

Rapides Parish Sewerage District No. 2

Alexandria, Louisiana

Financial Statements

December 31, 2024

Table of Contents

Independent Auditors' Report.....	1
Management's Discussion & Analysis	4
Basic Financial Statements	
Statement of Net Position – Proprietary Funds.....	8
Statement of Revenues, Expenditures, and Changes in Net Position – Proprietary Funds	9
Statement of Cash Flows	10
Notes to Financial Statements.....	11
Supplementary Schedule.....	21
Schedule of Compensation, Benefits, and Other Payments to Agency Head.....	22
Reports on Internal Control, Compliance and Other Matters	23
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Schedule of Findings and Questioned Costs.....	26
Management's Corrective Action Plan.....	28
Summary of Prior Year Audit Findings.....	29

Independent Auditors' Report

Rapides Parish Sewerage District No. 2
Alexandria, Louisiana

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Rapides Parish Sewerage District No. 2, a component unit of the Rapides Parish Police Jury, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the sewer district's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Rapides Parish Sewerage District No. 2, as of December 31, 2024, and the respective changes in financial position, and, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Rapides Parish Sewerage District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rapides Parish Sewerage District

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No. 2's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Rapides Parish Sewerage District No. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rapides Parish Sewerage District No. 2's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 be presented to

supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rapides Parish Sewerage District No. 2's basic financial statements. The accompanying Schedule of Compensation Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule of Compensation Benefits and Other Payments to Agency Head or Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2025, on our consideration of the Rapides Parish Sewerage District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rapides Parish Sewerage District No. 2's internal control over financial reporting and compliance.



KnightMasden
Alexandria, Louisiana
May 20, 2025



Rapides Parish Sewerage District No. 2
Management Discussion & Analysis
For the Year Ended December 31, 2024

As management of the District, we offer readers of the Rapides Parish Sewerage District No. 2's financial statements, this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2024. We encourage readers to consider the information presented here in conjunction with the District's audited financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,554,592 (*net position*).

The District had total revenue of \$885,731 in its enterprise fund, including interest income of \$2,526.

Expenses totaled \$585,014, including depreciation expense in the amount of \$117,444, which is a non-cash transaction.

The change in net position of the enterprise fund was \$300,717.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The District is a special-purpose entity engaged in business-type and governmental activities. Accordingly, only fund financial statements are presented as the basic financial statements.

Effective, December 31, 2004, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

Rapides Parish Sewerage District No. 2
Management Discussion & Analysis
For the Year Ended December 31, 2024

Table 1 - Balance Sheet (*Enterprise Fund*)

The following table represents a Comparative Balance Sheet as of December 31:

Assets	2023	2024	% Change
Current Assets	\$ 507,386	\$ 552,261	8.8
Restricted Assets	162,500	203,500	25.2
Capital Assets, Net	3,845,832	3,859,023	0.3
Total Assets	4,515,718	4,614,784	2.2
Liabilities & Net Position			
Current Liabilities	83,950	620	-99.3
Current Liabilities Payable From Restricted Assets	140,893	140,572	-0.2
Long-Term Liabilities	2,037,000	1,919,000	-5.8
Total Liabilities	2,261,843	2,060,192	-8.9
Net Position			
Net Investment in Capital Assets	1,691,833	1,822,023	7.7
Restricted for Debt Service	36,974	74,974	102.8
Unrestricted	525,068	657,595	25.2
Total Net Position	2,253,875	2,554,592	13.3
Total Liabilities & Net Position	\$ 4,515,718	\$ 4,614,784	2.2

Table 2 - Changes in Net Position (*Enterprise Fund*)

The following table reflects the Comparative Statement of Revenues, Expenses, and Changes in Net Position for the year ended December 31, 2024.

