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**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**CONCORDIA PARISH POLICE JURY**  
Ferriday, Louisiana

General Purpose Financial Statements  
and Auditor's Reports

December 31, 2003  
and for the Year then Ended

Under provisions of state law, this report is a public document. A copy of the report has been submitted 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 8-4-04

**JERI SUE TOSSPON**  
Certified Public Accountant

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA  
CONCORDIA PARISH POLICE JURY  
Ferriday, Louisiana**

**General Purpose Financial Statements  
and Auditor's Reports**

**December 31, 2003  
and for the Year then Ended**

**SEWERAGE DISTRICT #1 OF CONCORDIA PARISH  
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SECTION I

GENERAL PURPOSE FINANCIAL STATEMENTS

REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS

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## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
Sewerage District #1 of Concordia Parish  
Ferriday, Louisiana

I have audited the accompanying general purpose financial statements of the Sewerage District #1 of the Parish of Concordia, a component unit of the Concordia Parish Police Jury, State of Louisiana, as of December 31, 2003 and for the year then ended. These financial statements are the responsibility of the Sewerage District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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. 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 general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Sewerage District #1 of the Parish of Concordia, as of December 31, 2003, and the results of its operations and the cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2004 on my consideration of the Sewerage District #1's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Sewerage District #1 of the Parish of Concordia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Ferriday, Louisiana  
June 18, 2004



**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**BALANCE SHEET**  
**DECEMBER 31, 2003**

**ASSETS**

<b>Current Assets</b>	
Cash (Note 3)	\$ 151,372
Certificates of deposit (Note 3)	31,257
Accounts receivable (Note 4)	10,866
Accrued interest receivable	168
	193,663
<b>Total Current Assets</b>	<b>\$ 193,663</b>
<b>Property, Plant and Equipment (Note 5)</b>	
Property, plant and equipment	\$ 5,373,520
Less accumulated depreciation	751,216
	4,622,304
<b>Net Property, Plant and Equipment</b>	<b>\$ 4,622,304</b>
<b>Total Assets</b>	<b>\$ 4,815,967</b>

**LIABILITIES, CONTRIBUTIONS AND RETAINED EARNINGS**

<b>Liabilities</b>	
Customer deposits	\$ 12,550
Notes payable, USDA, R1, R2, & R3 (Note 6)	1,450,000
Accrued interest	15,406
	1,477,956
<b>Contributions</b>	
Grants in aid of construction	\$ 3,280,364
<b>Retained Earnings</b>	
Retained earnings	57,647
	57,647
<b>Total Contributions and Retained Earnings</b>	<b>\$ 3,338,011</b>
<b>Total Liabilities, Contributions and Retained Earnings</b>	<b>\$ 4,815,967</b>

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**STATEMENT OF REVENUE AND EXPENSES**  
**YEAR ENDED DECEMBER 31, 2003**

Operating Revenues:		
Sewerage fees	\$	114,364
Other income		
	<u>\$</u>	<u>114,364</u>
Operating Expenses:		
Salaries and benefits	\$	41,687
Operating expenses		21,639
Collection fees		17,497
Utilities		14,139
Commissioners' fees		2,100
Insurance		2,303
Professional fees		705
Bond fees and costs		589
Depreciation		<u>69,427</u>
Total Operating Expense	<u>\$</u>	<u>170,086</u>
Net Income (Loss) from Operations	\$	(55,722)
Other Revenue		
Federal funds - grants received, USDA		1,920,001
Interest		<u>632</u>
Net Income (Loss)	<u>\$</u>	<u>1,864,911</u>

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**STATEMENT OF CHANGES IN RETAINED EARNINGS**  
**YEAR ENDED DECEMBER 31, 2003**

Retained earnings, January 1,	\$	48,245
Add: Net income (loss)		1,864,911
Amounts provided for construction through grants from the United States Department of Agriculture		(1,920,001)
Depreciation on fixed assets acquired by grants externally restricted for capital acquisition and construction		<u>64,492</u>
Retained earnings, December 31	\$	<u>57,647</u>

See accountant's audit report and accompanying notes to financial statements.



