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BEVERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDS PARISH POLICE JURY
Alexandria, Louisiana

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2001 AND DECEMBER 31, 2000
WITH SUPPLEMENTAL INFORMATION SCHEDULED

Under provisions of state law, this report is a public document. Access to the report has been justified to the 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 7-28-01

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

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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 and for the years ended December 31, 2002 and 2003, 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 auditing standards generally accepted in the United States of America and with 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 accounts 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, 2002 and 2003, and the results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 10, 2004, on my consideration of the internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants.

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 prepared 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.



Roland D. Kraushaar CPA

June 18, 2004

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

Statement 2

PROPRIETARY FUND TYPE ENTERPRISE FUND

BALANCE SHEET
 December 31, 2002 and 2003

	<u>2002</u>	<u>2003</u>
ASSETS		
Cash and cash equivalents	\$ 377,002	\$ 378,343
Receivables:		
Accounts (net)	8,823	18,284
Special Assessments (net)	14,208	18,717
Accrued interest	967	543
Fixed Assets (net)	<u>1,717,292</u>	<u>1,855,432</u>
TOTAL ASSETS	<u>\$ 2,116,284</u>	<u>\$ 2,656,319</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ 1,775	\$ 1,858
Current payable	-	31,888
Deposits payable	8,040	7,948
Deferred revenues	<u>5,811</u>	<u>8,713</u>
Total Liabilities	<u>\$ 16,631</u>	<u>\$ 50,407</u>
Fund Equity:		
Contributed capital	\$ 944,833	\$ 944,346
Retained earnings	<u>1,111,071</u>	<u>1,607,040</u>
Total Fund Equity	<u>\$ 2,055,904</u>	<u>\$ 2,551,414</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,116,284</u>	<u>\$ 2,656,319</u>

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement 02

Statement of Revenues, Expenditures, and Changes in Retained Earnings
 For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUES		
Sewerage service and tap fees	\$ <u>229,187</u>	\$ <u>204,620</u>
EXPENSES		
Public works-maintenance-sewerage collection and disposal		
Current:		
Personal services - per diem	\$ 7,028	\$ 7,960
Operating services	276,194	302,614
Material and supplies	8,179	6,021
Depreciation	<u>86,607</u>	<u>31,823</u>
Total operating expenses	\$ <u>378,008</u>	\$ <u>348,418</u>
OPERATING INCOME (LOSS)	\$ <u>(148,821)</u>	\$ <u>(143,798)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earnings	9,779	4,260
Special assessments fees	439	581
Recovery of assessment writes off	1,489	229
Sale of lot	3,415	-
Miscellaneous	<u>-</u>	<u>278</u>
Total nonoperating revenues	\$ <u>15,111</u>	\$ <u>5,348</u>
NET INCOME (LOSS)	\$ <u>(133,710)</u>	\$ <u>(138,450)</u>
ADD DEPRECIATION OF FIXED ASSETS ACQUIRED WITH CONTRIBUTED CAPITAL	<u>83,871</u>	<u>50,192</u>
NET INCREASE (DECREASE) IN RETAINED EARNINGS	\$ <u>(49,839)</u>	\$ <u>(88,258)</u>
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ <u>1,211,738</u>	\$ <u>1,300,000</u>
RETAINED EARNINGS AT END OF YEAR	\$ <u>1,161,899</u>	\$ <u>1,211,738</u>

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE FURY
Alexandria, Louisiana
PROPRIETARY FUND TYPE - ENTERPRISE FUND

