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LEGISLATIVE AUDITOR  
04 JUN 30 PM 12:00SEWERAGE DISTRICT NO. 7 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, LouisianaFINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2000 AND DECEMBER 31, 1999  
WITH SUPPLEMENTAL INFORMATION SCHEDULES

Under provisions of state law, this report is a public document. Copies of the report have been submitted to the courts and other appropriate public officials. The reports are 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. 3 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana

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## **Roland D. Kraushaar**

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### **INDEPENDENT AUDITOR'S REPORT**

**BOARD OF COMMISSIONERS  
SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana**

I have audited the accompanying financial statements of Sewerage District No. 2 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 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. 2 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 8, 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 presented for the purpose of additional analysis and are not a required part of the financial statements of Sewerage District No. 2 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 8, 2004

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana

Statement 4

ALL FUND TYPES AND ACCOUNT GROUPS  
 BALANCE SHEET  
 December 31, 2002 and 2003

	2002	2003
<b>ASSETS</b>		
Cash	\$ 74,869	\$ 91,090
Accounts Receivable	5,839	9,891
Allowance for Doubtful Accounts	(2,234)	(3,131)
Accrued Interest	269	180
Fixed Assets (net)	<u>381,411</u>	<u>329,262</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 462,752</u></b>	<b><u>\$ 458,123</u></b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 290	\$ 311
Deferred Revenue	<u>10,894</u>	<u>8,863</u>
<b>Total Liabilities</b>	<b><u>\$ 11,184</u></b>	<b><u>\$ 9,174</u></b>
<b>Fund Equity:</b>		
Contributed capital	\$ 307,853	\$ 315,328
Retained earnings	<u>113,795</u>	<u>158,454</u>
<b>Total Fund Equity</b>	<b><u>\$ 421,648</u></b>	<b><u>\$ 473,782</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 462,752</u></b>	<b><u>\$ 458,123</u></b>

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana

Statement #

PROPRIETARY FUND TYPE-ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEARS ENDED DECEMBER 31, 2002 and 2003

	<u>2002</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Sewerage service and tap fees	\$ 189,817	\$ 217,849
<b>OPERATING EXPENSES</b>		
Public works-maintenance-sewerage collection and disposal		
Current:		
Personnel services-per diem	\$ 8,488	\$ 8,640
Operating services	3,844	3,491
Material and supplies	198,089	195,542
Depreciation	<u>24,627</u>	<u>24,285</u>
Total Operating Expenses	\$ 324,648	\$ 332,958
OPERATING INCOME (LOSS)	\$ (34,831)	\$ (15,109)
<b>NONOPERATING REVENUES</b>		
Interest earnings	<u>954</u>	<u>399</u>
NET INCOME (LOSS)	\$ (33,877)	\$ (14,710)
Depreciation of Fixed Assets acquired with Contributed Capital	<u>22,315</u>	<u>22,152</u>
Increase in Retained Earnings	\$ (11,562)	\$ 17,609
Retained Earnings at Beginning of Year	<u>125,364</u>	<u>113,755</u>
Retained Earnings at End of Year	\$ 113,755	\$ 131,454

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

Statement C

PROPRIETARY FUND TYPE-ENTERPRISE FUND

STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED DECEMBER 31, 2002 and 2003

	2002	2003
Cash flows from operating activities:		
Cash from operating revenues	\$ 18,042	\$ 20,763
Cash for operating expenses	<u>(28,337)</u>	<u>(18,611)</u>
Net cash provided/(required)/by operating activities	\$ (9,895)	\$ 12,141
Cash flows from investing activities - interest earnings	<u>2,160</u>	<u>788</u>
Net increase/(decrease) in cash and equivalents	\$ (7,735)	\$ 12,929
Cash and equivalents at beginning of year	<u>87,404</u>	<u>74,475</u>
Cash and equivalents at end of year	<u>\$ 79,669</u>	<u>\$ 87,404</u>
Reconciliation of operating income (loss) to net cash provided (required) by operating activities:		
Operating income (loss)	<u>\$ (34,823)</u>	<u>\$ (11,000)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used)/by operating activities:		
Depreciation	\$ 24,407	\$ 24,200
Change in assets and liabilities:		
(Increase)/decrease in accounts receivable	(828)	140
Increase/(decrease) in deferred revenues	1,774	(2,044)
Increase/(decrease) in accounts payable	<u>(268)</u>	<u>31</u>
Total adjustments	<u>\$ 24,405</u>	<u>\$ 22,127</u>
Net cash provided (used) by operating activities	<u>\$ (9,418)</u>	<u>\$ 10,141</u>

**SEWERAGE DISTRICT NO. 2 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

**INTRODUCTION**

Sewerage District No. 2 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, 2003, the district has approximately 1850 customers.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 financially dependent on the police jury.



**SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH**  
**RAPIDES PARISH POLICE JURY**  
Alexandria, Louisiana  
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(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 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 services provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

#### **B. 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 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 continuing basis be financed or recovered primarily through user charges.

#### **C. 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 flow of 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. 2 OF RAPIDES PARISH  
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 Alexandria, Louisiana  
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 (Continued)

**D. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposit accounts. Cash equivalents include amounts in time deposits. 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 domiciled or having a branch office in the State of Louisiana, or other instruments backed by the United States Treasury.

**E. FIXED ASSETS AND LONG TERM LIABILITIES**

Fixed assets and accumulated depreciation of the district are included on the balance sheet of the fund. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful life of the system of 45 years for sewerage lines and equipment and 10 years for all other equipment. Fixed assets purchased by the district are recorded at historical cost and depreciable fixed assets are valued at the estimated fair market value at the time of donation. The sewerage district has no long-term liabilities.

**F. FUND EQUITY – CONTRIBUTED CAPITAL**

Contributed capital represents sewerage facilities donated by developers. 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 II.

**1. CASH AND EQUIVALENTS**

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

	2002	2003
petty Cash	\$ 25	\$ 25
Demand deposits	18,000	33,172
Time and certificates of deposit	26,034	26,881
Total	<u>\$ 44,289</u>	<u>\$ 60,078</u>

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 (Continued)

These deposits are stated at cost, which approximates market. 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. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) totaling \$ 79,692 and \$ 185,141 at December 31, 2002 and 2003, respectively are fully secured by federal deposit insurance (GASB Category 1).

**3. FIXED ASSETS**

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

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
2002 Sewerage system	\$ 1,071,031	\$ 687,610	\$ 383,411
2003 Sewerage system	\$ 1,071,031	\$ 711,829	\$ 359,202

**4. CONTRIBUTED CAPITAL**

A summary of changes, and the effects of the changes, in contributed capital is presented below:

	<u>2002</u>	<u>2003</u>
Deductions		
Depreciation charged Against contributions	\$ (22,322)	\$ (22,322)
Contributed Capital Beginning of Year	<u>\$ 360,186</u>	<u>\$ 337,863</u>
End of Year	<u>\$ 337,863</u>	<u>\$ 315,528</u>

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
RAPIDES PARISH POLICE JURY  
Alexandria, Louisiana  
Notes to the Financial Statements  
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(Continued)

**5. 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 during the years ended December 31, 2002 and 2001, obtained commercial insurance for the aforementioned risks and settled claims resulting from these risks have not exceeded commercial insurance coverage.

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH  
 RAPIDES PARISH POLICE JURY  
 Alexandria, Louisiana  
 SUPPLEMENTAL INFORMATION SCHEDULE  
 For the Years Ended December 31, 2002 and 2003

**PER DIEM PAID BOARD MEMBERS**

The schedule of per diem paid to board members is presented in compliance with House Concurrent Resolution No. 14 of the 1979 Session of Louisiana Legislature.

In accordance with Louisiana Revised Statute 13-3857, each board member may receive a maximum per diem of \$90, 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 Year Ended December 31, 2002 and 2003**

	2002		2003	
	Number	Amount	Number	Amount
B. Frank Killian	38	\$ 3,240	38	\$ 3,240
Robert Duggan	-	-	18	1,620
T. J. Speis, Jr.	-	-	6	540
John C. Miller, Jr.	38	3,240	38	3,240
Total		<u>\$ 6,600</u>		<u>\$ 6,600</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**  
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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 ACCOUNTING STANDARDS**

**BOARD OF COMMISSIONERS**  
**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH**  
**RAPIDES PARISH POLICE JURY**  
Alexandria, Louisiana

I have audited the financial statements of the Sewerage District No. 2 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 8, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States 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 that 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 year 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.



Roland D. Krausman, CPA

June 8, 2004