**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2003**

Cash flows from operating activities:	
Cash received from sewerage fees	\$ 110,156
Cash received as sewer deposits	2,000
Cash received as grants	1,920,001
Cash received as interest income	632
Cash paid to suppliers	<u>(100,659)</u>
 Net cash provided by operating activities	 \$ 1,932,130
Cash flows from investing activities	
Additions to fixed assets	\$ 3,258,418
 Net cash used by investing activities	 \$ 3,258,418
Cash flows from financing activities	
Loans from the USDA, Rural Development	\$ 1,450,000
Interest accrued added to fixed assets	<u>15,408</u>
 Net cash provided by financing activities	 \$ 1,465,408
 Net increase in cash	 \$ 139,120
 Cash and certificates of deposit at beginning of year	 <u>43,509</u>
 Cash and certificates of deposit at end of year	 <u>\$ 182,629</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,864,911
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	69,427
Changes in assets and liabilities:	
Increase in accounts receivable	(4,208)
Increase in tenant deposits	2,000
Increase in accrued interest payable	<u>          </u>
 Net cash provided by other activities	 \$ 1,932,130

See accountant's audit report and accompanying notes to financial statements.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of and for the Year Ended December 31, 2003

**NOTE 1 - INTRODUCTION**

Sewerage District #1 of the Parish of Concordia (Sewerage District #1) is a part of a financial reporting entity, the Concordia Parish Police Jury. It was created by the Police Jury by Ordinance 460, dated November 22, 1976, to provide public sewerage and waste treatment service to the rural areas of eastern Concordia Parish, in accordance with Louisiana Revised Statute 33:3881.

Sewerage District #1 is governed by a Board of Supervisors, made up of three members who are qualified voters and residents of the District. They are appointed by the members of the Concordia Parish Police Jury to serve at the will of the Police Jury until such time as their successors are appointed and have qualified. They are compensated at the rate of \$50 per meeting for up to 24 regular meetings and up to 12 special meetings per year, with the secretary/treasurer authorized to receive an additional \$25 per month for services rendered to the District.

The District serves more than 500 consumers. They maintain the sewerage treatment facilities and sewer lines of the District. The District employs two full-time employees.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation** - The accompanying general purpose financial statements of the Sewerage District #1 of the Parish of Concordia 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.

**B. Reporting Entity** - As the governing authority of the parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for Concordia 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 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 Concordia 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. This criteria includes:

1. Appointing a voting majority of an organizations 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 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 a voting majority of the Sewerage District's board and said board is fiscally dependent on the police jury, the district was determined to be a component unit of the Concordia 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 the other governmental units that comprise the governmental reporting entity.

C. Fund Accounting - The accounts of Sewerage District #1 are organized on the basis of a single proprietary fund type, the enterprise fund. Enterprise funds are used to account for operations in a manner similar to private business enterprises where the costs (expense, including depreciation) of providing sewerage services to the general public on a continuing basis are financed through user charges.

D. Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components.

E. Cash and Certificates of Deposit - Cash includes amounts in demand deposits and certificates of deposit. The district conducts all its banking transactions with two state-chartered institutions in Concordia Parish.

At December 31, 2003, the Sewerage District #1 had \$182,629 (banks' balance) on deposit at these financial institutions. All cash and certificates of deposit are deposited in financial institutions insured by an agency of the United States Government.

F. Inventories - Inventories of materials and supplies are considered to be expenditures at the time of the purchase. Amounts on hand at the financial statement date are immaterial and, therefore, are not included in the balance sheet.

G. Property, Plant and Equipment - Additions to the utility plant in service are recognized at cost, or if contributed property, at their estimated fair market value at the time of contribution. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation of fixed assets used by the Sewerage District is charged as an expense against their operations. Depreciation on assets provided through grant funds (contributed capital) is charged against such capital as provided by Section G60.116 of the GASB Codification.

Depreciation is calculated over the estimated useful life of the assets using the straight line method as follows:

Sewerage system and equipment	30 years
Other assets	10 years

H. Income Taxes - Sewerage District #1 is a component unit of the Concordia Parish Police Jury, and, as such, is not subject to federal or state income taxes.

NOTE 3 - CASH AND CERTIFICATES OF DEPOSIT

At December 31, 2003, Sewerage District #1 had cash and certificates of deposit (book balances), totaling \$182,629, as follows:

Demand deposits	\$151,372
Certificates of deposit	<u>31,257</u>
Total	<u>\$182,629</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. At December 31, 2003, the district had \$182,629 in collected bank balances. These deposits are secured from risk by federal deposit insurance.

#### NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the monthly billing at January 1, 2004 for sewerage services rendered during December, 2003. These fees are billed by Concordia Waterworks District #1 along with the water billings each month and are paid to the Sewerage District after the first of the next month. Only the current month billings are due at any time and no amount is past due.

#### NOTE 5 - CHANGES IN FIXED ASSETS

There were changes as follows in the fixed assets of Sewerage District #1 during the year ended December 31, 2003:

	<u>January 1, 2003</u>	<u>Additions</u>	<u>December 31, 2003</u>
Land and ponds	\$ 142,888		\$ 142,888
Sewerage system	1,949,700	\$3,258,418	5,208,118
Other fixed assets	22,514		22,514
	<u>\$2,115,102</u>	<u>\$3,258,418</u>	<u>\$5,373,520</u>
Less accumulated depreciation	681,789	69,427	751,216
Net property, plant and equipment	<u>\$1,433,313</u>	<u>\$3,188,991</u>	<u>\$4,622,304</u>

During 1992, the Concordia Parish Police Jury constructed a sanitary sewer system in the Levens Addition Area, Ferriday, Louisiana, financed by a grant from the Louisiana Community Development Block Grant program, to be operated by the Sewerage District. The system was complete and began operation in August, 1992. The Concordia Parish Police Jury transferred the system to the Sewerage District as of January, 1993.

During 1995, the Police Jury constructed another sanitary sewer system in the Doty Road area, Ferriday, Louisiana, financed by a grant from the Louisiana Community Development Block Grant program, to be operated by the Sewerage District. The system was complete and began operation in July, 1995. The Sewerage District operates the system and has collected fees starting in August, 1995. The Concordia Parish Police Jury transferred the system to the Sewerage District as of November, 1995.

In 2003, the Sewer District began Phase I of a long range plan designed to bring sewer service to much of the unserved area in Concordia Parish. The phase is nearing completion in 2004, and Phase II of the plan is ready to be implemented. The construction is being funded by grants and loans from the United States Department of Agriculture, Rural Development Water and Wastewater Program and funds from a Louisiana Community Development Block Grant (in 2004.)



**NOTE 6 - CHANGES IN LONG-TERM DEBT**

The following is a summary of the notes payable for the year ended December 31, 2003:

	Note R-1	Note R-2	Note R-3	Total
Notes payable at January 1, 2003	\$ 0	\$ 0	\$ 0	\$ 0
Add amounts borrowed	<u>1,139,000</u>	<u>241,000</u>	<u>70,000</u>	<u>1,450,000</u>
Notes payable at December 31, 2003	<u>\$1,139,000</u>	<u>\$241,000</u>	<u>\$ 70,000</u>	<u>\$1,450,000</u>

Long-term debt at December 31, 2003 consists of:

Notes Payable #R-1 - Sewer Revenue Bond due to the United States of America, Rural Development, issued August 21, 2003 in the original amount of \$1,139,000 at an interest rate of 4 1/4% due in monthly installments of \$5,045.77 including amortized principal and interest through August 21, 2043. Interest only is due on August 21, 2004 and 2005. This loan is secured by a pledge of revenues from the sale of sewer services by the district. \$1,139,000

Notes Payable #R-2 - Sewer Revenue Bond due to the United States of America, Rural Development, issued August 21, 2003 in the original amount of \$241,000 at an interest rate of 4 1/4% due in monthly installments of \$1,067.63 including amortized principal and interest through August 21, 2043. Interest only is due on August 21, 2004 and 2005. This loan is secured by a pledge of revenues from the sale of sewer services by the district. 241,000

Notes Payable #R-3 - Sewer Revenue Bond due to the United States of America, Rural Development, issued August 21, 2003 in the original amount of \$70,000 at an interest rate of 4 1/4% due in monthly installments of \$310.10 including amortized principal and interest through August 21, 2043. Interest only is due on August 21, 2004 and 2005. This loan is secured by a pledge of revenues from the sale of sewer services by the district. 70,000

Total notes payable \$1,450,000

The District's proprietary fund bonds are governed by bond indentures, the terms of which are summarized as follows:

### Notes R-1, R-2 & R-3

- A. **Sewer Revenue Bond and Interest Sinking Fund (Sinking Fund)**  
The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year a sum equal to the total amount of principal and interest falling due on the next principal payment date for the Bonds (except during the first year the Bonds are outstanding, a monthly sum equal to one-twelfth (1/12th) of the interest falling due on the first payment date).
- B. **Sewer Revenue Bond Reserve Fund (Reserve Fund)**  
The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund, to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable.
- C. **Sewer Depreciation and Contingency Fund (Contingency Fund)**  
The district shall transfer monthly in advance on or before the 20<sup>th</sup> day of each month of each year, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund, to continue until such time as there has been accumulated in the Reserve Fund a sum equal to the highest combined principal and interest falling due in any year on the bonds payable, then the monthly payments into the Contingency Fund shall increase by an amount equal to 5% of the amount being paid into the Sinking Fund.