	2023	2024	% Change
Revenues			
Operating Revenues	\$ 963,843	\$ 883,205	-8.4
Non-Operating Revenues	841	22,526	225.1
Total Revenues	964,684	885,731	-8.2
Expenses			
Operating Expenses	595,988	564,551	-5.3
Non-Operating Expenses	20,651	20,463	-0.9
Total Expenses	616,639	585,014	-5.1
Increase (Decrease) in Net Position	348,045	300,717	-13.6
Beginning Net Position	1,905,830	2,253,875	18.3
Ending Net Position	\$ 2,253,875	\$ 2,554,592	13.3

Rapides Parish Sewerage District No. 2
Management Discussion & Analysis
For the Year Ended December 31, 2024

Capital Assets & Long-Term Debt

Capital Assets

At December 31, 2024, the District had \$3,859,023 invested in a broad range of capital assets, including the sewer system, leasehold improvements, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$13,191 or 0.3% from last year.

Capital Assets at Year-End		
	2023	2024
Sewer System, Machinery & Equipment	\$ 5,349,737	\$ 5,480,373
Accumulated Depreciation	(1,503,906)	(1,621,350)
Total Capital Assets, Net	\$ 3,845,831	\$ 3,859,023

*Land in the amount of \$29,000 is not being depreciated.

Long-term Debt

The following is a summary of payable transactions of the Rapides Sewerage District No. 2 for the year ended December 31, 2024.

	Sewer Revenue Bond
Beginning - Bonds & Notes Payable	\$ 2,154,000
Additions	-0-
Reductions	(117,000)
Ending - Bonds & Notes Payable	\$ 2,037,000

Using this Annual Report

The District's annual report consists of financial statements that show information about the District's fund.

Our auditors have provided assurance in their independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditors regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Rapides Parish Sewerage District No. 2
Management Discussion & Analysis
For the Year Ended December 31, 2024

Contacting the Sewer District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Rapides Parish Sewerage District No. 2's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact the Rapides Parish Sewerage District No. 2, 2826 Lee Street, Alexandria, Louisiana 71301, telephone number (318) 448-1332.

Rapides Parish Sewerage District No. 2
Statement of Net Position - Proprietary Fund
December 31, 2024

	Business-Type Activity Enterprise Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 526,921
Accounts receivable (Net of allowance for bad debt)	<u>25,340</u>
Total Current Assets	552,261
Non-Current Assets	
Restricted cash	201,500
Deposits	2,000
Capital Assets (Net of accumulated depreciation)	<u>3,859,023</u>
Total Non-Current Assets	4,062,523
Total Assets	<u>\$ 4,614,784</u>
Liabilities and Net Assets	
Current Liabilities	
Payroll liabilities	\$ <u>620</u>
Total Current Liabilities	620
Liabilities Payable from Restricted Assets	
Unearned revenue	14,046
Accrued interest	8,526
Notes & bonds due within one year	<u>118,000</u>
Total Liabilities Payable from Restricted Assets	140,572
Non-Current Liabilities	
Notes & bonds due in more than one year	<u>1,919,000</u>
Total Non-Current Liabilities	1,919,000
Total Liabilities	2,060,192
Net Position	
Net Investments in Capital Assets	1,822,023
Restricted	74,974
Unrestricted	<u>657,595</u>
Total Net Position	<u>2,554,592</u>
Total Liabilities and Net Assets	<u>\$ 4,614,784</u>

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

Rapides Parish Sewerage District No. 2
Statement of Revenues, Expenses Changes in Net Position - Proprietary Fund
Year Ended December 31, 2024

	Business-Type Activity <u>Enterprise Fund</u>
Revenues	
Service charge	\$ 753,430
Grant income	<u>129,775</u>
Total Revenues	883,205
Operating Expenses	
Payroll expenses	17,439
Bank fees	63
Contract labor	152,090
Bad debt	2,774
Dues, subscription & permits	6,710
Insurance	8,926
Professional fees	59,566
Office expenses	11,259
Refunds	980
Repairs and maintenance	134,612
Telephone	1,636
Utilities	46,532
Other expense	4,520
Depreciation	<u>117,444</u>
Total Operating Expenses	<u>564,551</u>
Operating Income (Loss)	318,654
Non-Operating Revenues (Expenses)	
Interest revenue	2,526
Interest expense	<u>(20,463)</u>
Total Non-Operating Revenues (Expenses)	(17,937)
Change in Net Position	300,717
Net Position - Beginning	<u>2,253,875</u>
Net Position - Ending	<u><u>\$ 2,554,592</u></u>

