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**STERLINGTON SEWERAGE DISTRICT NO. 1  
(A COMPONENT UNIT OF  
OUACHITA PARISH POLICE JURY)**

**Financial Statements  
For the Years Ended December 31, 1998 and 1997**

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 7-28-99

**STERLINGTON SEWERAGE DISTRICT NO. 1**

**DECEMBER 31, 1998 AND 1997**

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### Independent Auditor's Report

**Board of Commissioners  
Sterlington Sewerage District No. 1  
Sterlington, Louisiana**

We have audited the accompanying balance sheets of **Sterlington Sewerage District No. 1** (a component unit of the Ouachita Parish Police Jury, hereafter referred to as the District) as of December 31, 1998 and 1997, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these component unit financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor. Those 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 audits 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, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Luffey, Huffman & Monroe (APAC)*

**April 9, 1999**

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**STERLINGTON SEWERAGE DISTRICT NO. 1  
BALANCE SHEETS**

	<b>DECEMBER 31,</b>	
<b>ASSETS</b>	<b>1998</b>	<b>1997</b>
<b>Current Assets</b>		
Cash	\$ 46,999	\$ 26,580
Accounts Receivable - User Fees	4,086	4,169
Total Current Assets	51,085	30,749
<b>Property and Equipment</b>		
Sewerage System	251,028	251,028
Equipment	33,172	33,172
Total	284,200	284,200
<b>Less: Accumulated Depreciation</b>	(238,651)	(227,549)
Net Depreciable Assets	45,549	56,651
Land	24,225	24,225
Total Property and Equipment	69,774	80,876
<b>TOTAL ASSETS</b>	\$ 120,859	\$ 111,625
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,423	\$ 2,497
Payroll Taxes Payable	196	186
Total Current Liabilities	1,619	2,683
<b>Fund Equity</b>		
Contributed Capital:		
Contributions - Federal Government	78,191	78,191
Less: Amortization - Grants	(62,553)	(58,643)
Total Contributed Capital	15,638	19,548
Retained Earnings:		
Unreserved	103,602	89,394
Total Fund Equity	119,240	108,942
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	\$ 120,859	\$ 111,625

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

**STERLINGTON SEWERAGE DISTRICT NO. 1  
STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS**

	<b>Year Ended December 31,</b>	
	<b>1998</b>	<b>1997</b>
<b>Operating Revenues</b>		
Sewerage Fees	\$ 50,946	\$ 48,895
Total Operating Revenues	50,946	48,895
<b>Operating Expenses</b>		
Contract Services	2,336	2,698
Depreciation	11,102	11,102
Insurance	959	1,300
Maintenance and Repairs	12,705	13,044
Miscellaneous	758	769
Office Expense	153	10
Payroll Taxes	491	460
Professional Fees	868	802
Salaries and Wages	6,423	6,016
Utilities	5,949	8,109
Total Operating Expenses	41,744	44,310
<b>Operating Income</b>	9,202	4,585
<b>Nonoperating Revenues</b>		
Interest Earned	1,096	1,592
<b>Net Income</b>	10,298	6,177
<b>Depreciation on Fixed Assets Acquired by Grants</b>	3,910	3,910
<b>Increase in Retained Earnings</b>	14,208	10,087
<b>Retained Earnings at Beginning of Year</b>	89,394	79,307
<b>RETAINED EARNINGS AT END OF YEAR</b>	\$ 103,602	\$ 89,394

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

**STERLINGTON SEWERAGE DISTRICT NO. 1**  
**STATEMENTS OF CASH FLOWS**

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>1998</b>	<b>1997</b>
<b>Cash Flows From Operating Activities</b>		
Operating Income	\$ 9,202	\$ 4,585
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	11,102	11,102
Changes in Assets and Liabilities:		
Accounts Receivable	83	78
Accounts Payable	(1,064)	1,264
Accrued Expenses	-	113
Total Adjustments	10,121	12,557
Net Cash Provided By Operating Activities	19,323	17,142
<b>Cash Flows From Noncapital Investing Activities</b>		
Interest Received	1,096	1,592
Net Cash Provided By Investing Activities	1,096	1,592
<b>Net Increase in</b>		
<b>Cash and Cash Equivalents</b>	20,419	18,734
<b>Cash and Cash Equivalents</b>		
<b>at Beginning of Year</b>	26,580	7,846
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 46,999	\$ 26,580

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

**STERLINGTON SEWERAGE DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

**NOTE 1 - DESCRIPTION OF ORGANIZATION**

Sterlington Sewerage District No. 1 (the District) was created by the Ouachita Parish Police Jury (the Police Jury), as authorized by Louisiana Revised Statute 33:3811. The District is governed by a three-member Board of Commissioners who are residents of and own real estate in the District. The Board of Commissioners receives no compensation for its services. The Board is appointed by the Police Jury and is responsible for the day-to-day operations of the District and the setting of rates, fees and charges to users and customers residing within the District. The District provides service to approximately 300 residential customers.

**NOTE 2 - 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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The District is considered an Enterprise Fund and as such 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 this fund are included on the balance sheet. Enterprise Funds use the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

*B. Reporting Entity*

GASB Statement Number 14, *The Financial Reporting Entity*, 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. As the Police Jury appoints a voting majority of the Board of Commissioners of the District, has the ability to impose its will upon the District and the District's financial dependence upon the Police Jury, the District is considered a component unit of the Police Jury,

**STERLINGTON SEWERAGE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

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. 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 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 a continuing basis be financed or recovered primarily through user charges.

