

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1
Donaldsonville, Louisiana

FINANCIAL REPORT

August 31, 2002

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

TABLE OF CONTENTS

August 31, 2002

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT		1
FINANCIAL STATEMENTS		
Balance Sheet	A	2
Statement of Revenues, Expenses and Changes in Accumulated Deficit	B	3
Statement of Cash Flows	C	4
Notes to Financial Statements	D	5
SPECIAL INDEPENDENT AUDITORS' REPORT		
Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS		12
SCHEDULE OF PRIOR YEAR FINDINGS		13



INDEPENDENT AUDITORS' REPORT

Board of Directors
Ascension Consolidated Utilities District No. 1
Donaldsonville, Louisiana

We have audited the accompanying general purpose financial statements of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1** (a component unit of the Parish of Ascension) as of and for the year ended August 31, 2002, as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1** as of August 31, 2002, and the results of its operations and cash flows for the year ended August 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2002, on our consideration of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
October 29, 2002

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

BALANCE SHEET

August 31, 2002

ASSETS**CURRENT**

Cash and cash equivalents	\$ 12,758
Accounts receivable, net	11,339
Other asset	<u>181</u>

Total current assets	24,278
----------------------	--------

RESTRICTED ASSETS, cash	29,335
--------------------------------	--------

FIXED ASSETS, net	<u>55,396</u>
--------------------------	---------------

Total assets	<u>\$ 109,009</u>
--------------	-------------------

LIABILITIES AND FUND DEFICIT**CURRENT LIABILITIES**

Accounts payable	\$ 11,998
Due to the Parish of Ascension	<u>6,000</u>

Total current liabilities	17,998
---------------------------	--------

PAYABLE FROM RESTRICTED ASSETS

Due to the Parish of Ascension, net of current portion	78,177
Customer deposits	<u>29,335</u>

Total restricted liabilities	<u>107,512</u>
------------------------------	----------------

Total liabilities	125,510
-------------------	---------

FUND DEFICIT:

Contributed capital	27,667
Accumulated deficit	<u>(44,168)</u>

Total fund deficit	<u>(16,501)</u>
--------------------	-----------------

Total liabilities and fund deficit	<u>\$ 109,009</u>
------------------------------------	-------------------

The accompanying notes to financial statements
on Exhibit D are an integral part of this statement

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN ACCUMULATED DEFICIT**

For the year ended August 31, 2002

OPERATING REVENUES

Charges for services	\$ 96,660
Other	<u>1,856</u>
Total operating revenues	98,516

OPERATING EXPENSES

Cost of water	77,448
Management fees	20,646
Professional services	6,365
Depreciation	3,913
Repairs & maintenance	2,140
Insurance	561
Miscellaneous	<u>1,329</u>
Total operating expenses	<u>112,402</u>

Operating loss	(13,886)
----------------	----------

NON-OPERATING REVENUES AND EXPENSES

Interest income	348
Interest expense	<u>(1,500)</u>
Net loss	(15,038)
Depreciation transferred to contributed capital	<u>1,706</u>
Net loss transferred to retained earnings	(13,332)

ACCUMULATED DEFICIT

Accumulated deficit	<u>(30,836)</u>
Ending	<u>\$ (44,168)</u>

The accompanying notes to financial statements
on Exhibit D are an integral part of this statement

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

STATEMENT OF CASH FLOWS

For the year ended August 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (15,038)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	3,913
Change in operating assets and liabilities:	
Increase in accounts receivable and other asset	(725)
Decrease in restricted assets	13,060
Increase in accounts payable	<u>2,164</u>
Net cash provided by operating activities	<u>3,374</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payment of long-term debt	(56,000)
Proceeds from long-term debt	56,000
Deposits refunded to customers	<u>(360)</u>
Net cash used by operating activities	<u>(360)</u>
Net increase in cash and cash equivalents	3,014

CASH

Beginning	<u>9,744</u>
Ending	<u>\$ 12,758</u>

The accompanying notes to financial statements on Exhibit D are an integral part of this statement.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and operations

The Ascension Consolidated Utilities District No. 1 (District) was created by the Parish of Ascension, Louisiana to provide for the distribution of water to the citizens residing in the western portion of Ascension parish. The District is a component unit of the Parish of Ascension. The District was created in August 2000, but began operations with the consolidation of the existing Waterworks District Nos. 1, 4 and 7 of the Parish of Ascension, Louisiana on June 7, 2001.

