

HERBIE W. WAY
CERTIFIED PUBLIC ACCOUNTANT

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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. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana

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

The management of Sewerage District No. 1 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.

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.

**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. 1
OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended December 31, 1996

DEBT SERVICE FUNDS

PENNY ACRES FUND -- accumulates monies for payment of principal, interest, and fees relating to the sewerage certificates issued by the district on behalf of the residents of the Penny Acres Subdivision. The proceeds of the sewerage certificates were used to acquire, construct, improve, and extend a sewerage system in the subdivision. The certificates are financed by special assessments levied by the sewerage district on property owners within the subdivision. The certificates were completely repaid in 1988.

SAMTOWN-WOODSIDE FUND -- accumulates monies for payment of principal, interest, and fees relating to the sewerage certificates issued by the district on behalf of the residents of the Samtown-Woodside area. The proceeds of the sewerage certificates were used to construct a sewerage system in the Samtown-Woodside area of the district. The certificates are financed by special assessments levied by the sewerage district on property owners within the area. The certificates were completely repaid in 1986.

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Internal Control Report (Continued)

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. 1 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 2, 1997

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the Financial Statements (Continued)

Revenues

At the time of levy, a special assessment receivable is recognized and is offset by deferred revenues; as the assessments become measurable and available, deferred revenues are reduced and revenue is recognized. In addition, interest earned on special assessments is accrued when due, rather than when earned, because it offsets the related interest expenditures that are also recognized when due; penalties on delinquent assessments are recognized when the district is entitled to the funds.

Expenditures

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, except principal and interest on long-term debt, which is recognized when due.

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 and other short-term investments. 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.

Under state law, the district may invest in United States bonds, treasury notes, bills or certificates. These investments, stated at cost, are classified as cash equivalents if their original are 90 days or less.

F. FIXED ASSETS AND LONG-TERM LIABILITIES

Fixed assets and accumulated depreciation of the district are included on the balance sheet of the Enterprise Fund. Fixed assets are valued at historical or fair market value at the time of donation. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Accumulated depreciation is reported in the Enterprise Fund balance sheet. Depreciation is computed using the straight-line method over the estimated useful life (45 years) of the sewerage system and (5 years) equipment. The sewerage district has no long-term liabilities.

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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. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana**

I have audited the financial statements of the Sewerage District No. 1 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, and have issued my report thereon dated April 2, 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. 1 of Rapides Parish is the responsibility of the Sewerage District No. 1 of Rapides Parish's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of the Sewerage District No. 1 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. 1 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 2, 1997

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 SUPPLEMENTAL INFORMATION SCHEDULE

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

	1996		1995	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Leon Blalock	29	\$1,740	27	\$1,620
Jimmie Jeansonne	28	1,680	26	1,560
Ubie Johnson	29	1,740	26	1,560
Totals		<u>\$5,160</u>		<u>\$4,740</u>

SEWERAGE DISTRICT NO. 1
OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended December 31, 1996

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 receives per diem of \$60 for each board meeting they attend, not to exceed 24 regular and 12 special meetings per year.

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 GOVERNMENTAL FUND TYPE - DEBT SERVICE FUNDS

Combining Balance Sheet, December 31, 1996

	<u>PENNY ACRES</u>	<u>SAMTOWN- WOODSIDE</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$4,423	\$20,518	\$24,941
Receivables - special assessments	383	92,331	92,714
TOTAL ASSETS	<u>\$4,806</u>	<u>\$112,849</u>	<u>\$117,655</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities - interfund payable	\$6,800	\$63,057	\$69,857
Fund equity - fund balances (deficit)	<u>(1,994)</u>	<u>49,792</u>	<u>47,798</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$4,806</u>	<u>\$112,849</u>	<u>\$117,655</u>

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the Financial Statements (Continued)

5. CONTRIBUTED CAPITAL

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

Contributed capital - fair market value on the date of donation	\$2,253,312
Accumulated amortization, December 31, 1994	<u>(989,663)</u>
Net contributed capital, December 31, 1994	1,263,649
Amortization for:	
1995	50,074
1996	<u>50,074</u>
Total current amortization	<u>100,148</u>
Accumulated amortization, December 31, 1996	<u>(1,089,811)</u>
Net contributed capital, December 31, 1996	<u><u>\$1,163,501</u></u>

6. FUND DEFICIT

Penny Acres Debt Service Fund has a deficit of \$1,994, in unreserved-undesignated fund balance at December 31, 1996. This deficit will be eliminated with an operating transfer from the Enterprise Fund.

