

**RAPIDES PARISH SEWERAGE
DISTRICT NO. 1**

Basic Financial Statements

December 31, 2018

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
RAPIDES PARISH POLICE JURY
ALEXANDRIA, LOUISIANA**

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John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

THE VERCHER GROUP

*A Professional Corporation of
Certified Public Accountants*

P.O. Box 1608
1737 N 2nd St. – Suite A
Jena, Louisiana 71342
Tel: (318) 992-6348
Fax: (318) 992-4374

MEMBERS

American Institute of
Certified Public Accountants

Society of Louisiana
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INDEPENDENT AUDITOR'S REPORT

Rapides Parish Sewerage District No. 1
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. 1, a component unit of the Rapides Parish Police Jury, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Rapides Parish Sewerage District No. 1'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. 1, as of December 31, 2018, 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 Sewerage District No. 1's basic financial statements. The accompanying supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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 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 August 22, 2019, on our consideration of the Rapides Parish Sewerage District No. 1'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. 1's internal control over financial reporting and compliance.

The Vercher Group

Jena, Louisiana

August 22, 2019

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the District, we offer readers of the Rapides Parish Sewerage District No. 1’s financial statements, this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2018. 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 \$4,023,435 (*net position*).

The District had total revenue of \$727,868 in its enterprise fund, including interest income of \$220.

Expenses totaled \$872,995, including depreciation expense in the amount of \$203,559, which is a non-cash transaction.

The change in net position of the enterprise fund was \$(145,127).

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, 2018:

Assets	2017	2018	% Change
Current Assets	\$ 692,587	\$ 474,547	-31.5
Restricted Assets	90,372	93,036	3.0
Capital Assets, Net	3,545,064	4,694,922	32.4
Total Assets	4,328,023	5,262,505	21.6
Liabilities & Net Position			
Current Liabilities	59,635	19,381	-67.5
Current Liabilities Payable From Restricted Assets	49,072	49,893	1.7
Long-Term Liabilities	1,190,851	1,169,796	-1.8
Total Liabilities	1,299,558	1,239,070	-4.7
Net Position			
Net Investment in Capital Assets	2,354,213	3,504,071	48.9
Restricted for Debt Service	68,547	70,390	2.7
Unrestricted	605,705	448,974	-25.9
Total Net Position	3,028,465	4,023,435	32.9
Total Liabilities & Net Position	\$ 4,328,023	\$ 5,262,505	21.6

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, 2018:

	2017	2018	% Change
Revenues			
Operating Revenues	\$ 718,248	\$ 727,648	1.3
Non-Operating Revenues	102	220	115.7
Total Revenues	718,350	727,868	1.3
Expenses			
Operating Expenses	760,464	824,973	8.5
Non-Operating Expenses	48,578	48,022	-1.2
Total Expenses	809,042	872,995	7.9
Increase (Decrease) in Net Position	(90,692)	(145,127)	60.0
Prior Period Adjustment	-0-	1,140,097	100.0
Beginning Net Position	3,119,157	3,028,465	-2.9
Ending Net Position	\$ 3,028,465	\$ 4,023,435	32.9

MD&A

CAPITAL ASSETS

Capital Assets

At December 31, 2018, the District had \$4,694,922 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 \$23,598, or 0.5% from last year.

Capital Assets at Year-End

	<u>2017</u>	<u>2018</u>
Sewer System, Machinery & Equipment	\$ 8,736,541	\$ 8,963,698
Accumulated Depreciation	(4,065,217)	(4,268,776)
Total Capital Assets, Net	<u>\$ 4,671,324</u>	<u>\$ 4,694,922</u>

CHANGES IN LONG-TERM DEBT

The following is a summary of payable transactions of the Rapides Sewerage District No. 1 for the year ended December 31, 2018.

	<u>#1 USDA Loan March 2009</u>		<u>#2 USDA Loan December 2009</u>		<u>Total</u>
Beginning - Bonds & Notes Payable	\$ 897,443	\$	313,642	\$	1,211,085
Additions	-0-		-0-		-0-
Reductions	(14,566)		(5,668)		(20,234)
Ending - Bonds & Notes Payable	<u>\$ 882,877</u>	\$	<u>307,974</u>	\$	<u>1,190,851</u>

USING THIS ANNUAL REPORT

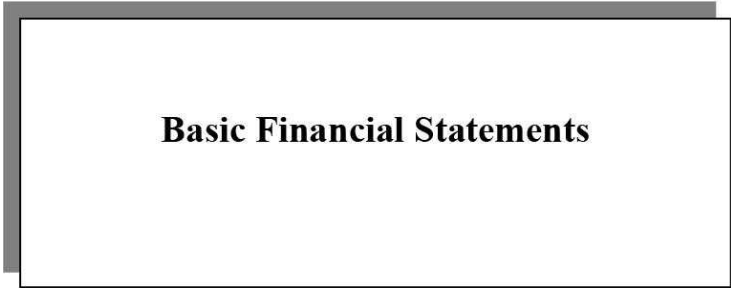
The District's annual report consists of financial statements that show information about the District's fund.

