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

Financial Statements

As of and For the Year Ended December 31, 1998

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the auditor, or reviewed, and/or other appropriate public officials. This 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: 1-28-99

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

DECEMBER 31, 1995

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INDEPENDENT AUDITORS' REPORT

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

We have audited the component unit financial statements of Southeast Sewerage District No. 3 (the District), a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 1995, as identified in the accompanying Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards* we have also issued a report dated May 14, 1996, on our consideration of the District's internal control structure and a report dated May 14, 1996, on its compliance with laws and regulations.

The accompanying financial statements have been prepared assuming that the District will

*Southern Sewerage District No. 3
Monroe, Louisiana
Independent Auditors' Report*

continue as a going concern. As discussed in Note 7 to the financial statements, under existing circumstances, there is substantial doubt about the ability of the District to continue as a going concern at December 31, 1995. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Ruffin, Duffman & Brown

Monroe, Louisiana
May 14, 1996

**SOUTHEAST BRIDGE DISTRICT NO. 3
(A COMPONENT OF THE ORANGE PARISH POLICE JURY)
ALL FUND TYPES AND ACCOUNT ENCLAVE**

Combined Balance Sheet, December 31, 1995

	PROBATIONARY FUND TYPE - DISTRICT FUND	REGULAR FUND TYPE - AGENCY FUND	TOTAL MEMORANDUM ONLY
ASSETS AND OTHER DEBITS			
Cash in bank (Note 2)	\$5,502	\$25,785	\$31,287
Office Current Receivable	12,075		12,075
Interest Receivable		1,000	1,000
Special Assessments Receivable - Noncurrent		47,826	47,826
Bond Issue Costs - Current	527		527
Property, Plant and Equipment (net of accumulated depreciation of \$450,495)	1,794,042		1,794,042
Bond Issue Costs - Noncurrent	2,109		2,109
TOTAL ASSETS AND OTHER DEBITS	\$1,811,055	\$73,611	\$1,884,666
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts Payable	\$18,758		\$18,758
Due to Holders of Special Assessment Notes		\$67,808	\$67,808
Due to Others		7,817	7,817
Total Liabilities	\$18,758	75,625	\$94,383
Fund Equity:			
Contributed Capital (net of accumulated amortization of \$475,616)	1,811,864		1,811,864
Retained Earnings (Deficit)	(77,609)		(77,609)
Total Fund Equity	1,734,255	PCMC	1,734,255
TOTAL LIABILITIES AND FUND EQUITY	\$1,811,813	\$72,846	\$1,884,659

The accompanying notes are an integral part of this statement.

**SOUTHEAST SEWERAGE DISTRICT NO. 3
(A COMPONENT OF THE DORCHSTER PARISH POLICE JURY)
Bossier, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND**

**Statement of Revenues, Expenses, and Changes in Retained Earnings -
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 1995**

	BUDGET	ACTUAL	VARIANCE (FAVORABLE (UNFAVORABLE))
OPERATING REVENUES			
Sewer Fees	\$128,897	\$128,021	(\$876)
Sewer Line Tap Fees	3,158	3,158	
Total Operating Revenues	<u>132,055</u>	<u>131,179</u>	<u>(\$876)</u>
OPERATING EXPENSES			
Event Member per Seat	3,000	3,600	600
Advertising, Clubs and Catering	250	390	140
Telephone	600	600	
Maintenance of Property and Equipment	4,100	4,028	72
Liability Billing Fees	27,000	26,540	(\$460)
Treatment Fees	87,000	87,000	
Sewer Tap Fees	1,587	1,587	
Utilities	3,000	3,688	688
Accounting and Audit Fees	2,000	2,000	
Depreciation	99,884	99,884	
Miscellaneous	700	700	
Total Expenditures	<u>193,281</u>	<u>194,228</u>	<u>(\$947)</u>
OPERATING INCOME (LOSS)	<u>(\$1,226)</u>	<u>(\$1,049)</u>	<u>(\$177)</u>
NON-OPERATING REVENUES and (EXPENSES)			
Interest earned on deposits		200	200
Donor Issue Costs	(\$200)	(\$200)	(\$0)
Total Nonoperating Revenues (Expenses)	<u>(\$200)</u>	<u>(\$0)</u>	<u>\$200</u>
NET INCOME (LOSS)	<u>(\$1,426)</u>	<u>(\$1,049)</u>	<u>(\$377)</u>
Depreciation on Fixed Assets Acquired by Gifts	54,634	54,634	
INCREASE (DECREASE) IN RETAINED (DEFICIT)	<u>800</u>	<u>(1,400)</u>	<u>(\$200)</u>
RETAINED (DEFICIT) AT BEGINNING OF YEAR, as previously reported	<u>(\$7,464)</u>	<u>(1,200)</u>	<u>(\$6,264)</u>
Plus (minus) adjustment (Note 1)		<u>(14,280)</u>	<u>(14,280)</u>
RETAINED (DEFICIT) AT BEGINNING OF YEAR, as adjusted	<u>(\$7,464)</u>	<u>(15,480)</u>	<u>(\$8,016)</u>
RETAINED (DEFICIT) AT END OF YEAR	<u>(\$20,504)</u>	<u>(\$17,880)</u>	<u>(\$2,624)</u>