Statement C

Statement of Cash Flows
For the Years Ended December 31, 2002 and 2000

	2002	2000
Cash flows from operating activities		
Cash from operating revenues	\$ 24,000	\$ 28,471
Cash for operating expenses	<u>(25,214)</u>	<u>(16,471)</u>
Net cash provided (required) by operating activities	\$ <u>(1,214)</u>	\$ <u>11,999</u>
Cash flows from non-capital financing activities		
Special assessments and interest	\$ 1,200	\$ 130
Increase/(decrease) in customer deposits	0	(77)
Miscellaneous	-	<u>22</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 1,200</u>	<u>\$ 175</u>
Cash flows from capital and related financing activities		
Expansions and improvements in sewer systems	\$ (27,700)	\$ -
Sell-off of	2,420	-
Increase/(decrease) in contracts payable	(2,741)	-
Cash from debt service funds	<u>2,967</u>	<u>2,441</u>
Net cash provided (used) by capital and related activities	<u>\$ (15,054)</u>	<u>\$ 2,441</u>
Cash flows from investing activities		
Interest on investments	\$ 4,779	\$ 4,280
Increase/(decrease) in accrued interest	<u>471</u>	<u>80</u>
Net cash provided/(used) by investment activities	<u>\$ 5,250</u>	<u>\$ 4,360</u>
Net increase/(decrease) in cash and equivalents	\$ (11,000)	\$ 28,460
Cash and equivalents at beginning of year	<u>\$ 484,983</u>	<u>\$ 456,523</u>
Cash and equivalents at end of year	<u>\$ 473,983</u>	<u>\$ 484,983</u>
Reconciliation of operating income (loss) to net cash provided (required) by operating activities		
Operating income (loss)	<u>\$ (1,429,094)</u>	<u>\$ (1,611,000)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 80,607	\$ 81,833
Change in assets and liabilities:		
Increase/(decrease) in receivables	2,400	14,471
Increase/(decrease) in deferred revenues	(287)	(50)
Increase/(decrease) in accounts payable	<u>(2,700)</u>	<u>14,424</u>
Total adjustments	<u>\$ 79,720</u>	<u>\$ (114,822)</u>
Net Cash provided (required) by operating activities	<u>\$ (62,263)</u>	<u>\$ 11,182</u>

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

Notes to the Financial Statements

As of and for the Years Ended December 31, 2002 and 2001

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, 2002, the district has approximately 1,132 customers.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the district have been prepared in conformity with general 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

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

Alexandria, Louisiana

Notes to the Financial Statements

As of and for the Years Ended December 31, 2002 and 2003

(Continued)

1. 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.
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 appoints the board and has the ability to impose its will on the district and there exists the potential for the district to provide specific financial benefits to or impose specific financial burdens on the police jury, the district was determined to be a component unit of the Rapides Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the district and do not present information on the police jury, the general government service provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The district is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations 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 Enterprise Fund is accounted for on a economic resources 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.

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the Financial Statements
As of and for the Years Ended December 31, 2002 and 2003
(Continued)

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 any bank chartered or having a branch office in the state of Louisiana, or other instruments backed by the United States Treasury.

These investments, stated at cost are classified as cash equivalents if their original due dates 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 cost or fair market value at the time of donation. Depreciation of all exhaustible fixed assets is 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) for all other equipment. The sewerage district has no long-term liabilities.

G. 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/(loss) on Statement B.

H. BAD DEBTS AND ALLOWANCES

Uncollectible amounts due for customers' utility receivables are recognized as bad debts when they become 120 days old. As of December 31, 2002 and 2003 the Sewer District established an allowance for uncollectible accounts of \$6,131 and \$2,337 respectively.

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 Notes to the Financial Statements
 As of and for the Years Ended December 31, 2002 and 2003
 (Continued)

2. CASH AND EQUIVALENTS

At December 31, 2002 and 2003, respectively the district has cash and cash equivalents (book balances) as follows:

	<u>2002</u>	<u>2003</u>
Fund Cash	\$ 100	\$ 100
Demand deposits	(2,767)	14,611
Money market accounts	1,205	4,214
Treasury bills	<u>358,733</u>	<u>358,218</u>
Total	<u>\$ 357,071</u>	<u>\$ 377,143</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 \$ 11,322 at December 31, 2002 and \$ 28,494 at December 31, 2003, respectively are entirely insured by federal deposit insurance or by securities pledged by the bank (GASB Category 1).