7. RISK MANAGEMENT

The district is exposed to various risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The district has obtained commercial insurance for the aforementioned risks and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the Financial Statements (Continued)

3. FIXED ASSETS

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

	Cost	Less - Accumulated Depreciation	Net
Land	\$28,570	NONE	\$28,570
Equipment	3,000	\$3,000	NONE
Sewer systems	<u>3,527,425</u>	<u>1,566,287</u>	<u>1,961,138</u>
Total	<u>\$3,558,995</u>	<u>\$1,569,287</u>	<u>\$1,989,708</u>

Land, totaling \$22,070, was acquired through assessment foreclosures for nonpayment and converted into real estate of the district. It is valued at the balance due on each individual assessment on the date of foreclosure plus interest and related costs of foreclosure (attorney fees, court costs, et cetera).

4. INTERFUND RECEIVABLES/PAYABLES

Interfund assets and liabilities at December 31, 1996, as a follows:

Receivable Fund	Payable Fund	Amount
Enterprise	Penny Acres Debt Service	\$6,800
Enterprise	Samtown-Woodside Debt Service	<u>63,057</u>
Total		<u>\$69,857</u>

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the Financial Statements (Continued)

H. FUND EQUITY - CONTRIBUTED CAPITAL

Contributed capital represents sewerage facilities donated by developers and the Rapides Parish Police Jury. 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 or loss on Statement C.

I. TOTAL COLUMN ON BALANCE SHEET

The total column on the balance sheet is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. CASH AND EQUIVALENTS

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

Petty cash	\$100
Demand deposits	32,945
Money market accounts	84,854
Treasury bills	<u>442,538</u>
Total	<u><u>\$560,437</u></u>

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. Cash (bank balances) totaling \$103,109 at December 31, 1996, are entirely insured by federal deposit insurance (GASB Category 1).

Under state law and in accordance with the district's investment policy, cash equivalents totaling \$442,538 are comprised of United States Treasury bills. Since these treasury bills are obligations of the Federal government and are being held by the broker-dealer in the name of the district, they are considered insured and registered (GASB Category 1).

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 GOVERNMENTAL FUND TYPE - DEBT SERVICE FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Years Ended December 31, 1996 and 1995

	DECEMBER 31,	
	1996	1995
<u>REVENUES</u>		
Special assessments, penalties, and interest	\$1,747	NONE
<u>EXPENDITURES</u>	NONE	NONE
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	1,747	NONE
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	46,051	\$46,051
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$47,798</u>	<u>\$46,051</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 1 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 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 is maintained that comprises its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

DEBT SERVICE FUNDS

The debt service funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs of sewerage certificates.

ENTERPRISE FUND

The Enterprise Fund accounts for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed primarily through user fees.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund type (debt service fund) is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the debt service funds. The debt service funds use the following practices in recording revenues and expenditures:

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 GOVERNMENTAL FUND TYPE - DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
 For the Years Ended December 31, 1996 and 1995

	DECEMBER 31, 1996			DECEMBER 31, 1995		
	PENNY ACRES	SAMTOWN- WOODSIDE	TOTAL	PENNY ACRES	SAMTOWN- WOODSIDE	TOTAL
<u>REVENUES</u>						
Special assessments, penalties, and interest	NONE	\$1,747	\$1,747	NONE	NONE	NONE
<u>EXPENDITURES</u>						
Other charges	NONE	NONE	NONE	NONE	NONE	NONE
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	NONE	1,747	1,747	NONE	NONE	NONE
<u>FUND BALANCE (Deficit) AT BEGINNING OF YEAR</u>	(\$1,994)	48,045	46,051	(\$1,994)	\$48,045	\$46,051
<u>FUND BALANCE (Deficit) AT END OF YEAR</u>	(\$1,994)	\$49,792	\$47,798	(\$1,994)	\$48,045	\$46,051

**SEWERAGE DISTRICT NO. 1 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 Schedules

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INDEPENDENT AUDITOR'S REPORT

BOARD OF COMMISSIONERS
SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana

I have audited the accompanying financial statements of Sewerage District No. 1 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. 1 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 2, 1997, on my consideration of the district's internal control structure and a report dated April 2, 1997, on its compliance with laws and regulations.

