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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, 1996, 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; 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*, issued by the Society of Louisiana Certified Public Accountants. 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.

As discussed in Note 1, the financial statements present only the District and are not intended to present fairly the financial position of the Ouachita Parish Police Jury reporting entity and the results of its operations and the cash flows of its proprietary fund types in conformity with generally accepted accounting principles.

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, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the component unit financial statements referred to in the first paragraph of this report taken as a whole. The budgetary information included on page 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

**Notes To The Financial Statements
As Of And For The Year Ended December 31, 1996**

and 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.

H. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates.

Note - 3 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

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It is hereby
certified that
this is a true
and correct
copy of the
original.

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

**Financial Statements
As of and For the Year Ended December 31, 1996**

under provisions of state law, this report is a public document. A copy of the report not bearing confidentiality and other appropriate public notice. This report is available for public inspection at the Finance Bureau office of the Legislative Audit and shall, where appropriate, at the office of the parish clerk of court.

Release Date 1/10/97 1000

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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 component unit financial statements of Southeast Sewerage District No. 3 (the District), a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated May 23, 1997. Our report contained an explanatory paragraph calling attention to the fact that there is substantial doubt about the District's ability to continue as a going concern at December 31, 1996.

We conducted our audit in accordance with generally accepted auditing standards; 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*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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.

Ruffey, Huffman & Monroe

May 23, 1997

Southeast Sewerage District No. 3
Independent Auditor's Report On Internal Control Structure
December 31, 1996

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. 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.

Ruffin Hoffman, Jr.

May 13, 1997

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

FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1996

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF COMPONENT UNIT 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 (the District), a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 1996, and have issued our report thereon dated May 23, 1997. Our report contained an explanatory paragraph calling attention to the fact that there is substantial doubt about the District's ability to continue as a going concern at December 31, 1996.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial and compliance audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the Louisiana Government Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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, 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

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

**Notes To The Financial Statements
As Of And For The Year Ended December 31, 1996**

repurchase agreements at 100% of all amounts not covered by federal deposit insurance. At December 31, 1996 the carrying amount on the financial statements of the District's deposits is equal to \$16,310, all of which is covered by federal deposit insurance.

Note - 3 LONG TERM DEBT

Southeast Sewerage District No. 3 Series 1991 certificates were issued for the expansion of the District's service area. The certificates bear interest from 3.5% to 10% with annual principal payments of \$12,854 through January 15, 2001. The certificates are payable from a special assessment on the property owners to which service is extended. Annual requirements to amortize certificates outstanding at December 31, 1996, including interest of \$12,571 are as follows:

	Year Ended December 31,
1997	\$ 12,181
1998	14,182
1999	13,324
2000	12,482
2001	<u>11,688</u>
TOTAL	\$ <u>63,857</u>

Note - 4 BOARD OF SUPERVISORS

The Board has regular monthly meetings and calls special meetings as needed. The board members are paid \$50 per meeting, not to exceed \$600 during the year.

<u>Member</u>	<u>Meetings Attended</u>	<u>Total Compensation</u>
Janetta Maxwell	11	\$ 550
Jessie L. Crowell	12	600
Willie Haynes, Jr.	11	550
Charles E. Thomas	10	500
Parcell Broadway	11	<u>550</u>
TOTAL		\$ <u>3,750</u>

**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, 1996**

capital maintenance.) With this measurement focus, all assets and liabilities associated with the operations of the proprietary fund are included on the balance sheet. The proprietary fund is reported in the accompanying financial statements on the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary fund type - agency fund is accounted for using the modified accrual basis of accounting.

The District uses the following practices in recognizing revenues:

Customers are billed monthly for the services they received during the month. Total collections at December 31, 1996 are \$23. The monthly rates charged for these services for 1996 are as follows:

Residential	\$21.00
Commercial	\$30.00

Interest on demand deposits is recognized monthly when it has been earned and credited to the fund's account. Interest on time deposits is recognized when the time deposit has matured and the interest is available. Other revenues of the fund are generally recognized when received.

Special assessments are generally recognized in the year they are due and payable by property owners in the district. Assessments which are paid early by property owners are recognized as revenue in the year received. Special assessments which are not currently due are recognized as a non-current receivable on the balance sheet of the fund and are equally off-set by a deferred revenue liability to indicate that while they will be received in the future, they are not available to pay expenditures of the current period.

B. 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 Superintends 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

SUPPLEMENTAL INFORMATION

**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, 1996**

Note - 5 RISK FINANCING ACTIVITIES

The District is a participating member of the self-insurance program established and operated by the Ouachita Parish Police Jury (the Police Jury) to provide a means of self-funding potential insurance losses resulting from increased policy deductible amounts for property and vehicle fleet insurance, self-funding of worker's compensation and the absence of comprehensive liability coverage. The plan is administered by an independent third party. Because of the lack of sufficient funding, the District's insurance premiums under this program have been paid by the Police Jury's General Fund. Consistent with the provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the Police Jury uses Internal Service Funds to account for risk financing activities.

Note - 6 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. For the year ended December 31, 1996, the District had a decrease in cash of approximately \$5,700 due primarily to an increase in customer accounts receivable and an increase in retained deficit of \$4,124.

In addition, the accompanying financial statements do not include any liability for past due sewerage treatment fees, late charges and penalties and interest from prior years owed to the City of Monroe. 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.

**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, 1996**

Note - 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. 7253. 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. 8008 adopted October 6, 1986.