Basis of presentation

The accompanying component unit financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity

The District is a component unit of the Parish of Ascension, the financial reporting entity. The Parish of Ascension is financially accountable for the District because it appoints a voting majority of the board and has the ability to impose its will on the District. The District is economically dependent on the Parish of Ascension.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Parish of Ascension, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Fund accounting

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity (deficit), revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting

The District (Enterprise Fund) is accounted for on a flow of economic resources measurement focus and a determination of net income (loss) and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of the District are included in the balance sheet. The District uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

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 disclosures 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. Estimates are used primarily when accounting for the allowance for doubtful accounts and depreciation.

Cash

Cash includes amounts in demand deposit accounts and interest bearing demand deposit accounts. Under state law, the District may deposit funds in demand deposit and interest bearing demand deposit accounts with banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. For purposes of the statement of cash flows, the District considers cash in bank accounts as cash. The District has no cash equivalents at August 31, 2002. On August 31, 2002, the District had bank balances in one bank totaling \$42,146 with FDIC coverage of \$100,000.

Restricted Assets

Restricted assets on the balance sheet represent funds held for customer deposits.

Accounts receivable and revenue

Accounts receivable and revenue represent amounts owed to the District from customer water usage. The allowance for doubtful accounts was \$3,000 at August 31, 2002. The allowance is based on historical data and management's assessment of the collectibility of accounts receivable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and depreciation

Property is recorded at cost. Depreciation is computed using the straight-line method over the estimated service lives of the assets.

Contributed capital

Grants, entitlements or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Depreciation expense attributable to assets funded from capital grants are charged directly to contributed capital.

Fair value financial instruments

The carrying value of cash, accounts receivable and payable approximate fair value due to the short-term maturity of these instruments.

Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District renewed its commercial insurance policy in 2002.

Fund deficit and net working capital

At August 31, 2002, the unreserved accumulated deficit totaled \$44,168. Additionally, net working capital was \$6,280 at August 31, 2002.

NOTE 2 - GOING CONCERN

As shown in the accompanying financial statements, the District incurred a net loss of \$13,332 during the year ended August 31, 2002 and has accumulated a capital deficit of \$16,501. The District's increased capital deficit and continued operating losses has created an uncertainty about the District's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the District is unable to continue as a going concern.

The District has developed a plan to replace its existing water system to enhance profitability and to decrease the water loss. Additionally, the District has received commitments from the Parish of Ascension for funding to construct the new water system, which is in progress. During 2002, the Parish of Ascension received a federal grant for the purpose of replacing the water lines used by the District. The Parish completed the project, in October 2002. The District anticipates eliminating its water loss by replacing the system previously operated.

NOTE 3 - FIXED ASSETS

The waterworks system has a cost basis of \$156,525 and is being depreciated over a forty-year life on the straight-line method. Accumulated depreciation was \$106,129 at August 31, 2002 and depreciation expense was \$3,913 for the year ended August 31, 2002. Land with a donated value of \$5,000 is also included in fixed assets.

Subsequent to year-end, the system was replaced and charged off in the subsequent year. See Note 7.

NOTE 4 - DEBT DUE TO PARISH OF ASCENSION – Related Party

The District's debt consisted of a loan from the Parish of Ascension, the governing entity. At August 31, 2002, the debt was \$84,177, and is non-interest bearing and unsecured. The debt will mature as follows:

<u>Year</u>	<u>Amount</u>
2003	\$ 6,000
2004	10,000
2005	10,000
2006	10,000
2007	10,000
Thereafter	<u>38,177</u>
	<u>\$ 84,177</u>

NOTE 5 – LONG-TERM DEBT

During the year ended August 31, 2002, the district retired \$50,000 in long-term debt relating to water revenue bonds previously outstanding. The bonds were retired from advances received from the Parish of Ascension. See Note 4. Interest expense for 2002 was \$1,500.

NOTE 6 – COMPENSATION OF BOARD MEMBERS

Board members were not compensated for their services during the year ended August 31, 2002.

NOTE 7 - RELATED PARTY

During the year ended August 31, 2002, the Parish of Ascension received a federal grant of \$600,000 to replace the water system operated by the District. The grant contract is with the Parish of Ascension. Although the District is not a participant in the grant, its water system was replaced subsequent to year-end. The District anticipates the Parish relinquishing ownership and operations of the newly constructed water lines to the District. No financial activity has been recorded in these financial statements in relation to this grant.

Special Independent Auditors' Report

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1

Donaldsonville, Louisiana

August 31, 2002



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Ascension Consolidated Utilities District No. 1
Baton Rouge, Louisiana

We have audited the general purpose financial statements of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1 (District)** as of August 31, 2002 and for the year ended August 31, 2002, and have issued our report thereon dated October 29, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We also noted another matter involving internal control over financial reporting that we have reported to management of the District in a separate letter dated October 29, 2002.

