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**ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**  
Donaldsonville, Louisiana

**FINANCIAL REPORT**

August 31, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-18-05

**ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**  
Donaldsonville, Louisiana

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 2004, as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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, 2004, and the results of its operations and cash flows for the year then ended, 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 December 28, 2004, 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.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Faull & Winkler, LLC*  
Certified Public Accountants

Baton Rouge, Louisiana  
December 28, 2004

# **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**

Donaldsonville, Louisiana

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1's** financial performance provides a narrative overview and analysis of the District's financial activities for the fiscal year ended August 31, 2004. Please read it in conjunction with the District's basic financial statements, which begin on page 7.

### **FINANCIAL HIGHLIGHTS**

1. The District's total assets increased substantially due to the initiation of construction of a new water distribution system during the year. This is being accomplished through grants from the Ascension Parish Council and United States Department of Agriculture (USDA) which totaled \$150,000 and \$71,000, respectively, and the acquisition of debt provided by the USDA during the year of approximately \$403,000.
2. The District's expenses were less than the prior year; in addition, charges for services were greater than in the prior year, which created an operating gain of \$16,000. The decrease in operating expenses was the result of a re-negotiated water supply contract with the District's water supplier. Water supply expenses were reduced by approximately \$34,800, or 53%, over the amount incurred during 2004.
3. Cash increased by \$15,100 for the year ended August 31, 2004.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's discussion and analysis (MD&A)
- Statement of net assets
- Statement of revenues, expense, and changes in net assets
- Statement of cash flows
- Notes to the financial statements
- RSI other than MD&A, if applicable.

The District is a special purpose government engaged only in business-type activities.

## Enterprise Fund Financial Statements

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information to depict the change in the District's financial condition resulting from the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and the changes in them. Net assets – the difference between assets and liabilities – are a measure of the financial position of the District. Increases or decreases in the District's net assets are an indicator of whether the District's financial position is improving or deteriorating.

The Statement of Cash Flows provides information on the changes in cash during the year. This statement reports the net cash provided or used by operating, investing and capital and related financing activities.

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's net assets increased by approximately \$238,000 between the fiscal years 2003 and 2004. A summary of the net assets for the two years and the changes in net assets of the District's business-type activities is as follows:

#### ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1 STATEMENT OF NET ASSETS

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Current and other assets	\$ 193,128	\$ 51,688	273.6
Capital assets	<u>1,121,302</u>	<u>515,243</u>	117.6
Total assets	<u>1,314,430</u>	<u>566,931</u>	131.9
Long-term debt outstanding	480,677	98,212	389.4
Other liabilities	<u>155,405</u>	<u>28,532</u>	444.7
Total liabilities	<u>636,082</u>	<u>126,744</u>	401.9
Net assets	<u>\$ 678,348</u>	<u>\$ 440,187</u>	
Components of Net Assets:			
Invested in capital assets	\$ 718,802	\$ 515,243	39.5
Unrestricted net assets (deficit)	<u>(40,454)</u>	<u>(75,056)</u>	46.1
Total net assets	<u>\$ 678,348</u>	<u>\$ 440,187</u>	

Net assets of the District substantially increased from 2003. This increase is directly attributable to the grant revenues received for the new water distribution system from the Parish of Ascension and USDA and the \$16,000 operating gain. Net assets are the amounts invested in capital assets (water system, equipment, etc.) and unrestricted net assets (deficit), which are the accumulation of profits/losses from the inception of operations of the District, which were \$(40,454) and \$(75,056) at the end of 2004 and 2003, respectively. During 2004, the net asset deficit was reduced by approximately \$30,000 which primarily related to water supply expense decreases. As a result of this negotiated expense reduction, the District anticipates eliminating the net asset deficit within the next two fiscal years.

ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1  
CHANGES IN NET ASSETS

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Operating revenues:			
Charges for services	\$ 96,092	\$ 94,720	1.4
Expenses:			
Operating	66,679	97,958	
Depreciation	<u>13,028</u>	<u>11,508</u>	
Total expenses	<u>79,707</u>	<u>109,466</u>	<u>(27.2)</u>
Other revenues (expenses):			
Interest	281	78	
Intergovernmental grant - APC	221,494	521,100	
Loss on replacement of water system	<u>-</u>	<u>(49,745)</u>	
Total other revenues (expenses)	<u>221,775</u>	<u>471,433</u>	<u>(53.0)</u>
Change in net assets	<u>\$ 238,160</u>	<u>\$ 456,687</u>	<u>(47.9)</u>

The District's operating revenues increased by 1.4%, or \$1,372, primarily due to an increase in water usage. Total expenses decreased by 27.2%, or \$29,759, which was primarily related to the decrease in the cost of water over the prior year of approximately \$34,000. Finally, the District's other revenues (expenses), net declined by approximately \$250,000 that results primarily to intergovernmental funding received in 2004 compared to 2003.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At August 31, 2004 and 2003, the District had \$1,121,302 and \$515,243, respectively, invested in capital assets including water lines and related equipment cost, net of accumulated depreciation. A new water distribution system (replacing the old) was put into service during the year ended August 31, 2003. This replacement was accomplished through a grant from Ascension Parish Council which totaled \$521,100. During 2004, the District began construction on a new water system that is funded through a grant from the Ascension Parish Council as well as debt and grant funding from USDA. As of August, 31, 2004 the construction in progress for the new water system (Phase II construction project) totaled \$619,087. Additional information about the District's capital assets is presented in Note 3 to the financial statements.