Receipt/Acknowledged
Legislative Auditor

By _____

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 ALL FUND TYPES AND ACCOUNT GROUPS

Combined Balance Sheet, December 31, 1996

	GOVERNMENTAL FUND TYPE - DEBT SERVICE FUNDS	PROPRIETARY FUND TYPE - ENTERPRISE FUND	TOTAL (MEMORANDUM ONLY)
<u>ASSETS</u>			
Cash and cash equivalents	\$24,941	\$535,496	\$560,437
Receivables:			
Accounts (net)		6,614	6,614
Special assessments	92,714	3,497	96,211
Interfund		69,857	69,857
Fixed assets (net)		1,989,708	1,989,708
TOTAL ASSETS	<u>\$117,655</u>	<u>\$2,605,172</u>	<u>\$2,722,827</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Interfund payable	\$69,857		\$69,857
Deposits payable		\$4,852	4,852
Deferred revenues		3,497	3,497
Total Liabilities	<u>69,857</u>	<u>8,349</u>	<u>78,206</u>
Fund Equity:			
Contributed capital		1,163,501	1,163,501
Retained earnings		1,433,322	1,433,322
Fund balance - unreserved - undesignated	47,798		47,798
Total Fund Equity	<u>47,798</u>	<u>2,596,823</u>	<u>2,644,621</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$117,655</u>	<u>\$2,605,172</u>	<u>\$2,722,827</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 1 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

	DECEMBER 31,	
	1996	1995
<u>OPERATING REVENUES</u>		
Sewerage service and tap fees	\$169,473	\$164,673
<u>EXPENSES</u>		
Public works - sanitation - sewerage collection and disposal:		
Current:		
Personal service - per diem	5,160	4,740
Operating services	155,962	154,114
Material and supplies	2,386	2,409
Depreciation	78,387	74,489
Total operating expenses	<u>241,895</u>	<u>235,752</u>
<u>OPERATING INCOME (Loss)</u>	(72,422)	(71,079)
<u>NONOPERATING REVENUES</u>		
Interest earnings	22,550	28,695
Special assessments and interest	9,479	17,591
Miscellaneous		291
Total nonoperating revenues	<u>32,029</u>	<u>46,577</u>
<u>NET INCOME (Loss)</u>	(40,393)	(24,502)
<u>ADD DEPRECIATION OF FIXED ASSETS ACQUIRED WITH CONTRIBUTED CAPITAL</u>	50,074	50,074
<u>RETAINED EARNINGS AT BEGINNING OF YEAR</u>	<u>1,423,641</u>	<u>1,398,069</u>
<u>RETAINED EARNINGS AT END OF YEAR</u>	<u>\$1,433,322</u>	<u>\$1,423,641</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 1 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	\$169,862	\$168,595
Cash for operating expenses	163,508	161,263
Net cash provided (required) by operating activities	<u>6,354</u>	<u>7,332</u>
Cash flows from noncapital financing activities:		
Special assessments and interest	9,479	17,591
Interfund loans		2,409
Other	327	1,704
Net cash provided by noncapital financing activities	<u>9,806</u>	<u>21,704</u>
Cash flows for capital activities - acquisition of fixed assets	<u>(149,669)</u>	<u>(32,246)</u>
Cash flows from investing activities - interest on investments	<u>22,550</u>	<u>28,695</u>
Net increase (decrease) in cash and equivalents	(110,959)	25,485
Cash and equivalents at beginning of year	<u>646,455</u>	<u>620,970</u>
Cash and equivalents at end of year	<u>\$535,496</u>	<u>\$646,455</u>
Reconciliation of operating income (loss) to net cash provided (required) by operating activities		
Operating income (loss)	(\$72,422)	(\$71,079)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	78,387	74,489
Change in assets and liabilities:		
(Increase)/decrease in receivables	389	3,922
Total adjustments	<u>78,776</u>	<u>78,411</u>
Net cash provided (required) by operating activities	<u>\$6,354</u>	<u>\$7,332</u>

The accompanying notes are an integral part of this statement.

**SEWERAGE DISTRICT NO. 1 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. 1 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 988 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. 1 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 schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of Sewerage District No. 1 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 2, 1997