However, the reportable condition described in the Schedule of Findings and Questioned Costs as Item 2002-1 involving internal control over financial reporting is also considered to be a material weakness as defined above.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
October 29, 2002

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1
Donaldsonville, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

August 31, 2002

A) SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Ascension Consolidated Utilities District No. 1.
2. There were no instances of noncompliance material to the financial statements in relation to this audit.
3. There is one internal control finding that is described as Item 2002-1.

B) FINDING – FINANCIAL STATEMENT AUDIT

2002-1 SEGREGATION OF DUTIES

Observation: There is not sufficient segregation of duties to have effective internal control. The finding results from the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties. However, a Board member signs the District's check disbursements.

Recommendation: We recommend the Treasurer review the following each month:

- a) The monthly bank reconciliation and related bank statement.
- b) The listing of delinquent sewer users.
- c) Monthly financial statements and related detailed general ledger.

Management's corrective action plan: We concur with the finding and intend to implement the recommendation. However, the financial statements and related general ledger are prepared quarterly and be provided to the Treasurer on that basis. Additionally, the Board of Directors of the District will continue to review and approve cash disbursements on a monthly basis.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1
Donaldsonville, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

August 31, 2002

2001-1 SEGREGATION OF DUTIES

Prior Year Observation: There is not sufficient segregation of duties to have effective internal control. The finding results from the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties

This finding has been reclassified at finding 2002-1.

2001-2 MAINTENANCE OF CASH RESERVE FUNDS (Resolved)

Prior Year Observation: The water revenue bonds of the District require that certain reserves will be maintained as long as the bonds are outstanding. Upon consolidating the cash accounts in July 2001, these separately maintained bank accounts were pooled with other unrestricted cash of the District. Such reserves are a requirement of complying with the debt covenants.

Secondly, the District utilized a bank account to maintain customer deposits. At August 31, 2001, the bank account balance was approximately \$26,000. However, meter deposit liabilities were approximately \$29,000. Additional cash should be deposited to reserve the proper cash balance.

Resolution: During 2002, the District retired the bonds outstanding. As a result, the necessity to maintain cash reserves is no longer required. Additionally, the District is maintaining customer deposits separately from operating funds as recommended. As a result, the matters are considered resolved.

2001-3 CONSOLIDATION OF WATER DISTRICTS (Resolved)

Prior Year Observation: On June 7, 2001, the Parish of Ascension adopted an ordinance abolishing Ascension Parish Waterworks Districts Nos. 1, 4 and 7. The ordinance provided for the assumption of financial position and administration of the abolished districts. However, one district had public water revenue bonds outstanding at the time of consolidation. The bondholders were not contacted as to the change in administration and abolishment of the district issuing the bonds. This was a violation of the bond agreement.

Resolution: During 2002, the District retired the bonds outstanding. As a result, the finding was resolved.



Board of Directors
Ascension Consolidated Utilities District No. 1
Donaldsonville, Louisiana

In planning and performing the audit of the financial statements of the Ascension Consolidated Utilities District No. 1 (the District) for the year ended August 31, 2002, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. We have reported on the District's internal control in our report dated October 29, 2002; this letter does not affect that report.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with certain District management, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. Our comment is summarized on Attachment A.

This report is intended solely for the information and use of the District's management, the Louisiana Legislative Auditor, and others within the organization.

Faulk & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
October 29, 2002

OR 2002-1 – WATER LOSS

Observation: At various times during the year, the District experienced significant differences between the amount of water purchased from its supplier and the amount sold to its customers. Water loss data in gallons for 2002 is illustrated below:

	2002 (Gallons)
Water purchased - *	26,622
Water sold - *	16,426
Water unaccounted for	10,196
Percent unaccounted for	38%

* - In millions

Based on the average cost per thousand gallons of water, for the year, the expense of “lost” water is approximately \$29,000. As the price charged to customers did not include this expense of operations, revenues lost amounted to approximately \$60,000.

Additionally, the District has not increased its water rates since 1994.

Recommendation: We recommend that the District adjust its water rates to cover this expense. The District should consider annual adjustment of its water rates in a manner sufficient to recoup operating costs.

Management’s corrective action plan: Currently, the District is progressing with obtaining federal funding to replace a majority of the system that is being utilized. The first phase of the construction will shortly be completed. As a result, management believes that the replacement of the older system will reduce the water loss the District has been experiencing.