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. 1'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. 1, 2826 Lee Street, Alexandria, Louisiana 71301, telephone number (318) 448-1332.



Basic Financial Statements

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

**Statement of Net Position
Proprietary Fund
December 31, 2018**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
ASSETS	
CURRENT ASSETS	
Cash & Cash Equivalents	S 433,818
Receivables (Net of Allowances for Uncollectables)	40,729
TOTAL CURRENT ASSETS	<u>474,547</u>
NON-CURRENT ASSETS	
Restricted Cash	93,036
Capital Assets (Net of Accumulated Depreciation)	4,694,922
TOTAL NON-CURRENT ASSETS	<u>4,787,958</u>
TOTAL ASSETS	<u>5,262,505</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	18,922
Accrued Wage/Payroll Taxes Payable	459
TOTAL CURRENT LIABILITIES	<u>19,381</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	
Customer Deposits	16,279
Unearned Revenue	10,968
Accrued Interest	1,591
Notes & Bonds Due Within One Year	21,055
TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS	<u>49,893</u>
NON-CURRENT LIABILITIES	
Notes & Bonds Due in More Than One Year	1,169,796
TOTAL NON-CURRENT LIABILITIES	<u>1,169,796</u>
TOTAL LIABILITIES	<u>1,239,070</u>
NET POSITION	
Net Investment in Capital Assets	3,504,071
Restricted for Debt Service	70,390
Unrestricted	448,974
TOTAL NET POSITION	S <u>4,023,435</u>

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

**Statement of Revenues, Expenses, & Changes in Net Position
Proprietary Fund
December 31, 2018**

	BUSINESS-TYPE ACTIVITIES
	ENTERPRISE FUND
OPERATING REVENUES	
Service Charge	\$ 726,713
Miscellaneous Revenue	935
TOTAL OPERATING REVENUES	<u>727,648</u>
OPERATING EXPENSES	
Salaries & Related Payroll Taxes	15,017
Advertising	415
Bank Fees	289
Contract Labor	102,600
Discount Fees	200
Dues, Subscriptions, and Permits	7,131
Insurance	4,127
Laboratory Fees	20,422
Legal and Accounting	86,297
Office and Postage	11,138
Refunds	1,189
Rental Expense	2,400
Repairs and Maintenance	103,166
Telephone	5,728
Utilities	257,021
Bad Debt	4,274
Depreciation	203,559
TOTAL OPERATING EXPENSES	<u>824,973</u>
OPERATING INCOME (LOSS)	<u>(97,325)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Earnings	220
Interest Expense	(48,022)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(47,802)</u>
CHANGE IN NET POSITION	(145,127)
PRIOR PERIOD ADJUSTMENT	1,140,097
TOTAL NET POSITION - BEGINNING	3,028,465
TOTAL NET POSITION - ENDING	<u>\$ 4,023,435</u>

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

**Statement of Cash Flows
Year Ended December 31, 2018**

	ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers & Users	\$ 722,485
Receipts from Other Operating	935
Payments to Suppliers	(543,914)
Payments to Other Operating	(117,755)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>61,751</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(227,157)
Additions of Long-Term Debt	-0-
Interest Expense	(48,022)
Principal Payment on Long-Term Debt	(20,234)
NET CASH PROVIDED (USED) BY CAPITAL & RELATED FINANCING ACTIVITIES	<u>(295,413)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments	-0-
Interest Earnings	220
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>220</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(233,442)
CASH - BEGINNING OF YEAR	760,296
CASH - END OF YEAR	\$ <u>526,854</u>
RECONCILIATION TO BALANCE SHEET	
Cash and Cash Equivalents	433,818
Restricted Cash	93,036
TOTAL CASH & CASH EQUIVALENTS	\$ <u>526,854</u>

The accompanying notes are an integral part of this statement.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

