

# HEARD, McELROY & VESTAL, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS

GILBERT R. SHANLEY, JR., C. P. A., A. P. C.  
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COMMERCIAL NATIONAL TOWER  
15TH FLOOR  
333 TEXAS STREET  
P. O. BOX 1607  
SHREVEPORT, LA 71165  
TELEPHONE (318) 429-1525  
FACSIMILE (318) 429-2070

GREENACRES OFFICE PARK  
2285 BENTON ROAD  
SUITE B-100  
BOSSIER CITY, LA 71111  
TELEPHONE (318) 674-3560  
FACSIMILE (318) 742-9292

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CHARLES E. VESTAL, C. P. A. (1990)

September 9, 1996

Board of Commissioners  
Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana

## Report on the Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the component unit financial statements of Caddo Parish Sewerage District No. 2 as of and for the year ended June 30, 1996, and have issued our report thereon dated September 9, 1996.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

The management of Caddo Parish Sewerage District No. 2 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements 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 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.

In planning and performing our audit of the component unit financial statements of Caddo Parish Sewerage District No. 2 for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could

adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

*Condition - There is inadequate segregation of duties in the control structure over cash receipts, disbursements, and accounting for deposits with financial institutions. All functions are performed by one individual.*

*Criteria - Adequate control policies and procedures should include appropriate segregation of responsibilities considered to be incompatible.*

*Cause - The condition is due to economic limitations on the number of personnel employed by the District.*

*Effect - Not determined.*

*Recommendation - Given the limitations under which the District operates, full segregation of duties is not possible.*

*Management's response - Although we concur with the finding, additional action is not economically feasible.*

A material weakness is a reportable condition in which the design or operation of one or more of the 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 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe the condition noted above to be a material weakness, although due to the limitation mentioned, no action was recommended.

This report is intended for the information of the Board of Supervisors and the Legislative Auditor's Office of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Board of Supervisors, is a matter of public record.

*Hearn, McElroy & Vestal, LLP*

OTHER REPORTS

CADDO PARISH SEWERAGE DISTRICT NO. 2

SCHEDULE OF PER DIEM PAID TO BOARD OF SUPERVISORS

FOR THE YEAR ENDED JUNE 30, 1996

<u>Board Member</u>	<u>Meetings Attended</u>		<u>Compensated for</u>		<u>Total</u>
	<u>Regular</u>	<u>Special</u>	<u>Regular</u>	<u>Special</u>	
Raymond E. Donelson	9	-	9	-	540
Morris E. Morgan	4	-	4	-	240
Tom Duncan	9	-	9	-	540
Claude Woodruff	3	-	3	-	180
Brad Webb	4	-	4	-	240
Terry Streetman	4	-	4	-	<u>240</u>
Total per diem paid					<u>1,980</u>

CADDO PARISH SEWERAGE DISTRICT NO. 2

SCHEDULE OF INSURANCE IN FORCE

JUNE 30, 1996

<u>Coverage</u>	
General liability	<u>500,000</u>
Fire and extended coverage, vandalism and malicious mischief	<u>589,330</u>
Fidelity bond on secretary-bookkeeper	<u>5,000</u>
Computer insurance	<u>3,648</u>

UNAUDITED

SUPPLEMENTARY INFORMATION

1995

<u>Governmental</u> <u>Fund Type</u>	<u>Proprietary</u> <u>Fund Type</u>	<u>Account</u> <u>Group</u>	<u>Total</u>
<u>Debt</u> <u>Service</u>	<u>Enterprise</u>	<u>General</u> <u>Long-Term</u> <u>Debt</u>	<u>(Memo</u> <u>Only)</u>
-	37,881	-	37,881
62,830	-	-	62,830
20,000	-	-	20,000
-	23,030	-	23,030
-	2,397	-	2,397
-	1,083,774	-	1,083,774
-	5,679	-	5,679
-	729	-	729
-	-	82,830	82,830
-	-	<u>262,170</u>	<u>262,170</u>
<u>82,830</u>	<u>1,153,490</u>	<u>345,000</u>	<u>1,581,320</u>
-	15,653	-	15,653
-	-	<u>345,000</u>	<u>345,000</u>
-	15,653	<u>345,000</u>	<u>360,653</u>
-	1,189,385	-	1,189,385
82,830	-	-	82,830
-	(51,548)	-	(51,548)
<u>82,830</u>	<u>1,137,837</u>	<u>-</u>	<u>1,220,667</u>
<u>82,830</u>	<u>1,153,490</u>	<u>345,000</u>	<u>1,581,320</u>

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September 9, 1996

The Board of Supervisors  
Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana

## Compliance Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the component unit financial statements of Caddo Parish Sewerage District No. 2 as of and for the year ended June 30, 1996, and have issued our report thereon dated September 9, 1996.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Caddo Parish Sewerage District No. 2 is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of Caddo Parish Sewerage District No. 2's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. 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*.

