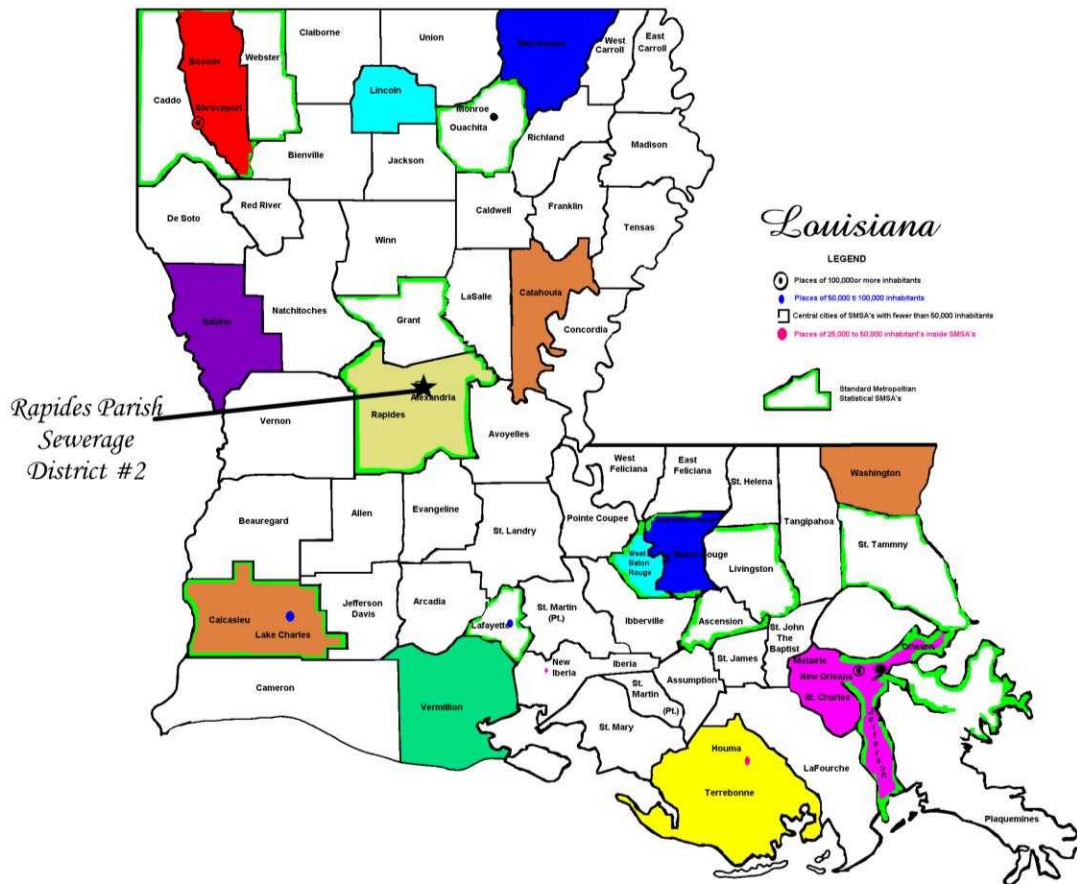


**RAPIDES PARISH SEWERAGE
DISTRICT NO. 2**

Basic Financial Statements

December 31, 2020

RAPIDES PARISH SEWERAGE DISTRICT #2 ALEXANDRIA, LOUISIANA



* The Rapides Parish Sewerage District 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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
 RAPIDES PARISH POLICE JURY
 ALEXANDRIA, LOUISIANA**

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INDEPENDENT AUDITOR'S REPORT

Rapides Parish Sewerage District No. 2
Alexandria, Louisiana

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the Rapides Parish Sewerage District No. 2's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rapides Parish Sewer District No. 2's basic financial statements. The accompanying other supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, the Schedule of Expenditures of Federal Awards and the other supplementary schedule is fairly stated and 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 June 8, 2021, 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.

The Vercher Group

Jena, Louisiana

June 8, 2021

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the District, we offer readers of the Rapides Parish Sewage 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, 2020. 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 \$1,559,146 (*net position*).

The District had total revenue of \$628,265 in its enterprise fund, including interest income of \$55.