**Statement of Cash Flows
Year Ended December 31, 2018**

Reconciliation

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

Operating Income (Loss)	\$ <u>(97,325)</u>
Depreciation Expense	203,559
(Increase) Decrease in Accounts Receivable	(4,228)
Increase (Decrease) in Accounts Payable	(40,117)
Increase (Decrease) in Accrued Wage/Payroll Taxes Payable	(138)
Increase (Decrease) in Unearned Revenue	-0-
Increase (Decrease) in Customer Deposits	-0-
Increase (Decrease) in Accrued Interest	-0-
TOTAL ADJUSTMENTS	<u>159,076</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>61,751</u>
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LISTING OF NONCASH INVESTING, CAPITAL, & FINANCIAL ACTIVITIES

Contributions of Capital Assets From Government	\$ <u>-0-</u>
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The accompanying notes are an integral part of this statement.

**Notes to the Basic
Financial Statements**

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Sewerage District No. 1 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. 1 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, 2018, the District had approximately 1,579 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. 1 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. 1
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.

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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
(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.

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.

The allowance method is used to recognize bad debts of accounts receivable. The allowance is determine based upon past history and the aging of accounts receivable as of year-end. The allowance for bad debts at December 31, 2018 is \$61,259.

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.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

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

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:

Description	Estimated Lives
Sewer System	20-45 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. The long-term debt consists of bonds payable to USDA.

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

At December 31, 2018, the District has cash and investments (bank balances) totaling \$541,179 as follows:

Demand deposits	\$	541,179
Time deposits		-0-
Total	\$	<u>541,179</u>

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

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

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:

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>)	\$ 250,000
Securities (<i>Category 2</i>)	558,192
Total	\$ 808,192

All deposits were fully secured at year end.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

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

3. RESTRICTED ASSETS - PROPRIETARY FUND TYPES

At December 31, 2018, restricted assets for the proprietary fund were applicable to the following:

Reserve Fund	\$ 68,283
Deprecation and Contingency Fund	24,753
Total	<u>\$ 93,036</u>

4. ACCOUNTS RECEIVABLES

The receivables of \$40,729 as of December 31, 2018, are as follows:

Accounts Receivable	\$ 101,988
Allowance for Bad Debt	(61,259)
Total Receivables	<u>\$ 40,729</u>

5. CHANGES IN FIXED ASSETS – PROPRIETARY FUNDS

A summary of proprietary fund type property, plant and equipment at December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land*	\$ 28,570	\$ -0-	\$ -0-	\$ 28,570
Sewerage System	8,707,971	227,157	-0-	8,935,128
Less Allowance for Depreciation	(4,065,217)	(203,559)	-0-	(4,268,776)
Net Plant	<u>\$ 4,671,324</u>	<u>\$ 23,598</u>	<u>\$ -0-</u>	<u>\$ 4,694,922</u>

*Land in the amount of \$28,570 is not being depreciated.

6. ACCOUNTS PAYABLE

The payables of \$19,381 at December 31, 2018, were as follows:

Accounts Payable	\$ 18,922
Accrued Wages/Payroll Taxes Payable	459
Total	<u>\$ 19,381</u>

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

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

7. CHANGES IN LONG-TERM DEBT

The following is a summary of payable transactions of the Rapides Sewerage District No. 1 for the year ended December 31, 2018.

	<u>#1 USDA Loan March 2009</u>	<u>#2 USDA Loan December 2009</u>	<u>Total</u>
Beginning - Notes Payable	\$ 897,443	\$ 313,642	\$ 1,211,085
Additions	-0-	-0-	-0-
Reductions	(14,566)	(5,668)	(20,234)
Ending - Bonds & Notes Payable	<u>\$ 882,877</u>	<u>\$ 307,974</u>	<u>\$ 1,190,851</u>

Notes payables at December 31, 2018, are comprised of the following individual issues:

#1 USDA Loan March 2009

\$992,000 loan dated March 17, 2009, due in monthly installments of \$4,726 through December 2048; interest on this loan is 4.12%.

\$ 882,877

#2 USDA Loan December 2009

\$353,000 loan dated December 19, 2009, due in monthly installments of \$1,412 through September 2048; interest on this loan is 3.521%.