The District is not in compliance with Covenant A, and Covenants B and C do not take effect until the construction is completed and accepted.

### NOTE 7 - LITIGATION

The District is not involved in any litigation at December 31, 2003.

### NOTE 8 - PENSION PLAN

The two permanent employees of the Sewerage District #1 of the Parish of Concordia are members of the Parochial Employees Retirement System of Louisiana (System), a multiple employer (cost sharing) public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plants, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from District funds and all elected parish officials are eligible to

participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The system also provides death and disability benefits. Benefits are established by state statute.

Contributions to the system include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior year.

The following provides certain disclosures for the Sewerage District and Plan A of the retirement system that are required by GASB Codification Section P20.129:



	Year ended December 31, 2003	
Total current year payroll		\$25,215
Total current year covered payroll		\$25,215
Contributions:		
Required by statute:		
Employees*	9.50%	\$ 2,395
Employer	7.75%	1,954
Total	<u>16.75%</u>	<u>\$ 4,350</u>
*In excess of \$100 per month		
Actual:		
Employees	9.50%	\$ 2,395
Employer	7.75%	1,954
Total	<u>16.75%</u>	<u>\$ 4,349</u>
Actuarially required:		
Employees	9.50%	\$ 2,395
Employer	11.22%	2,829
Total	<u>14.00%</u>	<u>\$ 5,224</u>

Plan totals

	Year ended December 31, 2002	
Actuarial Value of Assets		\$ 1,214,971,041
Actuarial Accrued Liability		<u>1,313,900,436</u>
Unfunded Actuarial Accrued Liability		<u>\$ 98,929,395</u>

The pension benefit obligation information is presented as of December 31, 2002, as the December 31, 2003 information is not yet available. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of asset and pension benefit obligations for individual employers.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 2002 comprehensive annual financial report. The District does not guarantee the benefits granted by the System.

SECTION II

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING

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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**

The Board of Commissioners  
Sewerage District #1 of the Parish of Concordia

I have audited the general purpose financial statements of Sewerage District #1 of the Parish of Concordia, a component unit of the Concordia Parish Police Jury, State of Louisiana, for the year ended December 31, 2003, and have issued my report thereon dated June 18, 2004. I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement.

**Compliance**

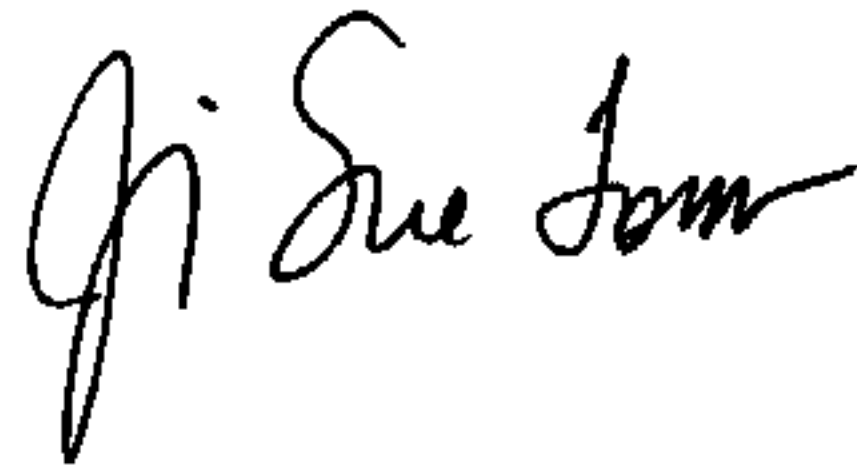
As part of obtaining reasonable assurance about whether Sewerage District #1 of the Parish of Concordia financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a 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 of the financial statements of the Sewerage District, I considered its internal control structure 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 structure would not necessarily disclose all matters in the internal control structure 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 structure and its operation that I consider to be material weaknesses as defined above.