Expenses totaled \$489,318, including depreciation expense in the amount of \$71,314, which is a non-cash transaction.

The change in net position of the enterprise fund was \$138,947.

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 (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments*.

MD&A

Table 1
Balance Sheet (*Enterprise Fund*)

The following table represents a Comparative Balance Sheet as of December 31, 2020:

Assets	2019	2020	% Change
Current Assets	\$ 472,986	\$ 523,576	10.7
Restricted Assets	-0-	-0-	0.0
Capital Assets, Net	1,018,312	3,087,101	203.2
Total Assets	<u>1,491,298</u>	<u>3,610,677</u>	142.1
 Liabilities & Net Position			
Current Liabilities	29,877	123,762	314.2
Long-Term Liabilities	41,222	1,927,769	4,576.6
Total Liabilities	<u>71,099</u>	<u>2,051,531</u>	2,785.5
 Net Position			
Net Investment in Capital Assets	977,090	1,046,332	7.1
Unrestricted	443,109	512,814	15.7
Total Net Position	<u>1,420,199</u>	<u>1,559,146</u>	9.8
 Total Liabilities & Net Position	 <u>\$ 1,491,298</u>	 <u>\$ 3,610,677</u>	 142.1

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, 2020:

	2019	2020	% Change
Revenues			
Operating Revenues	\$ 631,193	\$ 628,210	-0.5
Non-Operating Revenues	234	55	-76.4
Total Revenues	<u>631,427</u>	<u>628,265</u>	-0.5
 Expenses			
Operating Expenses	469,977	487,700	3.8
Non-Operating Expenses	-0-	1,618	100.0
Total Expenses	<u>469,977</u>	<u>489,318</u>	4.1
 Increase (Decrease) in Net Position	 161,450	 138,947	 -13.9
 Beginning Net Position	 <u>1,258,749</u>	 <u>1,420,199</u>	 12.8
Ending Net Position	<u>\$ 1,420,199</u>	<u>\$ 1,559,146</u>	9.8

MD&A

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At December 31, 2020, the District had \$3,087,101 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 \$2,068,790, or 203.2% from last year.

Capital Assets at Year-End

	<u>2019</u>	<u>2020</u>
Sewer System, Machinery & Equipment*	\$ 2,215,222	\$ 4,355,326
Accumulated Depreciation	(1,196,911)	(1,268,225)
Total Capital Assets, Net	<u>\$ 1,018,311</u>	<u>\$ 3,087,101</u>

*Land in the amount of \$29,000 and construction in progress in the amount of \$2,258,309 are 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, 2020.

	<u>2020 Sewer Revenue Bond</u>	<u>Total</u>
Beginning - Bonds & Notes Payable	\$ 41,222	\$ 41,222
Additions	1,999,547	1,999,547
Reductions	-0-	-0-
Ending - Bonds & Notes Payable	<u>\$ 2,040,769</u>	<u>\$ 2,040,769</u>

USING THIS ANNUAL REPORT

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

Our auditor has provided assurance in his independent auditor's 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 auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

MD&A

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.

Basic Financial Statements

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Statement of Net Position
Proprietary Fund
December 31, 2020**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
ASSETS	
CURRENT ASSETS	
Cash & Cash Equivalents	\$ 448,589
Investments	54,057
Receivables (Net of Allowances for Uncollectables)	20,930
TOTAL CURRENT ASSETS	523,576
NON-CURRENT ASSETS	
Restricted Cash	-0-
Capital Assets (Net of Accumulated Depreciation)	3,087,101
TOTAL NON-CURRENT ASSETS	3,087,101
TOTAL ASSETS	3,610,677
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	1,356
Accrued Wage/Payroll Taxes Payable	620
Unearned Revenue	8,786
Current Portion of Bonds Payable	113,000
TOTAL CURRENT LIABILITIES	123,762
NON-CURRENT LIABILITIES	
Bonds Payable	1,927,769
TOTAL NON-CURRENT LIABILITIES	1,927,769
TOTAL LIABILITIES	2,051,531
NET POSITION	
Net Investment in Capital Assets	1,046,332
Unrestricted	512,814
TOTAL NET POSITION	\$ 1,559,146

