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SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)

Financial Statements
As of and For the Year Ended December 31, 1999

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 JUL 19 2000

**SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999**

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Luffey
Huffman
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(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

**Board of Supervisors
Southeast Sewerage District No. 3
Monroe, Louisiana**

We have audited the component unit financial statements of **Southeast Sewerage District No. 3** (the District), a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 1999, as identified in the accompanying Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Legislative Auditor and the Society of Louisiana Certified Public Accountants. These 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 1999, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued a report dated May 1, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

(A Professional Accounting Corporation)

May 1, 2000

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SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)

COMBINED BALANCE SHEETS - ALL FUND TYPES
DECEMBER 31, 1999

	PROPRIETARY FUND TYPE - ENTERPRISE FUND	FIDUCIARY FUND TYPE - AGENCY FUND	TOTAL (MEMORANDUM ONLY)
ASSETS AND OTHER DEBITS			
Cash in bank (Note 2)	\$ 151,777	\$ 16,971	\$ 168,748
Interest Receivable	-	3,685	3,685
Receivable from Customers	10,843		10,843
Special Assessments Receivable - Current	-	7,375	7,375
Bond Issue Costs - Current	527	-	527
Property, Plant, and Equipment - (net of accumulated depreciation of \$672,754)	1,558,301	-	1,558,301
Special Assessments Receivable - Noncurrent	-	4,551	4,551
	<u>1,721,448</u>	<u>32,582</u>	<u>1,754,030</u>
TOTAL ASSETS	\$ <u>1,721,448</u>	\$ <u>32,582</u>	\$ <u>1,754,030</u>
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts Payable	\$ 146,130	\$ -	\$ 146,130
Due to Ouachita Parish Police Jury	-	15,298	15,298
Bonds Payable - Current	-	8,642	8,642
Bonds Payable - Noncurrent	-	8,642	8,642
Total Liabilities	<u>146,130</u>	<u>32,582</u>	<u>178,712</u>
Commitments and Contingencies (Note 7)	-	-	-
Fund Equity:			
Contributed Capital (net of accumulated amortization)	1,595,921	-	1,595,921
Retained Deficit:			
Unreserved - undesignated	(20,603)	-	(20,603)
Total Fund Equity	<u>1,575,318</u>	<u>-</u>	<u>1,575,318</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>1,721,448</u>	\$ <u>32,582</u>	\$ <u>1,754,030</u>

The accompanying notes are an integral part of this statement.

SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
PROPRIETARY FUND TYPE - ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED DEFICIT - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Operating Revenues			
Sewerage Fees	\$ 134,650	\$ 121,783	\$ (12,867)
New Connection and Inspection Fees	2,035	1,000	(1,035)
Total Operating Income	136,685	122,783	(13,902)
Operating Expenses			
Collection and Maintenance Contract	25,754	23,584	2,170
Depreciation	59,411	56,482	2,929
Insurance	2,032	2,032	-
Management Fees - OPPJ	2,865	2,865	-
Office Supplies	243	284	(41)
Professional Fees	3,216	3,216	-
Repairs and Maintenance	5,150	5,695	(545)
Sewer Tap Expense	1,000	-	1,000
Treatment Fees	70,000	78,661	(8,661)
Utilities	15,000	3,916	11,084
Total Operating Expenses	184,671	176,735	7,936
Operating Loss	(47,986)	(53,952)	(5,966)
Nonoperating Revenues (Expenses)			
Interest Earned	538	2,340	1,802
Amortization of Bond Issue Cost	(527)	(527)	-
Total Nonoperating Revenues (Expenses)	11	1,813	1,802
Net Loss	(47,975)	(52,139)	(4,164)
Depreciation on Fixed Assets			
Acquired by Grants	54,011	54,011	-
Decrease in Retained Deficit	6,036	1,872	(4,164)
Retained Deficit at Beginning of Year	(22,475)	(22,475)	-
RETAINED EARNINGS (DEFICIT)			
AT END OF YEAR	\$ (16,439)	\$ (20,603)	\$ (4,164)

The accompanying notes are an integral part of this statement.

**SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
PROPRIETARY FUND TYPE - ENTERPRISE FUND**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999**

Cash Flows From Operating Activities	
Operating Loss	\$ (53,952)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operations:	
Depreciation and Amortization	56,482
Change in Current Assets and Current Liabilities:	
Accounts Receivable	(564)
Accounts Payable and Other	<u>63,309</u>
Total Adjustments	<u>119,227</u>
Net Cash Provided by Operating Activities	<u>65,275</u>
 Cash Flows From Investing Activities	
Interest Received	<u>2,340</u>
Net Cash Provided From Investing Activities	<u>2,340</u>
 Increase in Cash and Cash Equivalents	 67,615
 Cash and Cash Equivalents at Beginning of Year	 <u>84,162</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 \$ <u><u>151,777</u></u>

The accompanying notes are an integral part of this statement.

**SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY

Southeast Sewerage District No. 3 (formerly known as Richwood Sewerage District No. 3 - the District) was created by the Ouachita Parish Police Jury by adoption of Ordinance No. 7253.

Construction of the system began in 1979 and was completed in 1983, with commencement of service in early 1984. Community Development Block Grant funds totaling \$2,160,424 were the primary source of funding.

B. REPORTING ENTITY

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. GASB Statement Number 14, *The Financial Reporting Entity*, established criteria for determining which component units of government should be considered part of the primary government for financial reporting purposes.

The basic criteria for determining a component unit is accountability. Since the Police Jury appoints a voting majority of the board of commissioners of the District and has the ability to impose its will upon the District, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that primary governmental unit or other component units that comprise the primary government reporting entity.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types - enterprise funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operations of the proprietary fund are included on the balance sheet. The proprietary fund is reported in the accompanying financial statements on the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned, and expenses are recognized at

**SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999**

the time liabilities are incurred.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary fund type - Agency fund is accounted for using the modified accrual basis of accounting.

The District uses the following practices in recognizing revenues:

Customers are billed monthly for the services they received during the month. Total connections at November 30, 1999 are 501. The monthly rates charged for these services for 1999 are as follows:

Residential	\$21.00
Commercial	\$30.00

Interest on demand deposits is recognized monthly when it has been earned and credited to the fund's account.

Special assessments are generally recognized in the year they are due and payable by property owners in the district. Assessments which are paid early by property owners are recognized as revenue in the year received. Special assessments which are not currently due are recognized as a non-current receivable on the balance sheet of the fund to indicate that while they will be received in the future, they are not available to pay expenditures of the current period.

D. BUDGETS

Annual non-appropriated budgets are adopted by the District. Budgets are prepared in conformity with generally accepted accounting principles. Budget amounts included in the accompanying financial statements include the original adopted budget plus all amendments.

In November of each year, the District's Board of Supervisors approves the budget for the following year. This budget is made available for public inspection at this time. The budget is then submitted to the Ouachita Parish Police Jury for their approval at their 3rd Monday of November meeting. Operating appropriations, to the extent not expended, lapse at year end.

E. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated on the straight-line basis over their estimated useful lives. Depreciation on assets acquired by grants

SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999

is included in depreciation on the income statement but is restored to an equity account. The grants are amortized through depreciation of the assets acquired with the proceeds.

The estimated useful lives of assets are as follows:

Equipment	4 to 5 Years
Lines, Mains and Manholes	40 Years
Lift Station	40 Years
Treatment Plant Connection	40 Years

F. STATEMENT OF CASH FLOWS

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a purchased or original maturity of three months or less to be cash equivalents.

G. BOND ISSUE COSTS

Bond issue costs are capitalized and are amortized over ten years on a straight-line basis.

H. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments consist of deposits with financial institutions. The District's investment policy is governed by state statute. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by federal deposit insurance. At December 31, 1999 the carrying amount of the District's deposits is equal to \$168,748. These deposits are secured from risk by \$100,000 of federal deposit insurance and \$68,748 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 2). Even though the pledged securities are considered uncollateralized (Category 2) under the provisions of GASB Statement

**SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999**

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 Police Jury that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 - LONG TERM DEBT

Southeast Sewerage District No. 3 Series 1991 certificates were issued for the expansion of the District's service area. The certificates bear interest from 7.5% to 7.75% with annual principal payments of \$8,642 through January 15, 2001. The certificates are payable from a special assessment on the property owners to which service is extended. Annual requirements to amortize certificates outstanding at December 31, 1999, including interest of \$1,944, are as follows:

Year Ended December 31,	
2000	\$ 9,938
2001	<u>9,290</u>
TOTAL	<u>\$ 19,228</u>

NOTE 4 - BOARD OF SUPERVISORS

The Board has regular monthly meetings and calls special meetings as needed. The board members are paid \$50 per meeting, not to exceed \$600 during the year. Payments to supervisors were suspended in 1997 until the deficit in retained earnings is eliminated.