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

Rapides Parish Sewerage District No. 2
Statement of Cash Flows
Year Ended December 31, 2024

	Enterprise <u>Fund</u>
Cash Flows from Operating Activities	
Receipts from customers & users	\$ 749,001
Payments to suppliers	(512,224)
Payment to other operating	<u>(17,439)</u>
Net Cash Provided/(Used) by Operating activities	219,338
Cash flows from Capital & Related Financing Activities	
Receipts from grantors	129,775
Payments for capital improvements	(130,636)
Interest expense	(20,462)
Principal payment on long-term debt	<u>(117,000)</u>
Net Cash Provided/(Used) by Capital & Related Financing Activities	(138,323)
Cash flows from Investing Activities	
Interest revenue	<u>2,526</u>
Net Cash Provided/(Used) by Investing Activities	<u>2,526</u>
Net Increase (Decrease) in Cash and Cash equivalents	83,541
Cash and Cash Equivalents - Beginning	<u>644,880</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 728,421</u></u>
Consisting of:	
Cash and cash equivalents	\$ 526,921
Restricted cash	<u>201,500</u>
Total	<u><u>\$ 728,421</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ 318,654
Depreciation expense	117,444
Bad debt expense	2,774
Grant income	(129,775)
(Increase) decrease in accounts receivable	(3,109)
(Increase) decrease in deposits	(2,000)
Increase (decrease) in accounts payable	(83,330)
Increase (decrease) in deferred revenue	<u>(1,320)</u>
Total Adjustments	<u>(99,316)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 219,338</u></u>

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

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of Sewerage District No. 2 of Rapides Parish, Louisiana, has been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Government Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are described below.

Nature of Activities

Rapides Parish Sewerage District No. 2 was created by the Rapides Parish Police Jury, as authorized by Louisiana Revised Statute 33:381 to manage and operate sewerage systems within the District not served by municipal systems. The Sewerage District is administered by a board of three commissioners who are appointed by the Rapides Parish Police Jury.

At December 31, 2024, the District had approximately 1,051 customers.

Fund Financial Statements

The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self balancing set of accounts.

The District has only one fund, an enterprise fund.

An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

For financial reporting purposes the District is a component unit of the Rapides Parish Police Jury, the governing body of the parish. The accompanying financial statements present financial information only on the funds and account groups maintained by Rapides Parish Sewerage District No. 2 and do not present information on the Police Jury and the general government services provided by that governmental unit or any of its other component units.

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

The entity reports the following major proprietary funds:

- Sewer Fund – The Enterprise Fund is the municipality’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Principal operating revenues are utility billings. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District utilizes the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded in accounts receivable.

Equity Classifications

In the government-wide financial statements, equity is classified as Net Position and displayed in three components as applicable. The components are as follows:

Net Investment in Capital Assets - Capital assets including restricted capital assets, when applicable, net of accumulated depreciation.

Restricted Net Position - Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Unrestricted Net Position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, management applies restricted resources first. The policy concerning which to apply first varies with the intended use and legal requirements. The decision is typically made by management at the incurrence of the expense.

Deposits & Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the District’s investment policy allow the district to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

Investments (bank certificate of deposits in excess of 90 days) for the District are reported at fair value.

Inventories

Inventories of materials and supplies are considered to be expenditures at the time purchased. Amounts on hand at the financial statement date are considered immaterial and therefore not included on the statements of assets and liabilities.

Accounts Receivable & Allowance for Bad Debts

Receivables consist of all revenues earned at year-end and not yet received. Business-type activities report customer’s utility service receivables as the major receivable. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available.

The allowance method is used to recognize bad debts of accounts receivable. The allowance is determined based upon past history and the aging of accounts receivable as of year-end. The allowance for bad debts at December 31, 2024 is \$50,669.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable columns in the basic financial statements. Capital assets are capitalized at historical cost. The district maintains a threshold level of \$1,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$0. Of this amount, \$0 was included as part of the cost of capital assets under construction in connection with construction projects.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Sewer System	20-45 years
Equipment/Improvements	3-20 years

Compensated Absences

The only employees of the District are its Board of Commissioners and they do not receive any vacation, sick pay or any other benefits. Therefore, no accruals for compensated absences have been made in these financial statements.