307,974

Total

\$ 1,190,851

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, 2018, including interest payments are as follows:

#1 USDA Loan Dated March 2009			
Year Ending December 31	Principal	Interest	Total
2019	\$ 14,130	\$ 42,582	\$ 56,712
2020	14,831	41,881	56,712
2021	15,567	41,145	56,712
2022	16,339	40,373	56,712
2023	17,150	39,562	56,712
2024 – 2028	99,389	184,171	283,560
2029 – 2033	126,612	156,948	283,560
2034 – 2038	161,292	122,268	283,560
2039 – 2043	205,472	78,088	283,560
2044 – 2048	213,321	22,689	236,010
Total	<u>\$ 884,103</u>	<u>\$ 769,707</u>	<u>\$ 1,653,810</u>

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

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

#2 USDA Loan Dated December 2009

Year Ending December 31	Principal	Interest	Total
2019	\$ 5,907	\$ 11,037	\$ 16,944
2020	6,124	10,820	16,944
2021	6,350	10,594	16,944
2022	6,583	10,361	16,944
2023	6,825	10,119	16,944
2024 – 2028	38,075	46,645	84,720
2029 – 2033	45,603	39,117	84,720
2034 – 2038	54,621	30,099	84,720
2039 – 2043	65,421	19,299	84,720
2044 – 2048	72,560	6,390	78,950
Total	\$ 308,069	\$ 194,481	\$ 502,550

8. FLOW OF FUNDS; RESTRICTIONS 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 USDA Loan Funds Dated March 2009

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

- a) Each month beginning on November 1, 2009, and each successive month an amount equal to \$4,276 shall be paid to USDA in payment of principal and interest. The installments of principal and interest may be repaid at any time.
- b) Each month \$428 is required to be paid monthly into a separate fund entitled “Debt Service Reserve Fund” until \$51,312 had been accumulated therein.
- c) Each month \$111 is required to be paid monthly into a separate fund entitled “Depreciation and Contingency Fund”. 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.

Flow of Funds: Restrictions on Use of #2 USDA Loan Funds Dated December 2009

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

- a) Each month beginning on November 1, 2009, and each successive month an amount equal to \$1,412 shall be paid to USDA in payment of principal and interest. The installments of principal and interest may be repaid at any time.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

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

- b) Each month \$141 is required to be paid monthly into a separate fund entitled "Debt Service Reserve Fund" until \$16,944 has been accumulated therein.
- c) Each month \$111 is required to be paid monthly into a separate fund entitled "Depreciation and Contingency Fund". 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.

9. RESTRICTED NET POSITION- PROPRIETARY FUND

The following represents restricted net position for the proprietary fund as of December 31, 2018:

Total Restricted Cash	\$	93,036
Accrued Interest		(1,591)
Current Notes & Bonds Payable		(21,055)
Total Restricted Net Position	\$	<u><u>70,390</u></u>

10. SALARIES OF BOARD MEMBERS

The following is a list of board members for the year ended December 31, 2018:

Board Member	Phone No.	Term	Compensation
Robert Wooley	President	4 Years Expires May 10, 2019	\$4,987
Paul Williams	Board Member	4 Years Expires October 12, 2022	\$4,848
Robin Bonnette	Board Member	4 Years Expires December 14, 2018	\$2,771
Ronald Welch	Board Member	4 Years Expires December 14, 2022	\$277

11. 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. 1
ALEXANDRIA, LOUISIANA**

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

12. LITIGATION

The District had no outstanding judgments or pending litigations as of December 31, 2018.

13. RETIREMENT PLANS

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

14. 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.

15. PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$1,147,529 was made to correct donated assets from Rapides Parish Police Jury not booked in the previous year, along with an adjustment of (\$21,268) to correct accumulated depreciation for the donated assets. A prior period adjustment in the amount of \$13,836 was made to correct accounts receivable.

Other Supplemental Schedules

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

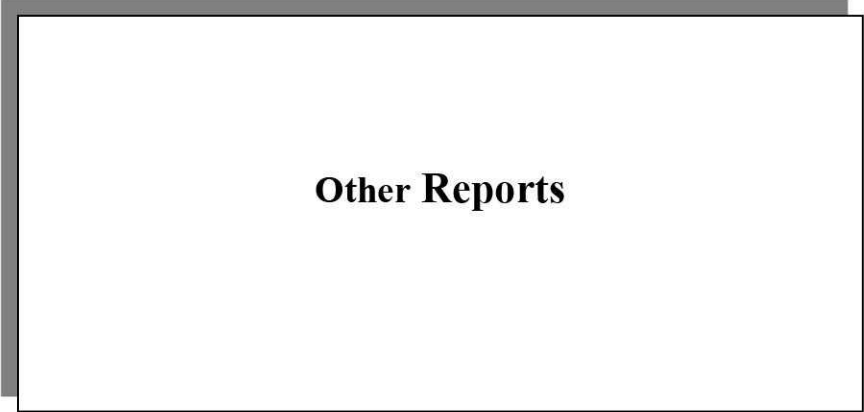
**Schedule of Compensation Benefits and Other Payments
to Agency Head or Chief Executive Officer
For the Year Ended December 31, 2018**

Rapides Parish Sewerage District No. 1
Robert Wooley-Chairman

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 4,987
Benefits-Insurance	-0-
Benefits-Retirement	-0-
Benefits (List any other here)	-0-
Car Allowance	-0-
Vehicle Provided by Government	-0-
Per Diem	-0-
Reimbursements	182
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

See independent auditor's report.