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 \$2,160,434 were the primary source of funding. These grants were received at various times during construction and in the years 1986, 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. Proprietary fund types - enterprise funds are accounted for on a basis of economic resources measurement focus and a determination of net income and

SOUTHEAST SEWERAGE DISTRICT NO. 3
 (A COMPONENT UNIT OF ORLEANS PARISH POLICE JURY)
 PROPRIETARY FUND TYPE - ENTERPRISE FUND

STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 1996

Cash Flows From Operating Activities	
Operating (Loss)	\$ (58,146)
Adjustments to Reconcile Loss From Operations to Net Cash Provided (Used) by Operations:	
Depreciation	60,000
Change in Current Assets and Current Liabilities:	
Accounts Receivable	(31,433)
Accounts Payable	5,261
Total Adjustments	<u>33,828</u>
Net Cash (Used) by Operating Activities	<u>(64,311)</u>
Cash Flows From Investing Activities	
Interest Received on Accounts Receivable	<u>328</u>
Net Cash Provided From Investing Activities	<u>328</u>
(Decrease) in Cash and Cash Equivalents	(3,773)
Cash and Cash Equivalents at Beginning of Year	<u>3,952</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>2,159</u>

The accompanying notes are an integral part of this statement.

**SOUTHEAST SEWERAGE DISTRICT NO. 2
(A COMPONENT UNIT OF QUACRITA PARISH POLICE JURY)
PROPRIETARY FUND TYPE - ENTERPRISE FUND**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (DEFICIT) - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1996**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Operating Revenues			
Sewerage Fees	\$ 131,000	\$ 131,500	\$ (500)
New Construction and Inspection Fees	700	800	100
Total Operating Revenues	<u>131,700</u>	<u>132,300</u>	<u>600</u>
Operating Expenses			
Advertising	500	200	(300)
Collection and Maintenance Contract	24,100	24,800	(700)
Commodities from (to) others	500	1,700	1,200
Depreciation	5,800	60,000	(54,200)
Inspection Costs	70	0	70
Insurance	2,500	1,600	900
Management Fees - O&M	1,200	1,200	0
Office Supplies	100	100	0
Printing	0	70	(70)
Professional Fees	1,000	1,200	200
Repairs and Maintenance	9,000	11,400	(2,400)
Travel (Exp. Expense)	0	800	(800)
Telephone	600	500	100
Treatment Fees	70,100	85,600	(15,500)
Utilities	5,000	5,200	(200)
Total Operating Expenses	<u>106,800</u>	<u>190,200</u>	<u>(83,400)</u>
Operating Income (Loss)	<u>24,900</u>	<u>(57,900)</u>	<u>(82,800)</u>
Nonoperating Revenues (Expenses)			
Interest Earnings	200	200	0
Amortization of Bond Issue Cost	(200)	(200)	0
Interest Expense	(1,000)	0	1,000
Total Nonoperating Revenues (Expenses)	<u>(800)</u>	<u>0</u>	<u>800</u>
Net Income (Loss)	<u>24,100</u>	<u>(57,900)</u>	<u>(82,000)</u>
Depreciation on Fixed Assets Acquired by Grants	<u>0</u>	<u>50,000</u>	<u>50,000</u>
Increase (Decrease) in Retained Earnings	<u>24,100</u>	<u>(7,900)</u>	<u>(32,000)</u>
Retained Earnings (Deficit) at Beginning of Year	<u>(14,000)</u>	<u>(14,000)</u>	<u>0</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ (1,900)</u>	<u>\$ (21,900)</u>	<u>\$ (20,000)</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)
 ALL FUND TYPES AND ACCOUNT GROUPS**

COMBINED BALANCE SHEET, DECEMBER 31, 1996

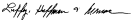
	<u>PROPRIETARY FUND TYPE - ENTERPRISE FUND</u>	<u>FIDUCIARY FUND TYPE - AGENCY FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
ASSETS AND OTHER DEBITS			
Cash in bank (Note 2)	\$ 2,218	\$ 33,891	\$ 36,109
Interest Receivable	0	2,808	2,808
Other Current Receivables	23,900	0	23,900
Special Assessments Receivable - Current	0	14,474	14,474
Special Assessments Receivable - Noncurrent	0	26,595	26,595
Property, Plant, and Equipment - (net of accumulated depreciation of \$396,501)	1,211,000	0	1,211,000
Road Issue Costs - Current	925	0	925
Road Issue Costs - Noncurrent	1,282	0	1,282
TOTAL ASSETS	\$ 1,718,816	\$ 57,696	\$ 1,776,512
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts Payable	\$ 22,017	\$ 0	\$ 22,017
Due to Ouachita Parish Police Jury	0	6,352	6,352
Bonds Payable	0	51,286	51,286
Total Liabilities	<u>22,017</u>	<u>57,638</u>	<u>79,655</u>
Fund Equity:			
Contributed Capital (net of accumulated amortization)	1,757,983	0	1,757,983
Retained Earnings (Deficit)	(20,189)	0	(20,189)
Unreserved - undesignated	<u>1,738,793</u>	<u>0</u>	<u>1,738,793</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,718,816	\$ 57,638	\$ 1,776,454

The accompanying notes are an integral part of this statement.

Board of Supervisors
Southeast Sewerage District No. 3

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 6 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, 1996. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with Government Auditing Standards we have also issued a report dated May 23, 1997, on our consideration of the District's internal control structure and a report dated May 23, 1997, on its compliance with laws and regulations.

A handwritten signature in cursive script, appearing to read "Ruffin Haffner", followed by a long horizontal flourish.

May 23, 1997