NOTE 5 - RISK FINANCING ACTIVITIES

The District is a participating member of the self-insurance program established and operated by the Ouachita Parish Police Jury (the Police Jury) to provide a means of self-funding potential insurance losses resulting from increased policy deductible amounts for property and vehicle fleet insurance, self-funding of worker's compensation and the absence of comprehensive liability coverage. The plan is administered by an independent third party. Because of the lack of sufficient funding, the District's insurance premiums under this program have been paid by the Ouachita Parish Police Jury's General Fund. Consistent with the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the Police Jury uses Internal Service Funds to account for risk financing

SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999

activities.

NOTE 6 - OPERATING AGREEMENT

Effective December 1, 1999, Southeast Sewer District No. 3 entered into a contract with *Greater Ouachita Water Company* for the maintenance and operations of Southeast Sewer District No. 3 for a period of ten years. Greater Ouachita Water Company retains all monthly sewer charges and pays all monthly operating expenses and provides sewerage treatment services. Southeast Sewer District No. 3 retains custody of the property, plant and equipment.

NOTE 7 - SUBSEQUENT EVENTS

The Ouachita Parish Police Jury and the City of Monroe had been in dispute over the amount owed for sewerage treatment fees due from the District. The liability recorded by the District is reflected in Accounts Payable in the accompanying financial statements; however, the City of Monroe had maintained the balance due was significantly higher than the amount recorded by the District. No payments have been made to the City of Monroe for treatment fees for the year ended December 31, 1999 and 1998. On April 26, 2000, an agreement was reached between the City of Monroe and the Ouachita Parish Police Jury in the amount of \$146,129.76 in full satisfaction for any amounts due by Southeast Sewer No. 3 as of December 31, 1999. Payment has been accepted by the City of Monroe.

SUPPLEMENTAL INFORMATION



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INDEPENDENT AUDITORS' 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 Supervisors
Southeast Sewerage District No. 3
Monroe, Louisiana**

We have audited the component unit financial statements of **Southeast Sewerage District No. 3** (a component unit of the Ouachita Parish Police Jury – the District), as of December 31, 1999, and have issued our report thereon dated May 1, 2000. We conducted our audits 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 the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the District's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal

**Board of Supervisors
Southeast Sewerage District No. 3
Monroe, Louisiana**

control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be considered 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 general purpose 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.

This report is intended for the information of management of the District, other entities granting funds to the District and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.



(A Professional Accounting Corporation)

May 1, 2000

**SOUTHEAST SEWERAGE DISTRICT #3
Monroe, Louisiana**

SUMMARY STATUS OF PRIOR YEAR FINDINGS

The following is a summary of the status of findings included in our reports on internal control, compliance with laws and regulations and management letter dated May 20, 1999, issued in connection with our examination of the financial statements Southeast Sewerage District #3, Monroe, Louisiana as of and for the year ended December 31, 1998.

There were no findings in our reports on internal control and compliance with laws and regulations.

MANAGEMENT LETTER COMMENTS

Recording of Receivables

We noted that the Police Jury was recording the amount remitted from M&N Utilities as receivables, not the amount billed to customers.

Status:

Effective December 1, 1999, Greater Ouachita Water Company assumed total responsibility for operations of Southeast Sewerage District #3. Because of this operating agreement, this is no longer an issue.

Board of Supervisors Meetings

We noted that the Board of Supervisors had not convened since February 1998.

Status:

This condition is no longer an issue due to the operating agreement mentioned above.

Composition of Governing Body

We noted that the Board of Supervisors of the District had only four members but was required to have five per Ouachita Parish Code Section 20-170.1.

Status:

This condition is no longer an issue due to the operating agreement mentioned above.