Other Reports

John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

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P.O. Box 1608
1737 N 2nd St. – Suite A
Jena, Louisiana 71342
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Fax: (318) 992-4374

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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. 1
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. 1, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Rapides Parish Sewerage District No. 1's basic financial statements, and have issued our report thereon dated August 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rapides Parish Sewerage District No. 1'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. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rapides Parish Sewerage District No. 1'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. We did identify certain deficiencies in

internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies (**2018-1 Policies and Procedures Manual**).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rapides Parish Sewerage District No. 1'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item: **2018-2 Annual Filing of Financial Statements**.

Rapides Parish Sewerage District No. 1's Response to Findings

The Rapides Parish Sewerage District No. 1's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Rapides Parish Sewerage District No. 1's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
August 22, 2019

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COST
For the Year Ended December 31, 2018**

We have audited the basic financial statements which collectively comprise the Rapides Parish Sewerage District No. 1 as of and for the year ended December 31, 2018, and have issued our report thereon dated August 22, 2019. 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, 2018, resulted in an unmodified opinion.

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

Internal Control

Material Weaknesses ☐ Yes ☒ No Significant Deficiencies ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☒ Yes ☐ No

b. Federal Awards – (Not Applicable)

Internal Control

Material Weaknesses ☐ Yes ☐ No Other Conditions ☐ Yes ☐ No

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 ☐ No

c. Identification of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)
------------------------	---

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

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

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)
For the Year Ended December 31, 2018**

Section II Financial Statement Findings

2018-1 Policies and Procedures Manual (Internal Control)

Condition: The District does not have a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics, or debt service.

Criteria: Good internal controls require that a District have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics, and debt service.

Cause of Condition: Not having written policies and procedures.

Potential Effect of Condition: Significant internal control deficiency.

Recommendation: The District should prepare a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics, and debt service.

Client Response: The District is in the process of preparing a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics and debt service.

2018-2 Annual Filing of Financial Statements (Compliance)

Condition: The District did not timely file their financial statements with the Legislative Auditor.

Criteria: LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable require that governmental units file their financial statements annually with the Legislative Auditor's Office within six months of the entity's year end closing.

Cause of Condition: Not having the financial statements completed on time.

Potential Effect of Condition: Compliance finding and a freeze on grant funding.

Recommendation: The District should have their audit completed in time to file with the Legislative Auditor's Office within six months of the District's year end closing.

Client Response: The District will have their audit completed in time to file with the Legislative Auditor's Office within six months of the District's year end closing.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COST – (CONT.)
For the Year Ended December 31, 2018**

Section III Federal Awards Findings and Questioned Costs.

Not applicable.

**RAPIDES PARISH SEWERAGE DISTRICT NO. 1
ALEXANDRIA, LOUISIANA**

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

FINDINGS:

2018-1 Policies and Procedures Manual

Finding: The District does not have a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics, or debt service. Good internal controls require that a District have written policies and procedures addressing budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics, and debt service.

Corrective Action: The District is in the process of preparing a written policies and procedures manual that addresses budgeting, purchasing, disbursements, receipts, contracting, credit cards/fuel cards, travel and expense reimbursement, ethics and debt service.

Contact Person: Robert Wooley, Chairman

Anticipated Completion Date: December 31, 2019

2018-2 Annual Filing of Financial Statements

Finding: The District did not timely file their financial statements with the Legislative Auditor. LSA-RS 24:514, LSA-RS 33:463, and/or LSA-RS 39:92, as applicable require that governmental units file their financial statements annually with the Legislative Auditor's Office within six months of the entity's year end closing.

Corrective Action: The District will have their audit completed in time to file with the Legislative Auditor's Office within six months of the District's year end closing.

Contact Person: Robert Wooley, Chairman

Anticipated Completion Date: December 31, 2019

John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

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**P.O. Box 1608
1737 N 2nd St. – Suite A
Jena, Louisiana 71342
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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. 1
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. 1 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, 2017.

