER FIRST 2,500 GAL
UNMETERED	\$12.00 PER APARTMENT	
SCHOOLS	TO BE RATED AS COMMERCIAL.	

The accompanying notes are an integral part of these statements.

**Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 1998**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Program or Amount
U. S. Department of Agriculture Water and Waste Disposal Systems For Rural Communities		
--Loan Repayments	10.418	\$ 3,313,000
--Loan Repayments	10.418	2,756,000
--Loan Repayments	10.418	133,000
Total Loan Activity		
U. S. Department of Agriculture Water and Waste Disposal Systems For Rural Communities		
--Construction - Interim Financing (Note 2)	10.418	\$ 2,900,000

Total Federal Awards

Note 1: Total loan proceeds and payments on outstanding bonds are presented above on the cash basis. The presentation would be the same on the accrual basis.

Note 2: During the fiscal year ending December 31, 1998, Tangipahoa Water District expended a total of \$2,357,101 (cash basis), for the Rural Utilities Service Project for Ponchatoula East water system improvements and additions. Funds for construction were obtained through interim financing from Tangipahoa Water District's fiscal agent bank, with permanent financing to be provided from the Rural Utilities Service, per the Rural Utilities Service Letter of Conditions, dated November 22, 1996. Total construction in progress for the Ponchatoula East project, as of December 31, 1998, presented on the accrual basis, is as follows:

12/31/97 Construction in Progress	\$ 12,852
12/31/98 Construction in Progress Expenditures (Cash Basis)	2,357,101
12/31/98 Construction Accounts Payable	138,322
12/31/98 Retainage Payable	185,128
12/31/98 Accrued Construction Period Interest	55,155
Total Construction in Progress - Accrual Basis	<u>\$ 2,748,558</u>

The accompanying notes are an integral part of these statements.

Schedule 7

Cash/ Accrued Revenue at December 31, 1997	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/ Accrued Revenue at December 31, 1998
<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 3,137,553	\$ -	\$ 33,416	\$ 3,104,137
2,732,954	-	24,211	2,708,743
129,386	-	1,114	128,272
<u>\$ 5,999,893</u>	<u>\$ -</u>	<u>\$ 58,741</u>	<u>\$ 5,941,152</u>
\$ -	\$ -	\$ 2,357,101	\$ (2,357,101)
<u>\$ 5,999,893</u>	<u>\$ -</u>	<u>\$ 2,415,842</u>	<u>\$ 3,584,051</u>

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 8

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 1998**

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

No Findings.

Section II - Management Letter

Reference Number: 96M-1

Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/96

Description of Finding:

In the review of internal controls for the utility billing system for Tangipahoa Water District, we noted that procedures needed to be implemented to insure that all accounts were billed at maximum rates. Specifically, we noted that controls should be sufficient to determine that accounts are properly coded, that meters that are billed at flat rates or unusually low usages should be monitored and replaced as necessary, and that past due accounts be disconnected on a timely basis. We recommended that in order to maximize the amount of revenue billed, that reports be issued to the board of commissioners on a monthly basis listing accounts billed at a flat rate, and accounts that show no change in meter readings, decrease in readings, or zero usage.

There were no deviations noted in the testing of the rate codes and utility billing calculations for the fiscal year ending December 31, 1997, or for the fiscal year ended December 31, 1998. We also noted that meters were now being read by contract services, and that any problems with meters were referred to the management of Tangipahoa Water district for correction. The manager also reports statistics on the number of "flat-rate" meters at the monthly board meetings.

Improvement in reporting was noted. However, considering the size of the district, procedures need to be standardized to determine that maximum revenues are billed and received. We recommend standardized reports to the board of commissioners on a monthly basis, in the following areas:

- 1) Disconnect Report - indicating the accounts past due and disconnected for the month.
- 2) Meter Reading Variance Report - showing accounts with no change in meter readings, decrease in readings, or zero usage.
- 3) Flat Rate Usage Report - displaying accounts still billed at flat rate.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 8

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 1998
(Continued)**

Corrective Action Planned (Response by Management):

Because of problems encountered with the new software, implementation of the utility billing software package was delayed. We are now in the process of implementing a new utility billing software package. Part of the reason for implementing this package is that we will have the ability to custom design management reports. We will design the above reports for review by the board of commissioners as the new program is implemented.

