

Sewerage District No. 2 of Rapides Parish
Alexandria, Louisiana
Auditor's Report
For the Year Ended December 31, 2016

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Paul Dauzat, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 12359
Alexandria, LA 71315

MEMBER
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Sewerage District No. 2 of Rapides Parish, Louisiana
Alexandria, Louisiana

Report on Financial Statements

I have audited the accompanying financial statements of the business-type activities and the major fund of the Sewerage District No. 2 of Rapides Parish, Louisiana, (the District) a component unit of the Rapides Parish Police Jury, as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility

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 of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sewerage District No. 2 of Rapides Parish, Louisiana, as of December 31, 2016, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Reporting Required By Government Auditing Standards And Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information

In accordance with Government Auditing Standards, I have also issued my report dated June 9, 2017 on my consideration of Sewerage District No. 2 of Rapides Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my 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 intergral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Paul Dauzat

Certified Public Accountant

Alexandria, Louisiana

June 9, 2017

FINANCIAL STATEMENTS - BUSINESS TYPE ACTIVITIES

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES
STATEMENT OF NET POSITION
December 31, 2016

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 604,087
Accounts Receivable (Net)	14,173
Total Current Assets	<u>618,260</u>
Capital Assets	
Depreciable Capital Assets, Net of Accumulated Depreciation	457,763
Nondepreciable Capital Assets	15,000
Total Capital Assets	<u>472,763</u>
TOTAL ASSETS	<u><u>1,091,023</u></u>
LIABILITES	
Current Liabilities	
Accounts Payable	13,537
Payroll Liabilities	372
Total Liabilities	<u>13,909</u>
DEFERRED INFLOWS OF RESOURCES	<u>8,227</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u><u>22,136</u></u>
NET POSITION	
Investment in Capital Assets (Net of Debt)	472,763
Unrestricted	596,124
TOTAL NET POSITION	<u><u>\$ 1,068,887</u></u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH

Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For The Year Ended December 31, 2016

OPERATING REVENUES

Sewerage Service and Tap Fees \$ 585,023

OPERATING EXPENSES

Salaries	9,270
Payroll Taxes	709
Bank Fees	24
Contract Labor	136,880
Dues, Subscriptions and Permits	6,007
Engineering Fees	10,239
Equipment Rental	1,856
Insurance	10,855
Legal and Accounting	59,752
Office and Postage	8,198
Property Taxes	10
Rental Expense	2,400
Repairs and Maintenance	64,425
Telephone	961
Utilities	36,956
Depreciation	52,046
Total Operating Expenses	<u>400,588</u>

OPERATING INCOME

184,435

NONOPERATING REVENUES

Interest Income	42
Total Nonoperating Revenues	<u>42</u>

NET INCOME

184,477

NET POSITION, BEGINNING OF YEAR

884,410

NET POSITION, END OF YEAR

\$ 1,068,887

The accompanying notes are an integral part of this statement

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
Alexandria, Louisiana**

**BUSINESS - TYPE ACTIVITIES
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2016**

Cash Flows From Operating Activities:

Cash From Operating Revenues	\$ 584,671
Cash Paid to Employees	(9,270)
Cash From Operating Expenses	(335,197)
Net Cash Provided by Operating Activities	240,204

Cash Flows From Capital Related Financing Activities:

Acquisition of Assets	(223,389)
Net Cash Provided (Used) by Capital Financing Activities	(223,389)

Cash Flows From Investing Activities:

Interest on Investments	42
Net Cash Used by Investing Activities	42

Net Increase (Decrease) in Cash and Cash Equivalents

16,857

Cash and Cash Equivalents, Beginning of the Year

587,230

Cash and Cash Equivalents, End of the Year

\$ 604,087

**Reconciliation of Operating Income (Loss) to Net Cash
Provided (Required) by Operating Activities**

Operating Income	\$ 184,435
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	52,046
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(907)
Increase (Decrease) in Deferred Revenues	555
Increase (Decrease) in Accounts Payable	4,075
Total Adjustments	55,769
Net Cash Provided (Required) by Operating Activities	\$ 240,204

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
Alexandria, Louisiana
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE A

SUMMARY OF 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.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The Sewerage District No. 2 of Rapides Parish, Louisiana (hereinafter referred to as the District) was created by the Rapides Parish Police Jury under the authority of Louisiana Revised Statutes 33:381 to manage and operate sewerage systems within the District not served by municipal systems. A three-member board appointed by the Rapides Parish Police Jury governs the District, and therefore, the District is considered to be a component unit of the Rapides Parish Police Jury.

At December 31, 2016, the District had approximately 1,061 customers.

B. Basis of Presentation

The statement of net position and the statement of revenues, expenses and changes in net position have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

C. 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 of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. 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.

Measurement of Focus

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.

Basis of Accounting

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.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash, Cash Equivalents and Cash Flows

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and highly liquid investments maturing in three months or

For the purpose of the proprietary fund statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

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.

Bad Debts

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, 2016 is \$20,928.

Capital Assets

Fixed Assets are accounted for on a cost of services or “capital maintenance” measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

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

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Capital assets are depreciated using the straight-line method and estimated useful lives of 10 to 45 years.

Compensated Absences

The only employees of the District are it’s 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.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenses) until then.

Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources, which is represented by the amount of prepaid fees for sewer services by the District’s of resources, which is represented by the amount of prepaid fees for sewer services by the District’s customers.

Proprietary Fund Net Position

Proprietary Fund Net Position are displayed in three components:

Net Investment in Capital Assets – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consists of net assets with constraints placed on the use by either (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-Consists of all other net assets that do not meet the definition of net investment in capital assests or restricted.

Revenues and Expenses

Revenues

Operating revenues and expenses for proprietary fund are those that result from providing services and producing and delivering goods. It also includes all revenue and expenses not related to capital and related financing, or investing activities.

Nonoperating revenues are funds provided by investing activities, such as interest income, gains on disposal of assets and other non-service fees.

Expenses

Operating expenses are expenses related to the production of operating revenue.

Nonoperating expenses are those expenses not directly related to operating revenue and would include such items as interest expense on debt and losses on disposal of assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B CASH, INTEREST BEARING DEPOSITS AND INVESTMENTS

Cash and certificates of deposit, at year end, totaled \$604,087 per the general ledger and \$633,018 per bank balances. These deposits are stated at cost, which approximates market value.

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance and 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. At December 31, 2014 the District's accounts were adequately secured from risk by FDIC insurance and pledged securities with a market value at December 31, 2016 totaling \$355,8456. Even though the pledged securities are considered uncollateralized (Category 3), 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 District that the fiscal agent has failed to pay deposited funds upon demand. At December 31, 2016 the District's accounts were adequately secured from risk by FDIC insurance (GASB Category 1).

At December 31, 2016, the District had cash and certificates of deposit (book balances) as follows:

Petty Cash	\$	25
Demand Deposits		550,399
Time and Certificates of Depo:		53,663
Total Cash	<u>\$</u>	<u>604,087</u>

NOTE C RECEIVABLES

Receivables at December 31, 2016 consisted of the following:

Charges for Services	\$	35,102
Allowance for Doubtful Accounts		(20,929)
Total Receivables	\$	<u>14,173</u>

NOTE D FIXED ASSETS

A summary of fixed assets and related depreciation at December 31, 2016 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Non-Depreciable Assets				
Land	\$ 10,000	\$ 5,000	\$ -	\$ 15,000
Depreciable Assets				
Sewerage System	1,237,754	218,390	-	1,456,144
Less Accumulated Depreciation	(946,335)	(52,046)	-	(998,381)
Total	<u>\$ 301,419</u>	<u>\$ 171,344</u>	<u>\$ -</u>	<u>\$ 472,763</u>

Depreciation expense for 2016 was \$52,046.

NOTE E ACCOUNTS PAYABLE

Accounts payable at December 31, 2016 represents amounts due to various vendors.

NOTE F DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources, represents the amount of prepaid sewer revenues by the District's

NOTE G LITIGATION

At December 31, 2016, the District was not a defendant in any legal proceedings.

NOTE H RISK MANAGEMENT

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

NOTE I RETIREMENT COMMITMENTS

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

NOTE J SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 9, 2017 which is the date the financial statements were available to be issued. There were no events that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
Alexandria, Louisiana**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

T. J. Speir, Jr., President of the Board

Purpose		
Salary	\$	3,240
Benefits - Insurance		-
Benefits - Retirement		-
Benefits - Other		-
Car Allowance		-
Vehicle Provided by District		-
Per Diem		-
Reimbursements		-
Travel		-
Registration Fees		-
Conference Travel		-
Continuing Professional Education Fees		-
Housing		-
Unvouchered Expenses		-
Special Meals		-
Total Compensation, Benefits and Other Payments to Agency Head or Chief Executive Office	\$	<u>3,240</u>

INTERNAL CONTROL AND COMPLIANCE

Paul Dautat, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 12359
Alexandria, LA 71315

MEMBER
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

To Board of Commissioners
Sewerage District No. 2 of Rapides Parish, Louisiana
Rapides Parish Police Jury
Alexandria, Louisiana

I 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 Sewerage District No. 2 of Rapides Parish, Louisiana, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated June 9, 2017.

Internal Control Over Financial Reporting

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

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is 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 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.

My consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I considered to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewerage District No. 2 of Rapides Parish, Louisiana's financial statements are free of material misstatement, I 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 my audit and accordingly, I do not

express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District'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 Sewerage District No. 2 of Rapides Parish, Louisiana's Board of Commissioners, and management, others within the organization and grant awarding agencies and the Legislative Auditor and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Paul Dausat

Certified Public Accountant

Alexandria, Louisiana

June 9, 2017

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
Alexandria, Louisiana**

**Summary Schedule of Audit Findings and Responses
For the Year Ended December 31, 2016**

PART 1 - SUMMARY OF AUDITOR'S REPORTS

A. Auditor's Report - Financial Statements

My audit of the financial statements as of December 31, 2016, resulted in an unmodified opinion.

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

Internal Control

Material Weakness	_____	Yes	_____ X _____	No
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Significant Deficiency	_____	Yes	_____ X _____	No
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Compliance

Compliance Material to Financial Statements	_____	Yes	_____ X _____	No
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C. Federal Awards (Not Applicable)

PART II - FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended December 31, 2016.

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
Alexandria, Louisiana**

**Summary Schedule of Prior Year Audit Findings and Responses
For the Year Ended December 31, 2016**

There were no audit findings for the year ending December 31, 2015.