*D. Cash and Cash Equivalents*

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits with maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

*E. Fixed Assets*

Approximately 47 percent, or \$144,950, of fixed assets are valued at actual historical cost while the remaining 53 percent, or \$163,475, are valued at estimated historical cost. Depreciation of all exhaustible fixed assets is charged as an expense against operations and amounted to \$11,102 for the years ended December 31, 1998 and 1997, respectively. Depreciation is computed using the straight-line method over estimated useful lives of 10 to 40 years.

*F. Compensated Absences*

The District has only two part-time employees. The employees do not earn sick leave or vacation.



**STERLINGTON SEWERAGE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

*G. Fund Equity*

Grants, entitlements or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is amortized based on the depreciation recognized on that portion of the assets acquired from such contributions. This depreciation is closed to the contributed capital account and is reflected as an adjustment to net loss.

*H. Use of 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. Accordingly, actual results could differ from those estimates.

**NOTE 3 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

Under state law, all interest-bearing demand deposits 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. At December 31, 1998 and 1997, all of the monies on deposit were covered by federal deposit insurance.

The District extends credit to its customers (all of whom reside in Ouachita Parish) on an unsecured basis. The District employs the direct write-off method to account for uncollectible accounts receivable from its customers, which is not acceptable under GAAP. However, the results of applying the direct write-off method are not materially different from those which would result from the use of the allowance method required by GAAP.

**NOTE 4 - CONTRIBUTED CAPITAL**

Contributed capital represents the unamortized balance of a \$78,191 grant from the United States Environmental Protection Agency for 1983 renovations to the District's sewerage collection system. The contributed capital is amortized over a period of 20 years based on the depreciation recognized on the renovations funded by this grant. The unamortized balances at December 31, 1998 and 1997, were \$15,638 and \$19,548 respectively, and amortization expense totaled \$3,910 for the years ended December 31, 1998 and 1997.

**STERLINGTON SEWERAGE DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

**NOTE 5 - RISK FINANCING ACTIVITY**

Through its primary government, the Ouachita Parish Police Jury, the District participates in a self-funded program (the fund) for potential losses under general liability, property and fleet coverage and worker's compensation. The fund pays the premiums for reinsurance and pays all deductibles up to \$150,000 per occurrence, except for \$500, which is paid by the District. The premiums, which are modified for experience and other factors, are computed annually. The reinsurance policy picks up all losses over the \$150,000 deductible with an aggregate coverage of \$2,000,000. The fund has approximately \$3,200,000 and \$1,100,000 in assets at December 31, 1998 and 1997, respectively. The District contributed \$397 and \$543 into the fund during the years ended December 31, 1998 and 1997, respectively.

**NOTE 6 - CONTINGENCIES**

The worldwide challenge facing organizations, commonly referred to as the Year 2000 (Y2K) issue, is the result of problems that may be encountered with date-related transactions on systems that have historically recognized years using two digits vs. four digits, e.g. 98 versus 1998. These systems will potentially recognize the "00" as the year 1900 instead of 2000. On the surface, the Y2K problem sounds simple enough; however, the implications of this problem are far reaching and could impact a full range of business services and activities.

The District has conducted a study of its own systems and operations. Based on this study, the District recognizes and plans to initiate a project to take all necessary and reasonable steps to get the mission critical systems and operations Y2K compliant in a timely manner. The project will include confirming the Y2K preparedness of significant third parties.

The timetable for the planned completion of the internal Y2K modification, is management's estimate. The estimate was based on numerous assumptions as to future events. There can be no guarantee that the estimate will prove accurate, and actual results could differ from those estimated if these assumptions prove inaccurate. Additionally, there can be no absolute guarantee that significant third parties will successfully and timely convert their systems.

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**



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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
COMPONENT UNIT FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Board of Commissioners  
Sterlington Sewerage District No. 1  
Sterlington, Louisiana**

We have audited the component unit financial statements of **Sterlington Sewerage District No. 1, Sterlington, Louisiana** (a component unit of the Ouachita Parish Police Jury – the District), as of December 31, 1998 and 1997 and for the years then ended, and have issued our report thereon dated April 9, 1999. We conducted our audits in accordance with generally accepted auditing standards; the standards applicable to financial 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.

**Compliance**

As part of obtaining reasonable assurance about whether the District's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, 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*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the

**Sterlington Sewerage District No. 1**  
**Sterlington, Louisiana**

internal control over financial reporting that might be considered material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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 over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management of the District, its oversight agency, other entities 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.

*Ruffley, Huffman & Kerne (APAC)*

**April 9, 1999**



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**Board of Supervisors  
Sterlington Sewerage District No. 1  
Sterlington, Louisiana**

In planning and performing our audit of the component unit financial statements of **Sterlington Sewerage District No. 1** (the District - a component unit of the Ouachita Parish Policy Jury) for the years ended December 31, 1998 and 1997, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit we became aware of a certain matter which is an opportunity for strengthening compliance with laws and regulations. This letter will summarize our comments and suggestions regarding that matter. This letter does not affect our report dated April 9, 1999 on the component unit financial statements of the District.

**Composition of Governing Body**

**Finding:**

During our audit we noted that the Board of Supervisors of the District had only two members. Per the Ouachita Parish Code Section 20-133, "The sewerage district shall be governed by a board of supervisors composed of three property taxpayers residing in the district."

**Recommendation:**

We recommend that the district fill this vacancy as soon as possible.

**Management's Corrective Action Plan:**

The District is having difficulty finding a person to fill this position but plans to have a third supervisor in place by the end of 1999.

*Luffey, Huffman & Monroe (APAC)*  
April 9, 1999