Corrective action taken: Partially

Additional Explanation:

Corrective action is listed as partial, since the new utility billing software must still be implemented and the proposed management reports designed to comply with management recommendations. Continued follow-up is required.

Reference Number: 96M-2

Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/95

Description of Finding:

We noted in prior years that the district personnel spent considerable time researching source records to determine the status of accounts. Although meter records are input into the existing utility billing system, record input is by file maintenance and does not provide an adequate audit trail of meter deposit transactions. The meter deposit liability recorded is below the actual cash recorded for meter deposits.

We recommended that meter deposit transactions be input into a program that provides an adequate audit trail.

Corrective Action Planned (Response by Management):

As noted, implementation of the utility billing software was delayed.. This recommendation will be acted upon with the implementation of the new utility billing software. The new software provides an audit trail for the input of meter deposit transactions.

Corrective action taken: Partially

Additional Explanation:

Corrective action is listed as partial, since meter deposit records must still be input into a program that provides a sufficient audit trail. Continued follow-up is required.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 8

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 1998
(Continued)**

Reference Number: 96M-4

Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/95

Description of Finding:

We noted that although inventory was taken at the end of each fiscal year, the inventory software records were not maintained on a consistent basis, and periodic inventories not taken. We noted that an inventory adjustment was required at fiscal year end of \$28,938 (decreasing inventory). The inventory adjustment for the fiscal year ending December 31, 1997, was \$28,681 (decreasing inventory).

The same problem exists as in the prior year. We recommend that the district begin immediately to take monthly inventories until the inventory software is implemented, and the monthly adjustment to actual is of a reasonable amount.

Corrective Action Planned (Response by Management):

Management of Tangipahoa Water District has implemented a new inventory system, and is reconciling inventory on a monthly basis. The difference at fiscal year end was immaterial between inventory recorded on the books of Tangipahoa Water District and actual inventory.

Corrective action taken: Final

Reference Number: 96M-5

Fiscal Year of Initial Management Recommendation: Fiscal Year Ending 12/31/95

Description of Finding:

We noted that the current computer system was becoming functionally obsolete and that the district should consider upgrading both the computer system and utility billing software so that more detailed reports could be provided to the board of commissioners.

Corrective Action Planned (Response by Management):

Because of lightning damage, all computers have been replaced. We are also in the process of implementing a new utility billing program.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 8

**Corrective Action Plan for Prior Year Audit Findings
For the Year Ended December 31, 1998
(Continued)**

Corrective action taken: Partially

Additional Explanation:

Corrective action is listed as partial pending implementation of the new utility billing software and review of year 2000 compliance per Finding No. 98-1 included within the Corrective Action Plan for Current Year Findings.

The contact person for all management recommendations is as follows:

Larry Byers, President
Tangipahoa Water District
P.O. Box 699
Natalbany, La. 70451

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 9

**Corrective Action Plan for Current Year Audit Findings
For the Year Ended December 31, 1998**

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

Reference Number: 98-1

Description of Finding:

It was noted within Footnote 13 (Year 2000 Issue) of the *Notes to the Financial Statements*, that Tangipahoa Water District has not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue. However, the district has replaced several computers within the past year. It was also noted that management of the district cannot assure that parties with which the district does business will be year 2000 ready.

Corrective Action Planned (Response by Management):

The district is currently implementing software for utility billing and accounting that is reported to be year 2000 compliant. The district will also conduct a survey of its computer systems to determine year 2000 compliance.

Anticipated Completion Date:

We anticipate implementation of new computer programs and survey of computer systems for year 2000 compliance by July of 1999.

Name of Contact Person:

Larry Byers, President
Tangipahoa Water District
P.O. Box 699
Natalbany, LA 70451
(504) 345-6457

Section II - Management Letter

No findings.

**TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA**

Schedule 10

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1998**

I. Type of Report Issued on the Financial Statements.

A qualified opinion of the financial statements was issued because of the year 2000 issue, in accordance with GASB Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*.

II. Disclosure of Reportable Conditions in Internal Control.

No reportable conditions in internal control were reported.

III. Disclosure of noncompliance material to the financial statements.

There were no material instances of noncompliance, material to the financial statements, disclosed by the audit of the financial statements of Tangipahoa Water District.

IV. Disclosure of Reportable Conditions in Internal Control over Major Programs.

There were no reportable conditions for Major Programs, for the fiscal year ending December 31, 1998.

V. Type of Report Issued for Major Programs.

Unqualified.