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

A handwritten signature in black ink, appearing to read "Ji Sue Jom". The signature is written in a cursive, flowing style.

Ferriday, Louisiana  
June 18, 2004

SECTION III

REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

OTHER REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**SEWERAGE DISTRICT #1 OF CONCORDIA PARISH**  
Ferriday, Louisiana

#### **Compliance**

I have audited the compliance of the Sewerage District #1 of Concordia Parish, Ferriday, Louisiana, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The Sewerage District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Sewerage District's management. My responsibility is to express an opinion on the Sewerage District's compliance based on my audit.

I conducted my audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sewerage District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Sewerage District's compliance with those requirements.

In my opinion, Sewerage District #1 of the Parish of Concordia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

#### **Internal Control Over Compliance**

The management of the Sewerage District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Sewerage District's internal control over compliance with requirements that could have a direct and material effect on a major

federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that I consider to be material weaknesses.

### **Schedule of Expenditures of Federal Awards**

I have audited the general purpose financial statements of the Sewerage District as of and for the year ended December 31, 2003 and have issued my report thereon dated June 18, 2004. My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the Sewerage District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

This report is intended solely for the information and use of the management, others within the organization, members of the Board of Commissioners, members of the Police Jury, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



June 18, 2004



**Sewerage District #1 of Concordia Parish**  
Schedule of Findings and Questioned Costs  
Year ended December 31, 2003

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Sewerage District.
2. No reportable conditions disclosed during the audit of the general purpose financial statements were reported.
3. No instances of noncompliance material to the general purpose financial statements of the Sewerage District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs were reported.
5. The auditor's report on compliance for the major federal award programs for the Sewerage District expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the Sewerage District are reported in this Schedule.
7. The programs tested as major programs included:

Department of Agriculture, Water and Waste Disposal Systems for Rural Communities, CFDA 10.760
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The Sewerage District was not determined to be a low-risk auditee.

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended December 31, 2003

Federal Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Program Amount	Beginning Balance at January 1, 2003	Receipts	Expenditures	Ending Balance at December 31, 2003
United States Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760	\$ 4,012,000	\$ 0	\$ 1,920,000	\$ 1,793,011	\$ 126,989
			\$ 0	\$ 1,920,000	\$ 1,793,011	\$ 126,989

# SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA

Notes to Schedule of Expenditures of Federal Awards

As of and For the Year ended December 31, 2003

## NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sewerage District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

## NOTE 2 - RECEIPTS

Receipts from the United States Department of Agriculture, Water and Waste Disposal Systems for Rural Communities during the fiscal year ended December 31, 2003 were as follows:

Grant R-1	\$ 210,000
Grant R-2	687,000
Grant R-3	768,000
Grant R-4	<u>255,000</u>
Total	<u>\$1,920,000</u>

SECTION IV  
SUPPLEMENTAL INFORMATION

**SEWERAGE DISTRICT #1 OF THE PARISH OF CONCORDIA  
SCHEDULE OF COMMISSIONERS' COMPENSATION  
YEAR ENDED DECEMBER 31, 2003**

Mr. Eddie Turner, President	\$ 700
Mr. Ellis Taylor	700
Mr. Harry Greer, Secretary/Treasurer	<u>700</u>
	<u>\$2,100</u>

## **JERI SUE TOSSPON**

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To Management and the Board of Directors  
Sewerage District #1 of the Parish of Concordia  
Ferriday, Louisiana

I have audited the financial statements of the Sewerage District #1 of the Parish of Concordia, as of December 31, 2003 and for the year then ended, and have issued my reports dated June 18, 2004. As a part of my examination, I made a study and evaluation of the Association's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. My study was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and costs of control procedures. The objectives of a system 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 system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Association taken in as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

To Management and the Board of Directors  
Sewerage District #1 of the Parish of Concordia  
Page Two

My comments on specific financial and accounting matters and recommendations developed during my examination which do not represent material weaknesses, are detailed below.

#### Noncompliance with Loan Covenants


The District has not yet set up its Sinking Fund Account as required by the covenants of its bond indenture dated August 21, 2003.

#### Management Response

The management of the District is in the process of initiating this account, as well as the Reserve Account and Depreciation and Contingency Accounts required by the bond indenture to be set up at the completion of the project.

This report is intended for the use of the District's management and others within the organization.

I thank all the personnel at the District for their cooperation during my examination.



Ferriday, Louisiana  
June 18, 2004