Long-Term Obligations

In the basic financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The long-term debt consists of bonds payable to State of Louisiana Delinquent Environmental Quality.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Litigation

The District had no outstanding judgments or pending litigations as of December 31, 2024.

Retirement Plans

The District does not have retirement commitments or a pension plan for its employees.

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Risk Management

The District is exposed to risks of loss in the areas of theft, torts, property hazards, general liability, errors and omissions, and natural causes. These risks are covered by commercial insurance coverage. All previous losses have not exceeded the insurance coverage.

Note 2 – Cash and Investments

At December 31, 2024, the District has cash and investments (bank balances) totaling \$728,421 as follows:

<u>Description</u>	<u>Amount</u>
Demand deposits	\$669,393
Time deposits	<u>59,028</u>
Total	<u>\$728,421</u>

These deposits are stated at cost, which approximated 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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. 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.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Entity that the fiscal agent bank has failed to pay deposit funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Entity's name.

Deposits

It is the District's policy for deposits to be 100% secured by collateral at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 2 – Cash and Investments (continued)

The District's deposits are categorized to give an indication of the level of risk assumed by the district at year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uncollateralized.

The cash and investments at December 31, 2024 are categorized as follows:

<u>Description</u>	<u>Amount</u>
FDIC (Category 1)	\$322,096
Securities (Category 2)	<u>406,325</u>
Total	<u>\$728,421</u>

For purposes of the Statement of Net Position, cash, and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of Rapides Parish Sewerage District No. 2. For the purpose of the proprietary fund Statements of Cash Flows, "Cash and Cash Equivalents" include all demand savings accounts and certificates of deposit under 90 days.

Note 3 – Restricted Assets – Proprietary Funds

At December 31, 2024, restricted assets for the proprietary fund were applicable to the following:

<u>Description</u>	<u>Amount</u>
Reserve Account	\$69,000
Depreciation and Contingency	75,000
Debt Service	<u>57,500</u>
Total	<u>\$201,500</u>

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 4 – Accounts Receivable

At December 31, 2024, the receivables of \$25,340 are as follows:

<u>Description</u>	<u>Amount</u>
Accounts Receivable	\$76,009
Allowance for Bad Debt	<u>(50,669)</u>
Total	<u>\$25,340</u>

Note 5 – Fixed Assets – Proprietary Funds

At December 31, 2024, the fixed assets of the proprietary funds consisted of:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Sewerage System	\$5,320,737	\$ -	\$ -	\$5,451,373
Construction in Progress	233,280	130,636	-	363,916
Land*	29,000	-	-	29,000
Accumulated Depreciation	<u>(1,503,906)</u>	<u>(117,444)</u>	<u>-</u>	<u>(1,621,350)</u>
Total	<u>\$3,845,831</u>	<u>\$ 13,192</u>	<u>\$ -</u>	<u>\$3,859,023</u>

*Land in the amount of \$29,000 is not being depreciated.

Note 6 – Long-Term Debt

At December 31, 2024, long-term debt consisted of:

\$2,485,000 sewer revenue bonds dated June 21, 2019, with the first payment received in the amount of \$41,221.63, due in yearly installments through August 2035; at interest rate of 0.95%	\$2,037,000
Current Portion of Long-Term Debt	<u>118,000</u>
Long-Term Debt	<u>\$1,919,000</u>

The summary of the debt transactions for the year ended December 31, 2024 were as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Ending Balance</u>
DEQ Loan	\$2,154,000	\$ -	<u>(\$117,000)</u>	\$2,037,000
Total	<u>\$2,154,000</u>	<u>\$ -</u>	<u>(\$115,000)</u>	<u>\$2,037,000</u>

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 6 – Long-Term Debt (continued)

The loans were acquired for the purpose of paying for a portion of construction and acquiring improvements and extension to the sewerage system, including appurtenant equipment, accessories and discharging Bond Anticipation Notes. The loan is secured by a pledge of income and revenues of the System, after provision had been made for payment of all reasonable and necessary expenses of operating and maintaining the System.

