

SEWERAGE DISTRICT NO. 2  
OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Internal Control Report (Continued)

In planning and performing my audit of the financial statements, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of the 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 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 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. I noted no matters involving the internal control structure and its operation that I consider to be material weaknesses as defined above.

This report is intended for the information of the Sewerage District No. 2 of Rapides Parish. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Herbie W. Way*

Herbie W. Way  
Alexandria, Louisiana  
April 1, 1997

**HERBIE W. WAY**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**Independent Auditor's Report on Compliance With Laws and Regulations  
Based Solely on an Audit of the Financial Statements**

**BOARD OF COMMISSIONERS  
SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY**  
Alexandria, Louisiana

I have audited the financial statements of the Sewerage District No. 2 of Rapides Parish as of December 31, 1996, and for the years ended December 31, 1996 and 1995, and have issued my report thereon dated April 1, 1997.

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 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

The results of my 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 Sewerage District No. 2 of Rapides Parish. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Herbie W. Way*

Herbie W. Way  
Alexandria, Louisiana  
April 1, 1997

**HERBIE W. WAY**  
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**Independent Auditor's Report on Internal Control Structure  
Based Solely on an Audit of the Financial Statements**

**BOARD OF COMMISSIONERS  
SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY**  
Alexandria, Louisiana

I have audited the financial statements of the Sewerage District No. 2 of Rapides Parish as of December 31, 1996, and for the years ended December 31, 1996 and 1995, and have issued my report thereon dated April 1, 1997.

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 financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of the Sewerage District No. 2 of Rapides Parish, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Sewerage District No. 2 of Rapides 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 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.

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Revenues, Expenses, and Changes in Retained Earnings  
 For the Years Ended December 31, 1996 and 1995

	<u>DECEMBER 31,</u>	
	<u>1996</u>	<u>1995</u>
<u>OPERATING REVENUES</u>		
Sewerage service and tap fees	<u>\$138,395</u>	<u>\$128,509</u>
<u>OPERATING EXPENSES</u>		
Public works - sanitation - sewerage collection and disposal:		
Current:		
Personal service - per diem	4,320	4,320
Operating services	128,372	122,140
Material and supplies	284	330
Depreciation	<u>21,222</u>	<u>21,222</u>
Total operating expenses	<u>154,198</u>	<u>148,012</u>
OPERATING INCOME (Loss)	(15,803)	(19,503)
<u>NONOPERATING REVENUES</u>		
Interest earnings	<u>2,164</u>	<u>1,160</u>
Total nonoperating revenues	<u>2,164</u>	<u>1,160</u>
NET INCOME (Loss)	(13,639)	(18,343)
<u>ADD DEPRECIATION OF FIXED ASSETS</u> <u>ACQUIRED WITH CONTRIBUTED CAPITAL</u>	<u>21,222</u>	<u>21,222</u>
<u>INCREASE (Decrease) IN RETAINED EARNINGS</u>	7,583	2,879
<u>RETAINED EARNINGS AT BEGINNING OF YEAR</u>	<u>68,596</u>	<u>65,717</u>
<u>RETAINED EARNINGS AT END OF YEAR</u>	<u>\$76,179</u>	<u>\$68,596</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana  
 Notes to the Financial Statements (Continued)

**F. FIXED ASSETS AND LONG-TERM LIABILITIES**

Fixed assets and accumulated depreciation of the district are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life of the system of 45 years. Fixed assets purchased by the district are recorded at historical cost and donated fixed assets are valued at the estimated fair market value at the time of donation. The sewerage district has no long-term liabilities.

**H. FUND EQUITY - CONTRIBUTED CAPITAL**

Contributed capital represents sewerage facilities donated by developers. Contributed capital is amortized based on the depreciation recognized on the related capital assets. Depreciation is closed to the contributed capital account and is reflected as an adjustment to the net income/(loss) on Statement B.

**2. CASH AND EQUIVALENTS**

At December 31, 1996, the district has cash and cash equivalents (book balances) as follows:

Petty cash	\$25
Demand deposits	28,350
Time and certificates of deposit	<u>44,676</u>
Total	<u><u>\$73,051</u></u>

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. Cash and cash equivalents (bank balances) totaling \$71,459 at December 31, 1996, are fully secured by federal deposit insurance (GASB Category 1).

**3. FIXED ASSETS**

A summary of fixed assets and related depreciation at December 31, 1996, follows:

	Cost	Accumulated Depreciation	Net
	<u>          </u>	<u>          </u>	<u>          </u>
Sewer system	<u>\$959,479</u>	<u>\$545,556</u>	<u>\$413,923</u>

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

The following independent auditor's reports on internal control and compliance 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.

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH**  
**RAPIDES PARISH POLICE JURY**  
 Alexandria, Louisiana

Schedule of Per Diem Paid Board Members  
 For the Years Ended December 31, 1996 and 1995

	December 31, 1996		December 31, 1995	
	Number	Amount	Number	Amount
B. Frank Killen	24	\$1,440	24	\$1,440
Voorhies P. Gauthier	24	1,440	24	1,440
John C. Miller, Jr.	24	1,440	24	1,440
Total		\$4,320		\$4,320

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana  
SUPPLEMENTAL INFORMATION SCHEDULE  
For the Years Ended December 31, 1996 and 1995

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

In accordance with Louisiana Revised Statute 33:3887, each board member is to receive a maximum per diem of \$60 for each board meeting they attend, not to exceed 24 regular and 12 special meetings per year.