This report is intended for the information of the Board of Supervisors and the Legislative Auditor's Office of the State of Louisiana. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board of Supervisors, is a matter of public record.

Heard, McElroy + Vestal, LLP



6. Cash and Certificate of Deposit

All cash and certificates of deposit are entirely insured or collateralized. The certificate of deposit represents an investment of excess funds in a national bank whose principal office is in the State of Louisiana. Its market value approximates cost at June 30, 1996 and 1995.

CADDO PARISH SEWERAGE DISTRICT NO. 2

CADDO PARISH, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1
Component Unit Financial Statements:	
Balance Sheets-All Fund Types and Account Group	2
Statements of Revenue, Expenditures and Changes in Fund Balance-Governmental Fund Type (Debt Service)	3
Statements of Revenue, Expenses and Changes in Accumulated Deficit-Proprietary Fund Type (Enterprise)	4
Statements of Cash Flows-Proprietary Fund Type (Enterprise)	5
Notes to the Financial Statements	6-10

SUPPLEMENTARY INFORMATION

Schedule of Insurance in Force (Unaudited)	11
Schedule of Per Diem Paid to Board of Supervisors	12

OTHER REPORTS

Compliance Report Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Report on the Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance with <i>Government     Auditing Standards</i>	14-15

AUDITED FINANCIAL STATEMENTS

CADDO PARISH SEWERAGE DISTRICT NO. 2

BALANCE SHEETS-ALL FUND TYPES AND ACCOUNT GROUP

JUNE 30, 1996 AND 1995

	<u>1996</u>			
	<u>Governmental</u>	<u>Proprietary</u>	<u>Account</u>	<u>Total</u>
	<u>Fund Type</u>	<u>Fund Type</u>	<u>Group</u>	
	<u>Debt</u>		<u>General</u>	
<u>ASSETS AND OTHER DEBITS</u>	<u>Service</u>	<u>Enterprise</u>	<u>Long-Term</u>	<u>(Memo</u>
			<u>Debt</u>	<u>Only)</u>
Cash and cash equivalents:-Note 6				
Maintenance and operating account	-	93,302	-	93,302
General obligation bond sinking account	59,724	-	-	59,724
Certificate of deposit-Note 6	40,000	-	-	40,000
Accounts receivable	-	18,280	-	18,280
Prepaid expenses	-	3,383	-	3,383
Property, plant and equipment-Note 3	-	1,029,328	-	1,029,328
Bond issue costs-Note 4	-	5,247	-	5,247
Organizational and incidental costs	-	592	-	592
Amount available in debt service fund	-	-	100,238	100,238
Amount to be provided for retirement of bonded indebtedness from ad valorem taxes	-	-	229,762	229,762
Total assets and other debits	<u>99,724</u>	<u>1,150,132</u>	<u>330,000</u>	<u>1,579,856</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities:</u>				
Accounts payable	-	13,260	-	13,260
General obligation bonds payable-Note 4	-	-	330,000	330,000
Total liabilities	-	13,260	330,000	343,260
 <u>Fund equity:</u>				
Contributions from other funds	-	1,189,385	-	1,189,385
Fund balance, unreserved	99,724	-	-	99,724
Accumulated deficit-Note 5	-	(52,513)	-	(52,513)
Total fund equity	<u>99,724</u>	<u>1,136,872</u>	<u>-</u>	<u>1,236,596</u>
Total liabilities and fund equity	<u>99,724</u>	<u>1,150,132</u>	<u>330,000</u>	<u>1,579,856</u>

The accompanying notes are an integral part of these financial statements.

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CADDO PARISH SEWERAGE DISTRICT NO. 2  
CADDO PARISH, LOUISIANA  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 1996 AND 1995

Under provisions of state law, this report is a public document. It contains information of a confidential nature which is not to be disseminated to the public without the approval of the Board of Directors. This report is for the use of the Board of Directors and the public. It is not to be used for any other purpose. It is the property of the Board of Directors and is to be kept in the office of the parish auditor.