Under state law and in accordance with the district's investment policy, cash equivalents totaling \$ 358,733 at December 31, 2002 and \$ 358,218 at December 31, 2003 are comprised of United States Treasury Bills. Since these treasury bills are obligations of 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
 Notes to the Financial Statements
 As of and for the Years Ended December 31, 2003 and 2002
 (Continued)

I. FIXED ASSETS

A summary of fixed assets and related depreciation at December 31, 2003 and 2002, follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land 2002 & 2003	\$ 28,570	\$ -	\$ 28,570
Equipment 2002 & 2003	\$ 3,000	\$ 3,000	\$ -
Sewerage system:			
2002	\$2,712,463	\$2,043,777	\$1,768,686
2003	\$2,712,463	\$2,125,582	\$1,626,881

4. CONTRIBUTED CAPITAL

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

	2003	2002
Contributed Capital:		
Beginning of Year	\$ 1,814,780	\$ 964,383
Additions	-	-
Deductions:		
Depreciation charged Against contributions	(50,187)	(50,187)
End of Year	<u>\$ 1,814,593</u>	<u>\$ 914,196</u>

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY
Alexandria, Louisiana
Notes to the Financial Statements
As of and for the Years Ended December 31, 2002 and 2003
(Continued)

5. SPECIAL ASSESSMENTS

The special assessments of the Governmental Fund Type - Debt Service Fund totaling \$ 83,008 were transferred to Proprietary Fund with an offset for the uncollectibility of the accounts during 2002. These accounts are delinquent and have been referred to legal counsel for collection. The district's legal counsel has initiated legal action against the property owners and is in the process of collecting the delinquent assessments. The balance on these assessments and the offset amounts were \$ 80,313 at December 31, 2002 and \$ 79,701 at December 31, 2003.

The Gasless Sewer System was accepted into the Sewer District under the condition that the system be brought up to standards in 1999. In order to accomplish this the Sewer District financed the project after a vote of the owners agreeing to a special assessment against their properties for the major part of the cost. Liens were recorded against the properties in the amount of \$ 37,571 with an outstanding balance of \$14,335 at December 31, 2002 and \$10,717 at December 31, 2003. There has been no allowance set up on these accounts as the property is pledged to cover these amounts.

6. 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 RAPIDS PARISH
RAPIDS PARISH POLICE JURY
Alexandria, Louisiana
SUPPLEMENTAL INFORMATION SCHEDULE
For the Years Ended December 31, 2002 and 2003

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
 RAPIDES PARISH POLICE JURY
 Alexandria, Louisiana
 SUPPLEMENTAL INFORMATION SCHEDULE
 For the Years Ended December 31, 2002 and 2001

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid to board members is presented in compliance with House Concurrent Resolution No. 34 of the 1979 Session of Louisiana Legislature.

In accordance with Louisiana Revised Statute 19:2837, each board member is to receive a maximum per diem of \$80, for each board meeting they attend, not to exceed 24 regular and 12 special meetings per year.

Schedule of Per Diem Paid Board Members
 For the Years Ended December 31, 2002 and 2001

	2002		2001	
	Number	Amount	Number	Amount
Ubio Johnson	26	\$2,080	29	\$2,318
Jeanne Jeanette	25	2,000	-	-
Charles Stewart	1	80	26	2,080
Bob Wooley	30	2,400	29	2,318
Total		<u>\$7,000</u>		<u>\$7,568</u>

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

The following independent auditor's reports on internal control and compliance are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.



Roland D. Kraushaar
Certified Public Accountant

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**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 and for the years ended December 31, 2002 and 2003, and have issued my report thereon dated June 18, 2004. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I 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 my audit and, 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*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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 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 over financial reporting and its operation that I consider to be material weaknesses.

Prior Audit Findings

The audit for the years ended December 31, 2000 and 2001, disclosed no instances of noncompliance that were required to be reported under *Government Auditing Standards* or matters involving the internal control over financial reporting and its operation that were considered to be material weaknesses.

General

This report is intended for the information of the Sewerage District No. 1 of Rapides Parish. However, this report is a matter of public record and its distribution is not limited.



Roland D. Kruehler CPA

June 10, 2004