The accompanying notes are an integral part of this statement.

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

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

RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net operating income (loss)	(\$55,004)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
(Increase) Decrease in customer receivables	(470)
(Increase) (Decrease) in accounts payable	965
Depreciation	58,464
Net cash provided by operating activities	<u>4,299</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on bank deposits	<u>238</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,858</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$6,395</u></u>

The accompanying notes are an integral part of this statement.

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

**Notes To The Financial Statements
As Of And For The Year Ended December 31, 1995**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. HISTORY

Southeast Sewerage District No. 3 (the District) was created June 9, 1969, by the Ouachita Parish Police Jury by adoption of Ordinance No. 7123. The name of the District was changed from Richwood Sewerage District No. 3 to Southeast Sewerage District No. 3 by Ouachita Parish Police Jury Ordinance No. 8038 adopted October 6, 1988.

Construction of the system began in 1979 and was completed in 1983, with commencement of service in early 1984. Community Development Block Grant funds totaling \$2,164,168 were the primary source of funding. These grants were received at various times during construction and in the years 1988, 1989 and 1993, when major improvements and/or extensions were made to the system.

B. REPORTING ENTITY

The Governmental Accounting Standards Board (GASB) is the accepted standard setting authority for generally accepted accounting principles as applied to governmental entities. In June, 1991 the GASB issued Statement Number 14 "The Financial Reporting Entity". This Statement established criteria for determining which component units of government should be considered part of the primary government for financial reporting purposes.

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

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

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The modified accrual basis of accounting is used by the Agency Fund. Agency trust funds account for assets that the District holds on behalf of others as their

Southwest Sewerage District No. 3
Notes to The Financial Statements
December 31, 1995 (Continued)

agent. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The proprietary funds are accounted for on a flow of economic resources measurement basis and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

Customers are billed monthly for the services they received during the month. Total contributions at December 31, 1995 are \$18. The monthly rates charged for these services for 1995 are as follows:

Residential	\$ 21.00
Commercial	\$ 30.00

D. BUDGETS

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

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

E. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated on the straight-line basis over their estimated useful lives. Depreciation on assets acquired by grants is included in depreciation on the income statement but is restored to an equity account. The grants are amortized through depreciation of the assets acquired with the proceeds.

The estimated useful lives of assets are as follows:

Equipment	4 to 5 Years
Lines, Mains and Manholes	40 Years

Lift Station	40 Years
Treatment Plant Connection	40 Years

F. STATEMENT OF CASH FLOWS

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

G. BOND ISSUE COSTS

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

II. CORRECTION OF AN ERROR

Since the sale of certificates of indebtedness in 1992 Southwest Sewerage District No. 3 reported all transactions as part of its Proprietary Fund Type - Enterprise Fund. Review of the debt service payable revealed that the debt is due and payable solely from the special assessments levied on the property benefited and does not represent a liability on the part the Enterprise Fund. After further review of GASB-8, par. 18, it has been determined that debt service transactions for these periods should have been reported in a Fiduciary - Agency Fund. As a result prior period adjustments were deemed necessary (See note 5).