FEB 12 1997

Approved Date

1. Summary of Significant Accounting Policies (Continued)

**B. Fixed Assets and Long-Term Liabilities**

Long-term liabilities expected to be financed from government funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All fixed assets are stated at historical cost. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives by type of asset are as follows:

Treatment and disposal plant	20-50 years
Sewer collection system	10-50 years
Equipment	5-15 years
Office furniture and fixtures	15 years

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or 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.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer assessed income is considered "measurable" when in the hands of intermediary collecting governments and is recognized as revenue at that time.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

3. Property, Plant and Equipment (Continued)

	June 30, <u>1996</u>	June 30, <u>1995</u>
Sewerage collection system	446,830	446,830
Treatment and disposal plant	1,143,600	1,143,600
Equipment	<u>18,879</u>	<u>27,808</u>
	1,611,224	1,620,959
<u>Less-accumulated depreciation</u>	<u>638,148</u>	<u>593,437</u>
	973,076	1,027,522
Real estate and right-of-ways	<u>56,252</u>	<u>56,252</u>
	<u><u>1,029,328</u></u>	<u><u>1,083,774</u></u>

The treatment and disposal plant was upgraded during 1993 at an approximate cost of \$754,000, including capitalized interest of \$58,472.

4. General Obligation Bonds

On May 26, 1989, the District sold \$390,000 of general obligation bonds dated May 1, 1989 at par value for the purpose of upgrading the present sewerage facilities. Principal maturities range from \$10,000 to \$40,000 annually, together with interest at rates ranging from 7.6% to 11.0%. Debt service payments, including interest of \$209,936, are as follows for the years ending June 30:

1997	40,767
1998	39,628
1999	43,480
2000	41,940
2001	40,400
Thereafter	<u>333,721</u>
Total debt service remaining, including interest	<u><u>539,936</u></u>

The bonds are secured by ad valorem taxes to be imposed and collected annually in excess of all other taxes on all of the property subject to taxation within the territorial limits of Caddo Parish Sewerage District No. 2 under the constitution and laws of Louisiana, sufficient in amount to pay the principal and the interest thereon as they severally mature.

The cost incurred in issuing the bonds is being amortized on a straight-line basis over a period of 20 years, the estimated life of these bonds.

The following is a summary of bond transactions of the District for the years ended June 30, 1996 and 1995:

Bonds payable at June 30, 1994	355,000
Bonds retired	<u>10,000</u>
Bonds payable at June 30, 1995	345,000
Bonds retired	<u>15,000</u>
Bonds payable at June 30, 1996	<u><u>330,000</u></u>

5. Accumulated Deficit

The Enterprise Fund had accumulated deficits of \$52,513 and \$51,548 at June 30, 1996 and 1995, respectively. Management intends to eliminate the existing accumulated deficit through increased revenue from ad valorem taxes.

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September 9, 1996

The Board of Supervisors  
Caddo Parish Sewerage District No. 2  
Caddo Parish, Louisiana

## Independent Auditor's Report

We have audited the component unit financial statements of Caddo Parish Sewerage District No. 2, a component unit of the Parish of Caddo, Louisiana as of June 30, 1996 and 1995, and for the years then ended, as listed in the table of contents. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Caddo Parish Sewerage District No. 2 as of June 30, 1996 and 1995, and the results of its operations and cash flows of its proprietary fund for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 1996 on our consideration of the District's internal control structure, and a report dated September 9, 1996 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of Caddo Parish Sewerage District No. 2. Such information, with the exception of the schedule of insurance in force at June 30, 1996, on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Heard, McElroy & Vestal, LLP



1. Summary of Significant Accounting Policies (Continued)

D. **Cash and Cash Equivalents**

Cash and cash equivalents includes all cash on deposit with maturities of three months or less.

E. **Capitalization of Construction Period Interest**

The amount of interest cost capitalized is equal to the average amount of accumulated expenditures multiplied by the average interest rate on the general obligation bonds outstanding for the period during which construction occurs.

F. **Comparative Data**

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes on the District's financial position and operations.

G. **Total Columns on Combined Statements**

Total columns on the Combined Statements are captioned "Memo Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. Ad Valorem Taxes

Ad valorem taxes are recorded as received. Such taxes are levied by the District in November of each calendar year and are due by December 31 of that year on the assessed valuation of property located within the District's boundaries. Hence, even though taxes for January 1 through June 30 are measurable as of June 30, they do not meet the "availability" criteria for accrual since they are not due within 60 days of the District's fiscal year-end. Accordingly, such taxes are not recorded until received.

During the year ended June 30, 1996, ad valorem taxes received were based on the December 31, 1995 net taxable value of \$2,522,130. The total millage rate for the calendar year 1995 was 46.25 mills which consisted of 22.25 mills for maintenance and operating and 24.00 mills for paying the principal and interest on general obligation bonds.

During the year ended June 30, 1995, ad valorem taxes received were based on the December 31, 1994 net taxable value of \$2,513,210. The total millage rate for the calendar year 1994 was 46.25 mills which consisted of 22.25 mills for maintenance and operating and 24.00 mills for paying the principal and interest on general obligation bonds.