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Statement of Revenues, Expenses, & Changes in Net Position
Proprietary Fund
December 31, 2020**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
OPERATING REVENUES	
Service Charge	\$ 628,010
Miscellaneous Revenue	200
TOTAL OPERATING REVENUES	628,210
OPERATING EXPENSES	
Salaries & Related Payroll Taxes	17,439
Bank Fees	4
Contract Labor	134,425
Dues, Subscriptions, and Permits	7,628
Equipment Rental	1,300
Insurance	8,888
Legal and Accounting	48,975
Office and Postage	8,309
Rental Expense	2,400
Repairs and Maintenance	142,315
Telephone	1,521
Utilities	39,829
Miscellaneous Expense	3,353
Depreciation	71,314
TOTAL OPERATING EXPENSES	487,700
OPERATING INCOME (LOSS)	140,510
NON-OPERATING REVENUES (EXPENSES)	
Interest Earnings	55
Interest Expense	(1,618)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,563)
CHANGE IN NET POSITION	138,947
TOTAL NET POSITION - BEGINNING	1,420,199
TOTAL NET POSITION - ENDING	\$ 1,559,146

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Statement of Cash Flows
Year Ended December 31, 2020**

	<u>ENTERPRISE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers & Users	\$ 628,010
Receipts from Other Operating	200
Payments to Suppliers	(418,061)
Payments to Employees	(17,439)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>192,710</u>
 CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(2,140,104)
Additions of Long-Term Debt	1,999,547
Interest Expense	(1,618)
Principal Payment on Long-Term Debt	-0-
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(142,175)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earnings	55
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>55</u>
 NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	50,590
 CASH - BEGINNING OF YEAR	<u>397,999</u>
CASH - END OF YEAR	<u>\$ 448,589</u>
 RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	448,589
Restricted Cash	-0-
TOTAL CASH & CASH EQUIVALENTS	<u>\$ 448,589</u>

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Statement of Cash Flows
Year Ended December 31, 2020**

Reconciliation

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ <u>140,510</u>
Depreciation Expense	71,314
(Increase) Decrease in Accounts Receivable	-0-
Increase (Decrease) in Accounts Payable	(19,114)
Increase (Decrease) in Accrued Wage/Payroll Taxes Payable	<u>-0-</u>
TOTAL ADJUSTMENTS	<u>52,200</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>192,710</u>
 LISTING OF NONCASH INVESTING, CAPITAL, & FINANCIAL ACTIVITIES	
Contributions of Capital Assets From Government	\$ <u>-0-</u>

The accompanying notes are an integral part of this statement.

**Notes to the Basic
Financial Statements**

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

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, 2020, the District had approximately 1,601 customers.

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.

A. 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.

B. 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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

C. 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.

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.

D. 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.

E. 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.

F. ACCOUNTS RECEIVABLE & ALLOWANCES 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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

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, 2020 is \$27,278.

G. 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.

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	15-45 years
Equipment/Improvements	3-20 years

H. 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.

I. 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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

2. CASH & INVESTMENTS (CD'S IN EXCESS OF 90 DAYS)

At December 31, 2020, the District has cash and investments (bank balances) totaling \$516,714 as follows:

Demand deposits	\$	461,200
Time deposits		<u>55,514</u>
Total	\$	<u>516,714</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.

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:

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

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.

Description	Market Value
FDIC (<i>Category 1</i>)	\$ 516,714
Securities (<i>Category 2</i>)	198,108
Total	\$ 714,822

Deposits were fully secured at year end.

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 Statement of Cash Flows, “Cash and Cash Equivalents” include all demand savings accounts and certificates of deposit under 90 days.

3. ACCOUNTS RECEIVABLES

The receivables of \$20,930 as of December 31, 2020, are as follows:

Accounts Receivable	\$ 47,789
Accrued Interest Receivable	419
Allowance for Bad Debt	(27,278)
Total Receivables	\$ 20,930

4. CHANGES IN FIXED ASSETS – PROPRIETARY FUNDS

A summary of proprietary fund type property, plant and equipment at December 31, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Land*	\$ 29,000	\$ -0-	\$ -0-	\$ 29,000
Sewerage System	2,064,480	3,537	-0-	2,068,017
Construction in Progress*	121,742	2,136,567	-0-	2,258,309
Accumulated Depreciation	(1,196,911)	(71,314)	-0-	(1,268,225)
Total Capital Assets, Net	\$ 1,018,311	\$ 2,068,790	\$ -0-	\$ 3,087,101