VI. Disclosure of Audit Findings Required to be Reported under S___, 510 Audit Findings.

No findings to be reported under S___, 510 Audit Findings.

VII. Identification of Major Programs.

The Major Program identified for Tangipahoa Water District, for the fiscal year ending December 31, 1998, was the Water and Waste Disposal Systems Loan and Grant Program, Rural Utilities Service, U.S. Department of Agriculture (CFDA # 10.418).

VIII. Dollar Threshold to Distinguish Between Type "A" and Type "B" programs.

Expenditures of \$300,000.

TANGIPAHOA WATER DISTRICT
TANGIPAHOA PARISH COUNCIL
NATALBANY, LOUISIANA

Schedule 10

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 1998
(continued)

IX. Statement as to Whether the Auditee qualified as Low-Risk Auditee under S___ .530.

Yes. The Tangipahoa Water District qualified as a low-risk auditee under the provisions of S___ .530.

X. Findings which must be Reported in accordance with GAGAS.

Findings were disclosed within the Correction Action Plan for Current Year Audit Findings as Finding No. 98-1, and related to the year 2000 issue, in accordance with GASB Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*.

XI. Findings and Questioned Costs for Federal Awards.

There were no findings or questioned costs for federal awards for Tangipahoa Water District for fiscal year ending December 31, 1998.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

KENTWOOD OFFICE
P.O. Box 45 - 602 Fifth St.
Kentwood, LA 70444
VOICE: (504) 229-5955
FAX: (504) 229-5951

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

Bruce C. Harrell, CPA

Warren A. Wool, CPA

Michael P. Estay, CPA

Dale H. Jones, CPA

Charles P. Hebert, CPA

James D. Rabalais, CPA

109 West Minnesota Park

Park Place Suite 7

Hammond, LA 70403

VOICE: (504) 542-6372

FAX: (504) 345-3156

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana 70451

We have audited the component unit financial statements of the Tangipahoa Water District, Louisiana, as of and for the year ended December 31, 1998, and have issued our report thereon dated March 11, 1999, which was qualified because insufficient audit evidence exists to support the Tangipahoa Water District's disclosure with respect to the year 2000 issue. Excepts as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Tangipahoa Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the Corrective Action Plan for Current Year Audit Findings as Reference No. 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tangipahoa Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management within the Corrective Action Plan for Prior Year Management Letter Recommendations for the Year Ended December 31, 1998, as Reference Numbers 96M1, 96M2, 96M4, and 96M5.

**Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Page 2**

This report is intended for the information of management, the Legislative Auditor, and the Rural Utilities Service office. However, this report is a matter of public record and its distribution is not limited.

Bruce Harrell & Co.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

March 11, 1999

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Bruce C. Harrell, CPA

Warren A. Wool, CPA
Michael P. Estay, CPA
Dale H. Jones, CPA
Charles P. Hebert, CPA
James D. Rabalais, CPA

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (504) 542-6372
FAX: (504) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 602 Fifth St.
Kentwood, LA 70444
VOICE: (504) 229-5955
FAX: (504) 229-5951

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Tangipahoa Water District
Tangipahoa Parish Council
Natalbany, Louisiana 70451

Compliance

We have audited the compliance of the Tangipahoa Water District, a component unit of the Tangipahoa Parish Council, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 1998, which was qualified because insufficient audit evidence exists to support the Tangipahoa Water District's disclosure with respect to the year 2000 issue. The Tangipahoa Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Tangipahoa Water District's management. Our responsibility is to express an opinion on the Tangipahoa Water District's compliance based on our audit.

Except as discussed in the preceding paragraph, we conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tangipahoa Water District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Tangipahoa Water District's compliance with those requirements.

Page 2

In our opinion, the Tangipahoa Water District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998. However, the results of our auditing procedures disclosed immaterial instances that are described as management recommendations in the accompanying Summary of Prior Year Audit Findings as Reference Numbers 96M1, 96M2, 96M4, and 96M5, and as a compliance finding related to the year 2000 issue as Reference No. 98-1 within the Corrective Action Plan for Current Year Audit Findings.

Internal Control Over Compliance

The management of the Tangipahoa Water District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Tangipahoa Water District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Legislative Auditor, and the Federal Cognizant Agent. However, this report is a matter of public record and its distribution is not limited.



Bruce Harrell and Company, CPAs
A Professional Accounting Corporation

March 11, 1999