The annual requirement to amortize all debt outstanding as of December 31, 2024, including interest payments are as follows:

#1 DEQ Loan Dated June 2019

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2025	\$ 118,000	\$ 9,167	\$10,185	\$ 137,352
2026	119,000	8,636	9,595	137,231
2027	120,000	8,100	9,000	137,100
2028	121,000	7,560	8,400	136,960
2029	122,000	7,016	7,795	136,811
2030-2034	630,000	26,708	29,675	686,383
2035-2039	659,000	12,281	13,645	684,925
2040	<u>148,000</u>	<u>667</u>	<u>740</u>	<u>149,406</u>
Total	\$2,037,000	<u>\$80,132</u>	<u>\$89,035</u>	<u>\$2,206,167</u>

Note 7 – Flow of Funds; Restriction on Use – Enterprise Fund Revenue

There are a number of limitations and restrictions contained in the loan agreements. The following is a summary of the major restrictions in the use of funds as required by the loan agreements.

Flow of Funds: Restrictions on Use of #1 DEQ Loan Dated June 2019

The revenues derived from the sewerage user fees shall be allocated as follows:

- a) Each month beginning on January 1, 2021, and each successive month, a sum equal to the pro-rata amount of interest falling due on the next interest payment date and the pro-rata amount of principal falling due on the next principal payment date, together with such additional proportionate sum as may be required to pay said principal and interest as the same respectively become due is required to be paid into a separate fund entitled "Debt Service Fund." Semi-annual interest and annual principal payments will be made from said fund.
- b) Each month 25% of the amount required to be paid into the Debt Service Fund is required to be paid into a separate fund entitled "Debt Service Reserve Fund", until there has been accumulated an amount equal to the ½ of the maximum principal and interest payment for any bond year.

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 7 – Flow of Funds; Restriction on Use – Enterprise Fund Revenue (continued)

- c) Each month 5% of the net revenue for the preceding month is required to be paid into a separate fund entitled “Depreciation and Contingency Fund”, until the fund reaches a balance of \$75,000. Money in this fund may be used to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the sewer system. The monies may also be used to pay the principal and interest on the bonds if there are not sufficient funds in the reserve account.

Note 8 – Restricted Net Position – Proprietary Fund

At December 31, 2024, the restricted net position for proprietary funds consists of the following:

<u>Description</u>	<u>Amount</u>
Total Restricted Cash	\$201,500
Accrued Interest	(8,526)
Current Notes Payable	<u>(118,000)</u>
Total	<u>\$ 74,974</u>

Note 9 – Salaries of Board Members

The following is a list of board members for December 31, 2024:

<u>Board Member</u>	<u>Term</u>	<u>Compensation</u>
Jimmy Cockrell 640 Hooper Road Pineville, LA 71360 Vice President	4 Years Expires October 12, 2026	\$5,400
Cecil Perry 6756 Dogwood Dr Pineville, LA 71360 President	4 Years Expires October 12, 2026	\$5,400
Artie Cole 1006 Windy Pineville, LA 71360 Secretary	4 Years Expires October 12, 2025	\$5,400

Board members receive \$150 per board meeting.

Rapides Parish Sewerage District No. 2
Notes to the Financial Statements
For the Year Ended December 31, 2024

Note 9 – Subsequent Events

Management has evaluated events and transactions subsequent to the Statement of Net Position date through, May 20, 2025, of the independent auditors' report for potential recognition or disclosure in the financial statements.

Supplementary Schedule

Rapides Parish Sewerage District No. 2
Schedule of Compensation, Benefits and Other Payments to Cecil Perry, Board President
For the Year Ended December 31, 2024

<u>Purpose</u>	<u>Amount</u>
Salary	\$ <u>5,400</u>
	<u>\$ 5,400</u>

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

Reports on Internal Control, Compliance and Other Matters

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
and Other Matters based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Directors
Rapides Parish Sewerage District No. 2
Alexandria, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Rapides Parish Sewerage District No. 2, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Rapides Parish Sewerage District No. 2's basic financial statements, and have issued our report thereon dated May 20, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rapides Parish Sewerage District No. 2's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rapides Parish Sewerage District No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Rapides Parish Sewerage District No. 2's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rapides Parish Sewerage District No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matter that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana statutes, this report is distributed by the Legislative Auditor as a public document.