*Land in the amount of \$29,000 and construction in progress in the amount of \$2,258,309 are not being depreciated.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

5. ACCOUNTS PAYABLE

The payables of \$1,976 at December 31, 2020, were as follows:

Accounts Payable	\$	1,356
Accrued Wages/Payroll Taxes Payable		620
Total	\$	<u>1,976</u>

6. CHANGES IN LONG-TERM DEBT

The following is a summary of payable transactions of the Rapides Sewerage District No. 2 for the year ended December 31, 2020.

		<u>2020 Sewer Revenue Bond</u>		<u>Total</u>
Beginning - Bonds & Notes Payable	\$	41,222	\$	41,222
Additions		1,999,547		1,999,547
Reductions		-0-		-0-
Ending - Bonds & Notes Payable	\$	<u>2,040,769</u>	\$	<u>2,040,769</u>

Notes payables at December 31, 2020, are comprised of the following individual issues:

2019 Sewer Revenue Bond

\$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%. \$1,999,547 was received throughout 2020.

Total		\$ <u>2,040,769</u>
		\$ <u>2,040,769</u>

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

The annual requirement to amortize all debt outstanding as of December 31, 2020, including interest payments are as follows:

#1 DEQ Loan Dated June 2019				
Year Ending December 31	Principal	Interest	Fees	Total
2021	\$ 113,000	\$ 206	\$ 229	\$ 113,435
2022	114,000	323	283	114,606
2023	116,000	836	644	117,480
2024	117,000	1,358	1,219	119,577
2025	118,000	1,885	1,801	121,686
2026 – 2030	606,000	17,478	17,920	641,398
2031 – 2035	635,000	31,383	33,295	699,678
2036 – 2040	131,000	8,000	8,566	147,566
Total	\$ 1,950,000	\$ 61,469	\$ 63,957	\$ 2,075,426

7. BOARD MEMBERS

The following is a list of board members for the year ended December 31, 2020:

		Term	Compensation
T. J. Speir Jr.	President	4 Years Expires October 12, 2022	\$5,400
John Miller	Secretary	4 Years Expires October 12, 2022	\$5,400
Calvin Malone	Board Member	4 Years Expires October 12, 2022	\$5,400

Board members receive \$150 per meeting.

8. 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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(CONTINUED)**

9. LITIGATION

The District had no outstanding judgments or pending litigations as of December 31, 2020.

10. 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 loses have not exceeded the insurance coverage.

11. RETIREMENT PLANS

The system does not offer its employees a retirement plan. All employees are in the social security system.

12. CONTINGENCIES

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Entity operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Therefore, while the Entity anticipates this could negatively affects its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

13. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the Statement of Net Position date though, June 8, 2021, of the independent auditor’s report for potential recognition or disclosure in the financial statements.

Other Supplemental Schedules

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Schedule of Compensation Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2020**

Rapides Parish Sewerage District No. 2
T. J. Speir, Jr.-Chairman

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 5,400
Benefits-Insurance	-0-
Benefits-Retirement	-0-
Benefits (List any other here)	-0-
Car Allowance	-0-
Vehicle Provided by Government	-0-
Per Diem	-0-
Reimbursements	-0-
Travel	-0-
Registration Fees	-0-
Conference Travel	-0-
Continuing Professional Education Fees	-0-
Housing	-0-
Un-vouchered Expenses*	-0-
Special Meals	\$ -0-

*An example of an un-vouchered expense would be a travel advance.

See independent auditor's report.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<hr/>		
<i>Clean Water State Revolving Fund Cluster – Cluster</i>		
United States Environmental Protection Agency		
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$1,999,547
Total Capitalization Grants for Clean Water State Revolving Funds		\$1,999,547
<i>Total United States Environmental Protection Agency</i>		\$1,999,547
<i>Total Clean Water State Revolving Fund Cluster – Cluster</i>		\$1,999,547
<i>Total Expenditures of Federal Awards</i>		\$1,999,547

The accompanying notes are an integral part of this schedule.
See independent auditor's report.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Note A – Single Audit Requirements

In July 1996, the Single Audit Act Amendments of 1996 (1996 Act) were enacted and superseded the Single Audit Act of 1984. In June 1997 OMB issued a revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to implement the changes from the 1996 Act and to rescind Circular A-128. On 06/27/2003 OMB Circular A-133 was revised for fiscal years ending 12/31/2003 and forward. For 2015 and forward OMB Circular A-133 has been superseded in its entirety by OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) which changes the single audit threshold to \$750,000.