**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana**

Notes to the Financial Statements  
As of December 31, 1996, and for the Years  
Ended December 31, 1996 and 1995

**INTRODUCTION**

Sewerage District No. 2 of Rapides Parish was created by the Rapides Parish Police Jury under the authority of Louisiana Revised Statutes 33:3881. The sewerage district is governed by a three-member board appointed by the police jury. The sewerage district maintains and operates the sewerage system within the boundaries of the district. At December 31, 1996, the district has approximately 877 customers.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements of the 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 Rapides Parish Police Jury is the financial reporting entity for Rapides Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the 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.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Rapides Parish Police Jury 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. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury 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 police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement of Cash Flows  
 For the Years Ended December 31, 1996 and 1995

	DECEMBER 31,	
	1996	1995
Cash flows from operating activities:		
Cash from operating revenues	137,874	129,624
Cash for operating expenses	<u>132,976</u>	<u>126,790</u>
Net cash provided (required) by operating activities	4,898	2,834
Cash flows from investing activities - interest earnings	2,164	1,160
Cash flows for purchase of capital assets	<u>(4,479)</u>	
Net increase (decrease) in cash and equivalents	2,583	3,994
Cash and equivalents at beginning of year	<u>70,468</u>	<u>66,474</u>
Cash and equivalents at end of year	<u>\$73,051</u>	<u>\$70,468</u>
Reconciliation of operating income (loss) to net cash provided (required) by operating activities		
Operating income (loss)	(\$15,803)	(\$19,503)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	21,222	21,222
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(521)	(436)
Increase (decrease) in deferred revenues		1,551
Total adjustments	<u>20,701</u>	<u>22,337</u>
Net cash provided (used) by operating activities	<u>\$4,898</u>	<u>\$2,834</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Auditor's Report (Continued)

My audit was made for the purpose of forming an opinion on the financial statements. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of Sewerage District No. 2 of Rapides Parish. Such information has been subjected to the procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Herbie W. Way*

Herbie W. Way  
Alexandria, Louisiana  
April 1, 1997

**HERBIE W. WAY**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT AUDITOR'S REPORT**

**BOARD OF COMMISSIONERS**  
**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH**  
**RAPIDES PARISH POLICE JURY**  
Alexandria, Louisiana

I have audited the accompanying financial statements of Sewerage District No. 2 of Rapides Parish, a component unit of the Rapides Parish Police Jury, as of December 31, 1996, and for the years ended December 31, 1996 and 1995, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the district. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and generally accepted governmental auditing standards contained in *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 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sewerage District No. 2 of Rapides Parish at December 31, 1996, and the results of operations and cash flows for the years ended December 31, 1996 and 1995, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 1, 1997, on my consideration of the district's internal control structure and a report dated April 1, 1997, on its compliance with laws and regulations.

Receipt Acknowledged  
Legislative Auditor

By \_\_\_\_\_

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SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana

Financial Statements  
With Independent Auditor's Reports  
As of December 31, 1996, and for the Years Ended  
December 31, 1996 and 1995  
With Supplemental Information Schedule

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 MAY 28 1997

**Herbie W. Way**  
Certified Public Accountant

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana

Financial Statements  
 With Independent Auditor's Reports  
 As of December 31, 1996, and for the Years Ended  
 December 31, 1996 and 1995  
 With Supplemental Information Schedule

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SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana  
Notes to the Financial Statements (Continued)

4. CONTRIBUTED CAPITAL

A summary of changes, and the effects of the changes, in contributed capital follows:

Contributed capital, December 31, 1994	<u>\$955,000</u>
Accumulated amortization, December 31, 1994	\$503,117
Amortization for 1995	21,222
Amortization for 1996	<u>21,222</u>
Accumulated amortization, December 31, 1995	<u>545,556</u>
Net contributed capital, December 31, 1995	<u>\$409,444</u>

4. LIABILITY INSURANCE

The district has attempted to purchase general liability insurance coverage but has not been able to obtain such coverage. Consequently, the district has not obtained general liability insurance coverage against possible losses resulting from claims that may be filed by individuals who might suffer injury while on district property.

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH**  
**RAPIDES PARISH POLICE JURY**  
Alexandria, Louisiana  
Notes to the Financial Statements (Continued)

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 has the ability to impose its will on the district and there exists the potential for the district to provide specific financial benefits to or impose specific financial burdens on the police jury, the district was determined to be a component unit of the Rapides 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 service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

**C. FUND ACCOUNTING**

The 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 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 a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of the 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 the liability is incurred.

**E. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposit accounts. Cash equivalents include amounts in time deposits. Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with fiscal agent banks organized under the laws of the State of Louisiana and national banks having their principal offices in Louisiana.



SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana  
 ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, December 31, 1996

ASSETS:

Cash and cash equivalents	\$73,051
Accounts receivable	3,336
Fixed assets (net)	<u>413,924</u>

TOTAL ASSETS

\$490,311

LIABILITIES AND FUND EQUITY

Liabilities - deferred revenues	<u>\$4,688</u>
Fund Equity:	
Contributed capital	409,444
Retained earnings	<u>76,179</u>
Total Fund Equity	<u>485,623</u>

TOTAL LIABILITIES AND FUND EQUITY

\$490,311

The accompanying notes are an integral part of this statement.