KnightMasden
Alexandria, Louisiana
May 20, 2025

Rapides Parish Sewerage District No. 2
Schedule of Findings
For the Year Ended December 31, 2024

A. Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified no
considered material weakness? | None noted |
| c. Noncompliance material to the financial
statements noted? | No |

Rapides Parish Sewerage District No. 2
Schedule of Findings
For the Year Ended December 31, 2024

B. Findings – Financial Statement Audit

No current year findings.

Rapides Parish Sewerage District No. 2
Management's Corrective Action Plan
For the Year Ended December 31, 2024

No current year findings.

Rapides Parish Sewerage District No. 2
Summary of Prior Audit Findings
For the Year Ended December 31, 2024

Not applicable, No Prior Year findings.



KnightMasden

A Professional Accounting Corporation

John E. Theriot II, CPA, CGMA

Stephanie R. Lemoine, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Rapides Parish Sewerage District No. 2 and the Louisiana Legislative Auditor

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2024 through December 31, 2024. Rapides Parish Sewerage District No. 2 management is responsible for those C/C areas identified in the SAUPs.

Rapides Parish Sewerage District No. 2 has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2024 through December 31, 2024. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Written Policies and Procedures

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Board or Finance Committee

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Bank Reconciliations

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

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Collections

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Non-Payroll Disbursements

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A list was obtained. Client represented that it was complete.

- B. For each location selected under #A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

- ii. At least two employees are involved in processing and approving payments to vendors.

Two employees are involved in processing and approving payments to vendors.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Employee responsible for processing payments does add and/or modify vendor files, and another employee is responsible for periodically reviewing changes to vendor files.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Officer responsible for signing checks does not mail the payment or give the signed check to an individual to mail who is not responsible for processing payments.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement(release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Only employees/officials authorized to sign checks, approve the electronic disbursements of funds.

- C. For each location selected under #A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- i. Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

The disbursements tested matched the related original invoice/billing statement.

- ii. Observe whether the disbursement documentation included evidence of segregation of duties tested under #B, as applicable.

The disbursements tested included evidence of segregation of duties.

- D. Using the entity's main operating account and the month selected under #A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was:

- i. Approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and

Electronic disbursements were in the form of bank fees and bond payments. No approval needed.

- ii. Approved by the required number of authorized signers per the entity's policy.

Electronic disbursements were in the form of bank fees and bond payments. No approval needed

Management's Response to Section Findings: Exceptions noted on #B(iv) are not able to be overcome with the size of the organization.

Credit Cards/Debit Cards/Fuel Cards/Purchase Cards

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Travel and Travel-Related Expense Reimbursements

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Contracts

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Payroll and Personnel

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure in #9A obtain ethics documentation from management, and

- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and

Only two of the three employee/officials completed the one hour of ethics training.

- ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal year, as applicable.

No changes to ethics policy were made during the year.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Agency has appointed, Cecil Perry, as ethics designee.

Management's Response to Section Findings: All public servants will complete the training in 2025.

Debt Service

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Fraud Notice

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Information Technology Disaster Recovery/Business Continuity

No exceptions were noted in this section on the December 31, 2023 report; therefore, no testing was required to be performed.

Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Only one of the three employee/officials completed the one hour of sexual harassment training.

- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Client does have the sexual harassment policy posted.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes that the applicable requirements of R.S. 42:244:

- i. Number and percentage of public servants in the agency who have completed the training requirements;

Reported

- ii. Number of sexual harassment complaints received by the agency;

Reported

iii. Number of complaints which resulted in a finding that sexual harassment occurred;

Reported

iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

Reported

v. Amount of time it took to resolve each complaint.

Reported

Management's Response to Section Findings: All public servants will complete the training in 2025.

We were engaged by Rapides Parish Sewerage District No. 2 to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Rapides Parish Sewerage District No. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



KnightMasden
Alexandria, Louisiana
May 20, 2025