RECEIVED
LEGISLATIVE AUDITOR
96 AUG 24 AM 9:16

Y
...D OLD
... to make any
copies from this
copy and PLACE
BACK in FILE)

ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana

General Purpose Financial Statements
With Independent Auditor's Report
As of and for The Two Years Ended
December 31, 1995

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

Release Date 8-21-96

ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana

General Purpose Financial Statements
With Independent Auditor's Report
As of and for the Two Years Ended
December 31, 1995

C O N T E N T S

	Statement	Page No.
Independent Auditor's Report		2
General Purpose Financial Statements:		
Proprietary Fund Type - Enterprise Fund:		
Balance Sheet, December 31, 1995	A	5
Statement of Revenues, Expenses, and Changes in Retained Earnings:		
For the Year Ended December 31, 1995	B	6
For the Year Ended December 31, 1994	C	7
Statement of Cash Flows:		
For the Year Ended December 31, 1995	D	8
For the Year Ended December 31, 1994	E	9
Notes to the Financial Statements		10
Independent Auditor's Reports Required by *Government Auditing Standards*:		
Report on Compliance With Laws and Regulations		14
Report on Internal Control Structure		17

LOUIS L. ANDRIES
CERTIFIED PUBLIC ACCOUNTANT

126 COMANCHE TRAIL
WEST MONROE, LA 71291

(318) 396-3636

Independent Auditor's Report

BOARD OF SUPERVISORS
ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana

I have audited the general purpose financial statements of Elam Sewerage District No. 2 of Franklin Parish, a component unit of the Franklin Parish Police Jury, as of December 31, 1995, and for each of the years in the two year period then ended, as listed in the table of contents. These financial statements are the responsibility of the management of Elam Sewerage District No. 2 of Franklin Parish. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Elam Sewerage District No. 2 of Franklin Parish as of December 31, 1995, and the results of operations and cash flows for each of the years in the two year period then ended in conformity with generally accepted accounting principles.

BOARD OF SUPERVISORS
ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
Independent Auditor's Report,
December 31, 1995

In accordance with *Government Auditing Standards*, I have also issued a report dated April 21, 1996, on my consideration of Elam Sewerage District No. 2 of Franklin Parish's internal control structure and a report dated April 21, 1996, on its compliance with laws and regulations.

Lewis L. Andrews

West Monroe, Louisiana
April 21, 1996

GENERAL PURPOSE FINANCIAL STATEMENTS
(OVERVIEW)

Statement A

ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Balance Sheet, December 31, 1995

ASSETS	
Current assets:	
Cash	$3,070
Accounts receivable	962
Other assets	75
TOTAL ASSETS	$4,107
LIABILITIES AND FUND EQUITY	
Liabilities - accounts payable	$200
Fund Equity - retained earnings -	
Unreserved - undesignated	3,907
TOTAL LIABILITIES AND FUND EQUITY	$4,107

The accompanying notes are an integral part of this statement.

Statement B

ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Revenues, Expenses, and
Changes in Retained Earnings
For the Year Ended December 31, 1995

OPERATING REVENUES	
Service fees	$5,681
OPERATING EXPENSES	
Maintenance and repair	1,778
Upkeep of grounds	875
Accounting and auditing	900
Utilities	270
Permits	497
Other	377
Total operating expenses	4,697
NET INCOME	984
RETAINED EARNINGS AT BEGINNING OF YEAR	2,923
RETAINED EARNINGS AT END OF YEAR	$3,907

The accompanying notes are an integral part of this statement.

Statement C

ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Revenues, Expenses, and
Changes in Retained Earnings
For the Year Ended December 31, 1994

OPERATING REVENUES	
Service fees	$3,687
OPERATING EXPENSES	
Maintenance and repair	1,680
Upkeep of grounds	1,000
Accounting and auditing	900
Utilities	303
Permits	993
Other	59
Total operating expenses	4,935
NET INCOME	(1,248)
RETAINED EARNINGS AT BEGINNING OF YEAR	4,171
RETAINED EARNINGS AT END OF YEAR	$2,923

The accompanying notes are an integral part of this statement.

ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Cash Flows
For the Year Ended December 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$5,897
Cash paid to suppliers and others	(5,206)
Net cash provided by operating activities	691
CASH AT BEGINNING OF YEAR	2,379
CASH AT END OF YEAR	$3,070
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$984
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(278)
Decrease in accounts payable	(15)
Total adjustments	(293)
Net cash provided by operating activities	$691

The accompanying notes are an integral part of this statement.

ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Cash Flows
For the Year Ended December 31, 1994

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$5,877
Cash paid to suppliers and others	(4,935)
Net cash provided by operating activities	942
CASH AT BEGINNING OF YEAR	1,437
CASH AT END OF YEAR	$2,379
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (Loss)	($1,248)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	2,190
Net cash provided by operating activities	$942

The accompanying notes are an integral part of this statement.

2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

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 police jury created the district and appoints the supervisors of the district, and because the district is located within the geographical jurisdiction of the police jury, it was determined to be a component unit of the Franklin Parish Police Jury, 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 police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. FUND ACCOUNTING

Elam Sewerage District No. 2. of Franklin Parish 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.

C. FIXED ASSETS AND LONG-TERM DEBT

The district does not own any fixed assets. The sewerage system is owned by the Franklin Parish Police Jury and is not reflected in the accounting records of the district. There is no long-term debt at December 31, 1995.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Enterprise Fund is reported in the accompanying financial statements on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

E. CASH

Under state law, the district may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The district may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 1995, the district has cash (book balances) totaling $3,070.

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. Cash (bank balances) of $3,045 at December 31, 1995, are fully secured by federal deposit insurance.

F. VACATION AND SICK LEAVE

The district has no employees; therefore the adoption of vacation and sick leave policies is not required.

2. LITIGATION AND CLAIMS

The district is not involved in any litigation at December 31, 1995, nor is it aware of any unasserted claims.

Independent Auditor's Reports Required by *Government Auditing Standards*

The following independent auditor's reports on compliance with laws, regulations and contracts and on the internal control structure are presented in compliance with the requirements of *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.

LOUIS L. ANDRIES
CERTIFIED PUBLIC ACCOUNTANT

126 COMANCHE TRAIL
WEST MONROE, LA 71291

(318) 396-3636

Independent Auditor's Report on Compliance With Laws and Regulations

BOARD OF SUPERVISORS
ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana

I have audited the general purpose financial statements of Elam Sewerage District No. 2 of Franklin Parish as of December 31, 1995, and for each of the years in the two year period then ended, and have issued my report thereon dated April 21, 1996.

I conducted my audit in accordance with generally accepted auditing standards; *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. Those standards and the audit guide require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Elam Sewerage District No. 2 of Franklin Parish, is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, I performed tests of Elam Sewerage District No. 2 of Franklin Parish's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, or contracts that cause me to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of my tests of compliance disclosed the following instances of noncompliance.

Need to File Sworn Annual Financial Statements

Finding: Louisiana Revised Statute (LRS) 24:514 requires that the sewerage district file sworn annual financial statements with the legislative auditor within ninety days following the close of the district's fiscal year. The district did not file the required financial statements for the year ended December 31, 1994 as required by state law.

Recommendation: The district should comply with LRS 24:514 by filing sworn annual financial statements with the legislative auditor within ninety days following the close of the district's fiscal year. In addition, under provisions of LRS 24:514 enacted in 1995, the district must file a certification with the legislative auditor indicating that it received less than fifty thousand dollars for the fiscal year.

Management's response: In the future, the district will file sworn annual financial statements and the certification as required by state law.

Need to Comply with the *Code of Government Ethics*

Finding: Louisiana Revised Statute 42:1113 provides, in part, that no appointed member of any board or commission or member of his immediate family shall enter into transactions that are under the supervision or jurisdiction of the agency of such public servant. During the two years ended December 31, 1995, the chairman on the district's board of supervisors received compensation from the district for services provided to the district.

Recommendation: The district should not compensate any board member for services rendered to the district. The district should obtain the services from parties unrelated to the district or the services should be provided by the board member without compensation.