PRIOR YEAR FINDINGS

No findings to report.

John R. Vercher C.P.A.
jrv@centurytel.net

Jonathan M. Vercher M.S., C.P.A.
jonathanvercher@centurytel.net

David R. Vercher M.B.A., C.P.A., C.F.E.
davidvercher@centurytel.net

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AGREED-UPON PROCEDURES REPORT

Rapides Parish Sewerage District No. 1

Independent Accountant's Report

On Applying Agreed-Upon Procedures

For the Period of January 1- December 31, 2018

Rapides Parish Sewerage District No. 1
Alexandria, Louisiana

To the Rapides Parish Sewerage District No. 1 and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Rapides Parish Sewerage District No. 1 and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
 - h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
 - j) ***Debt Service***, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Observation: The District does not have a written policies and procedures manual that addresses any of the above items.

Exception: The District does not have a written policies and procedures manual that addresses any of the above items.

Management's Response: The District will work on developing a policies and procedures manual that addresses all of the above items.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Observation:

- A) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date with an electronically logged date.
- B) Bank reconciliations do not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

Exception: Bank reconciliations do not include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

Management's Response: The District will start having a board member who does not handle cash, post ledgers, or issue checks review the bank reconciliations.

- C) Management does not have any reconciling items that have been outstanding for more than 12 months from the statement closing date.**

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Observation: We obtained the listing and management's representation that the listing is complete.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Observation:

- A) Inquiry found that the two persons responsible for cash collections do share cash drawers/registers.**

Exception: Persons responsible for cash collections share cash drawers/registers.

Management's Response: Management does not believe there is a cost/benefit factor to implement this procedure.

- B) The same person responsible for collecting cash is also responsible for making deposits and reconciling collection documentation.**

Exception: The person responsible for making deposits and reconciling collection documentation also collects cash.

Management's Response: The District does not have enough employees to implement this procedure.

- C) The same person responsible for collecting cash also posts collection entries to the general ledger.**

Exception: The same person responsible for collecting cash also posts collection entries to the general ledger.

Management's Response: The District does not have enough employees to implement this procedure.

- D) The same person responsible for collecting cash is also responsible for reconciling cash collections to the general ledger.**

Exception: The same person responsible for collecting cash is also responsible for reconciling cash collections to the general ledger.

Management's Response: The District does not have enough employees to implement this procedure.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Observation: All employees are covered by a bond or insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
- e) Trace the actual deposit per the bank statement to the general ledger.

Observation:

- A) Receipts are not sequentially prenumbered.**

Exception: Numbered receipts are not given.

Management's Response: Management will consider purchasing prenumbered receipt books.

- B) Traced receipts, system reports, and other relation collection documentation to the deposit slip.**

- C) Traced the deposit slip total to the actual deposit per the bank statement.**

- D) The deposits were made within one business day of receipt.**

- E) Traced the actual deposit to the bank statement to the general ledger.**

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. 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).

Observation: We obtained the listing and management's representation that the listing is complete.

9. For each location selected under #8 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:
- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) 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.
 - d) 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.

Observation:

- A) At least two persons are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.**
- B) At least two persons are involved in processing and approving payments to vendors.**
- C) The person responsible for processing payments is not prohibited from adding/modifying vendor files.**

Exception: The person responsible for processing payments is not prohibited from adding/modifying vendor files.

Management's Response: The District does not have enough employees to implement this procedure.

- D) The same person responsible for processing payments is also in charge of mailing the payments.**

Exception: The same person responsible for processing payments is also in charge of mailing the payments.

Management's Response: The District does not have enough employees to implement this procedure.

10. For each location selected under #8 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:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Observation:

- A) The disbursements matched the related original invoice/billing statement.
- B) The disbursement documentation did not include written evidence of segregation of duties tested under #9.

Exception: The disbursements did not include written evidence of segregation of duties.

Management's Response: The District will start initialing and dating invoices for disbursements.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- 11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

- 12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

- 13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- 14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense

documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above: obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Observation: The District was not able to produce all of the required certificates for the employees/officials ethics training.

Exception: The District was only able to produce three required documentations to demonstrate employee/officials ethics training.

Management's Response: The District will ensure its employees/officials complete the required ethics training and obtain documentation and signature verification that each employee/official has read the entity's ethic policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Observation: These procedures were performed last fiscal year with no exceptions. These procedures will be rotated to the next fiscal year.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

The Vercher Group

Jena, Louisiana
August 22, 2019