3. Property, Plant and Equipment

The following is a summary of property, plant and equipment accounts and related accumulated depreciation:

	<u>June 30,</u> <u>1996</u>	<u>June 30,</u> <u>1995</u>
Office furniture and fixtures	1,915	2,721

CADDO PARISH SEWERAGE DISTRICT NO. 2

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE-

GOVERNMENTAL FUND TYPE (DEBT SERVICE)

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<u>Revenues:</u>		
Ad valorem taxes-Note 2	56,810	57,195
Interest	<u>2,832</u>	<u>1,692</u>
Total revenues	59,642	58,887
<u>Expenditures:</u>		
Principal	15,000	10,000
Interest and fiscal charges	<u>27,748</u>	<u>28,840</u>
Total expenditures	<u>42,748</u>	<u>38,840</u>
<u>Excess of revenue over expenditures</u>	16,894	20,047
<u>Fund balance-beginning of year</u>	<u>82,830</u>	<u>62,783</u>
<u>Fund balance-end of year</u>	<u>99,724</u>	<u>82,830</u>

The accompanying notes are an integral part of these financial statements.

CADDO PARISH SEWERAGE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996 AND 1995

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Caddo Parish Sewerage District No. 2 ("the District") conform to generally accepted accounting principles as applicable to local governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes and to the guides set forth in the Louisiana Governmental Audit Guide, and to the Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

**A. Financial Reporting Entity**

The District is a component unit of the Parish of Caddo, Louisiana. The financial statements include all funds and the account group which are controlled by or dependent on the District's Board of Supervisors. Control by or dependence on the District was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

**Fund Accounting**

The accounts of the District are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

**Governmental Funds**

Debt Service Funds-Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Proprietary Funds**

Enterprise Funds-Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CADDO PARISH SEWERAGE DISTRICT NO. 2

STATEMENTS OF CASH FLOWS-PROPRIETARY FUND TYPE (ENTERPRISE)

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<u>Cash flows from operating activities:</u>		
Loss from operations	(60,974)	(51,720)
Adjustments to reconcile loss from operations to net cash (used) by operating activities:		
Depreciation and amortization	54,973	55,240
Changes in assets and liabilities:		
Receivables:		
Accounts	4,750	(7,382)
Prepaid expenses	(986)	679
Accounts payable	(2,393)	(24,307)
Other	<u>42</u>	<u>-</u>
Net cash (used) by operating activities	(4,588)	(27,490)
<u>Cash flows from noncapital financing activities:</u>		
Taxes collected	52,669	52,853
State revenue sharing	<u>3,849</u>	<u>3,904</u>
Net cash provided by noncapital financing activities	56,518	56,757
<u>Cash flows from investing activities:</u>		
Receipts of interest	<u>3,491</u>	<u>906</u>
<u>Net increase in cash and cash equivalents</u>	55,421	30,173
<u>Cash and cash equivalents-beginning of year</u>	<u>37,881</u>	<u>7,708</u>
<u>Cash and cash equivalents-end of year</u>	<u>93,302</u>	<u>37,881</u>

The accompanying notes are an integral part of these financial statements.

CADDO PARISH SEWERAGE DISTRICT NO. 2

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN ACCUMULATED DEFICIT-

PROPRIETARY FUND TYPE (ENTERPRISE)

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

	<u>1996</u>	<u>1995</u>
<u>Operating revenues:</u>		
Sewerage fees	104,947	96,474
<u>Operating expenses:</u>		
Accounting and auditing fees	4,300	4,065
Amortization of bond issue costs	432	432
Amortization of organizational and incidental costs	137	137
Attorney fees	805	2,707
Board of supervisors' fees	1,980	3,000
Contract labor	25,584	25,584
Depreciation	54,404	54,671
Insurance	4,117	4,608
Laboratory fees	2,078	1,418
Legal advertising	-	12
Miscellaneous	222	135
Office supplies	438	631
Payroll taxes	459	459
Plant supplies	4,786	4,744
Repairs and maintenance	29,015	12,139
Salaries	6,000	6,000
Sewerage billing fees	17,533	13,523
Treatment plant operation contract	87	-
Utilities	<u>13,544</u>	<u>13,929</u>
Total operating expenses	<u>165,921</u>	<u>148,194</u>
<u>Loss from operations</u>	(60,974)	(51,720)
<u>Nonoperating revenues:</u>		
Ad valorem taxes-Note 2	52,669	52,853
State revenue sharing	3,849	3,904
Interest	<u>3,491</u>	<u>906</u>
Total nonoperating revenues	<u>60,009</u>	<u>57,663</u>
<u>Net income (loss)</u>	(965)	5,943
<u>Accumulated deficit-beginning of year</u>	<u>(51,548)</u>	<u>(57,491)</u>
<u>Accumulated deficit-end of year</u>	<u>(52,513)</u>	<u>(51,548)</u>

The accompanying notes are an integral part of these financial statements.