2. CASH AND INVESTMENTS

The District's cash and investments consist of deposits with financial institutions. The District's investment policy is governed by state statute. Collateral is required for demand deposits, certificates of deposit, savings certificates of savings and loan associations and repurchase agreements at 100% of all amounts not covered by federal deposit insurance. At December 31, 1995 the carrying amount on the financial statements of the District's deposits is equal to \$31,327, all of which is covered by federal deposit insurance.

3. SPECIAL ASSESSMENT CERTIFICATES OF INDEBTEDNESS

Southwest Sewerage District No. 3 Series 1993 certificates were issued for the expansion of the District's service area. The certificates bear interest from 7.5% to 10% with annual principal payments of \$10,854 through January 15, 2001. The certificates are payable solely from a special assessment on the property owners to which service is extended. Annual requirements to amortize certificates outstanding at December 31, 1995, including interest of \$15,820 is as follows:

Southern Sewerage District No. 3
Notes to The Financial Statements
December 31, 1995 (Continued)

	Year Ended December 31,
1996	\$15,556
1997	14,687
1998	13,819
1999	12,885
2000	12,006
2001	4,834
TOTAL	\$ 73,787

4. BOARD OF SUPERVISORS

The board members are paid \$50 per meeting, not to exceed \$600 during the year.

Member	Meetings Attended	Total Compensation
Jeanette Harrell	12	\$ 600
Jacobs L. Conville	12	600
Willie Haynes, Jr.	11	550
Leson Smith	5	250
Charles E. Thomas	12	600
Parrell Broadway	4	200
TOTAL		\$ 2,800

5. PRIOR PERIOD ADJUSTMENTS

Due to reclassification of prior years special assessment activities out of the Proprietary Fund, the beginning balance of the accumulated deficit was increased by \$14,206 (See note 5-III).

6. RISK FINANCING

The District is a participating member of the self insurance program established and operated by the Ouachita Parish Police Jury to provide a means of self-funding potential insurance losses resulting from increased policy deductible amounts for property and fleet vehicle insurance, self-funding of workers' compensation and the absence of comprehensive liability coverage. The plan is administered by a third party administrator. Because of the lack of sufficient funding by the sewerage district premiums have historically been paid by the Ouachita Parish Police Jury. Consistent with the provisions of GASB Statement No. 18, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the police jury uses Internal Service Funds to account for risk financing activities.

3. GOING CONCERN CONTINGENCY

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, which contemplate the continuation of the District as a going concern. Although the District has shown a lower cash flow deficit than in 1994, retained earnings reflect a decrease of \$1,459 for the year ended December 31, 1995.

In addition, the accompanying financial statements do not include \$3,960 owed to the City of Monroe for late charges and penalties on past-due payments for sewerage treatment fees as of December 31, 1995. The District is considered to be current by the City of Monroe for actual sewerage treatment fees; however, there is no assurance that the City of Monroe will forgive the late charges and penalties as they have in prior years.

SUPPLEMENTAL INFORMATION

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the component unit financial statements of Southeast Sewerage District No. 3, a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 1995, and have issued our report thereon dated May 14, 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the District 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 our audit of the financial statements of the District for the year ended December 31, 1995, 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 financial statements and not to provide assurance on the internal control structure.

Southern Sewerage District No. 3
Independent Auditor's Report On Internal Control Structure
December 31, 1995

Accordingly, we do not express such an opinion.

Our 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 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 error 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the management of the District, agencies granting funds to the District and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Monroe, Louisiana
May 14, 1996

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**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Southeast Sewerage District No. 3, a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated May 14, 1996.

We conducted our audit in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the District is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the 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 management of the District, agencies granting funds to the District and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Monroe, Louisiana
May 14, 1996



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STATE OF PRIOR YEAR FINDINGS

In our report for the year ended December 31, 1994, we reported a finding related to board member compensation for meeting not attended. The board has worked to enforce its policy regarding attendance and the board member has repaid the amount paid in error during 1994.