The funds used to account for these funds use the accrual basis of accounting.

1.) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Sewerage District. The Sewerage District reporting entity is defined in Note 1 to the Sewerage District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

2.) Basis of Accounting

The accompanying Schedule of expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Sewerage District's basic financial statements.

3.) Relationship To Basic Financial Statements

Federal award revenues are reported in the Sewerage District's basic financial statements as follows:

General:	
Capitalization Grants for Clean Water State Revolving Funds	\$ 1,999,547
Total	\$ <u>1,999,547</u>

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with U.S. generally accepted accounting principles.

4.) Indirect Cost Rate

Sewerage District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

5.) Subrecipients

The Sewerage District did not provide any funding to subrecipients.

Presented for purposes of additional analysis only.



Other Reports

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INDEPENDENT AUDITOR’S 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*

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 the Rapides Parish Sewerage District No. 2, as of and for the year ended December 31, 2020, 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 June 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rapides Parish Sewerage District No. 2’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rapides Parish Sewerage District No. 2’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.

The Vercher Group

Jena, Louisiana
June 8, 2021

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Rapides Parish Sewerage District No. 2
Alexandria, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Rapides Parish Sewerage District No. 2's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Rapides Parish Sewerage District No. 2's major federal programs for the year ended December 31, 2020. The Rapides Parish Sewerage District No. 2's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Rapides Parish Sewerage District No. 2's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 Rapides Parish Sewerage District No. 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Rapides Parish Sewerage District No. 2's compliance.

Opinion on Each Major Federal Program

In our opinion, the Rapides Parish Sewerage District No. 2, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Rapides Parish Sewerage District No. 2 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Rapides Parish Sewerage District No. 2's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rapides Parish Sewerage District No. 2's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Legislator Auditor, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a public document and its distribution is not limited.

The Vercher Group

Jena, Louisiana
June 8, 2021

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended December 31, 2020**

We have audited the basic financial statements which collectively comprise the Rapides Parish Sewerage District No. 2 as of and for the year ended December 31, 2020, and have issued our report thereon dated June 8, 2021. We conducted our 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.

Section I Summary of Auditor's Results

Our audit of the financial statements as of December 31, 2020, resulted in an unmodified opinion.

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes Significant Deficiencies Yes

Compliance

Compliance Material to Financial Statements Yes

b. Federal Awards

Internal Control

Material Weaknesses Yes Other Conditions Yes

Type of Opinion on Compliance Unmodified Qualified
For Major Programs Disclaimer Adverse

Are the findings required to be reported in accordance with Uniform Guidance?

Yes

c. Identification Of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Is the auditee a 'low-risk' auditee, as defined by OMB Uniform Guidance? Yes No

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)
For the Year Ended December 31, 2020**

Section II Financial Statement Findings

No findings to report.

Section III Federal Awards Findings and Questioned Costs.

Not findings to report.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**MANAGEMENT'S CORRECTIVE ACTION
FOR CURRENT YEAR AUDIT FINDINGS**

FINDINGS:

No findings to report.

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MANAGEMENT LETTER COMMENTS

During the course of our audit, we observed conditions and circumstances that may be improved. Below are findings noted for improvement, our recommendation for improvement and the District's plan for corrective action.

CURRENT YEAR MANAGEMENT LETTER COMMENTS

No comments.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 2
ALEXANDRIA, LOUISIANA**

**MANAGEMENT'S SUMMARY
OF PRIOR YEAR FINDINGS**

Legislative Auditor
State of Louisiana
Baton Rouge, Louisiana 70804-9397

The management of the Rapides Parish Sewerage District No. 2 has provided the following action summaries relating to audit findings brought to their attention as a result of their financial audit for the year ended December 31, 2019.

PRIOR YEAR FINDINGS

No findings to report.