Management's response: In the future, the district will not compensate board members for services provided to the district.

BOARD OF SUPERVISORS
ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
Independent Auditor's Report
on Compliance, etc.,
December 31, 1995

Board Members Must Reside Within the District

Finding: Louisiana Revised Statute 33:3387 requires that members of the board of supervisors be taxpayers residing within the district. I noted that the chairman of the board resides in another parish which is not within the boundaries of the sewerage district. By residing in another parish, the chairman has placed the district in violation of state law.

Recommendation: The board member should resign from the board if he is going to reside outside the boundaries of the district and another member should be appointed to the board by the Franklin Parish Police Jury.

Management's Response: The other members of the board will ask for the chairman's resignation and request another board member be appointed by the Franklin Parish Police Jury.

I considered these instances of noncompliance in forming my opinion on whether Elam Sewerage District No. 2 of Franklin Parish's 1995 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect my report dated April 21, 1996, on those general purpose financial statements.

The audit report for the two years ended December 31, 1993, contained findings relating to recording of minutes of board meetings and code of government ethics. Except for the finding related to the code of government ethics, as noted above, those findings have been resolved by the management of the district.

This report is intended for the information of the board of supervisors of Elam Sewerage District No. 2 of Franklin Parish, management of the district, and interested state and federal agencies. This is not intended to limit the distribution of this report, which is a matter of public record.

Louis A. Andrieu

West Monroe, Louisiana
April 21, 1996

LOUIS L. ANDRIES
CERTIFIED PUBLIC ACCOUNTANT

126 COMANCHE TRAIL
WEST MONROE, LA 71291

(318) 396-3636

Independent Auditor's Report on Internal Control Structure

BOARD OF SUPERVISORS
ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana

I have audited the general purpose financial statements of Elam Sewerage District No. 2 of Franklin Parish, as of December 31, 1995, and for each of the years in the two year period then ended, and have issued my report thereon dated April 21, 1996.

I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Elam Sewerage District No. 2 of Franklin Parish, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

BOARD OF SUPERVISORS
ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
Independent Auditor's Report on
Internal Control Structure,
December 31, 1995

In planning and performing my audit of the general purpose financial statements of the Elam Sewerage District No. 2 of Franklin Parish for the two years ended December 31,1995, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. However, I noted the following matters involving the internal control structure and its operation that I consider to be a material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in my audit of the general purpose financial statements of Elam Sewerage District No. 2 of Franklin Parish for the two years ended December 31, 1995.

Need to maintain proper supporting documentation for expenditures

Finding: During my test of expenditures supporting documentation could not be located for 35 or 37 per cent of the 95 disbursements tested. All disbursements should be supported by an itemized invoice or other form of documentation to insure that the expenditure is for a legitimate liability of the district and that it has been authorized by the proper district officials.

BOARD OF SUPERVISORS
ELAM SEWERAGE DISTRICT NO. 2
OF FRANKLIN PARISH
Wisner, Louisiana
Independent Auditor's Report on
Internal Control Structure,
December 31, 1995

Recommendation: The district should not disburse any funds without proper documentation supporting the disbursement. All invoices or other documentation should be signed by the person receiving the goods or services and maintained in the district's vendor files in an orderly and logical fashion.

Management's Response: The district's secretary informed that procedures would be established to ensure that all disbursements are supported by proper documentation and that the documentation would be properly filed.

Segregation of Duties

Finding: All accounting functions of the district, i.e., depositing and posting receipts and preparing, posting, and issuing checks are performed by one individual. Such functions are not compatible and should be performed by separate individuals. However, because of the size of the district and its limited resources, it is not economically feasible to correct this deficiency.

The audit report for the two years ended December 31, 1993, contained findings relating to accounting records and segregation of duties. Except for the finding related to the segregation of duties, as noted above, those findings have been resolved by the management of the district.

This report is intended for the information of the board of commissioners of Elam Sewerage District No. 2 of Franklin Parish and management of the district. This is not intended to limit the distribution of this report, which is a matter of public record.

Louis L. Andrus

West Monroe, Louisiana
April 21, 1996