### **Debt**

At August 31, 2004, the District owed approximately \$78,000 to the Parish of Ascension. In addition, the District incurred \$402,500 in debt related to the construction of Phase II of the distribution system mentioned above. The repayment of the principal portion of this debt will not begin until August 2007; however, interest only payments will be due during 2005 and 2006. Additional information about the District's debt is presented in Note 4 to the financial statements.

## **ECONOMIC FACTORS**

The District anticipates no significant changes in revenue, user rates, during the year ending August 31, 2005. The District expects to continue to increase its net assets (reduce the current deficit) during the year ending August 31, 2005 through improved financial performance. Additionally, the District is anticipates completion of the Phase II water project during 2005 and will begin servicing these customers upon completion of the system.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's customers, creditors and the general public with an overview of the District's finances and to show the District's accountability for the revenues and other funding it receives. If you have any questions about this report or need additional information, contact the Ascension Consolidated Utilities District No. 1, P.O. Box 60, White Castle, Louisiana 70788 or (225) 545-3989.



**ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**

Donaldsonville, Louisiana

**STATEMENT OF NET ASSETS**

August 31, 2004

**ASSETS**

**CURRENT**

Cash	\$	34,495
Accounts receivable, net		8,991
Due from other governments		118,569
Other		<u>763</u>

Total current assets 162,818

**RESTRICTED ASSETS, cash** 30,310

**CAPITAL ASSETS, net** 1,121,302

Total assets \$ 1,314,430

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$	125,095
Due to the Parish of Ascension		<u>20,000</u>

Total current liabilities 145,095

**PAYABLE FROM RESTRICTED ASSETS**

Customer deposits 30,310

**NOTE PAYABLE** 402,500

**DUE TO THE PARISH OF ASCENSION, net of current portion** 58,177

Total liabilities 636,082

**NET ASSETS**

Invested in capital assets		718,802
Unrestricted net assets (deficit)		<u>(40,454)</u>

Total net assets 678,348

Total liabilities and net assets \$ 1,314,430

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 NET ASSETS**

For the year ended August 31, 2004

**OPERATING REVENUES**

Charges for services	\$ 94,240
Other	<u>1,852</u>
Total operating revenues	<u>96,092</u>

**OPERATING EXPENSES**

Cost of water	31,666
Management fees	21,541
Depreciation	13,028
Professional services	5,144
Repairs & maintenance	3,328
Miscellaneous	3,183
Insurance	917
Commission fees	<u>900</u>
Total operating expenses	<u>79,707</u>

Operating income	16,385
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**NON-OPERATING**

Interest income	281
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**CAPITAL CONTRIBUTIONS**

Capital contributions - intergovernmental grant	<u>221,494</u>
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Increase in net assets	238,160
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**NET ASSETS**

Beginning	<u>440,188</u>
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Ending	<u><u>\$ 678,348</u></u>
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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, 2004

#### CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 97,747
Net receipts from customer deposits	275
Payments to suppliers	(38,902)
Payments for operating expenses	<u>(44,269)</u>
Net cash provided from operating activities	<u>14,851</u>

#### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisitions and construction of capital assets	(609,386)
Proceeds from long-term debt	402,500
Proceeds from intergovernmental grant	221,494
Payment of long-term debt	<u>(6,000)</u>
Net cash used by capital and related financing activities	<u>8,608</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>281</u>
Net increase in cash and cash equivalents	23,740

#### CASH

Beginning	<u>10,755</u>
Ending	<u>\$ 34,495</u>

#### RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED

##### BY OPERATING ACTIVITIES

Operating gain before contributions and other items	\$ 16,385
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation	3,328
Change in operating assets and liabilities:	
Decrease in accounts receivable and other asset	1,144
Increase in accounts payable	112,563
Increase in due from other governments	<u>(118,569)</u>
Net cash provided from operating activities	<u>\$ 14,851</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 U.S. 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial statements**

The District has adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*" This statement provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's discussion and analysis (MD&A)
- Statement of net assets
- Statement of revenues, expenses, and changes in net assets
- Statement of cash flows
- Notes to the financial statements
- RSI other than MD&A, if applicable

The District is a special purpose government engaged only in business-type activities

**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, net assets (deficit), and 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.

**Basis of accounting**

GASB Statement No. 34 established standards for external reporting for all state and local government entities which includes a statement of net assets, statement of revenues, expenses and changes in net assets, and statement of cash flows. It requires the classification of net assets into three components - 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. The District does not have restricted net assets. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consist of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net assets - This component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of accounting (continued)**

The adoption of GASB Statement No. 34 had no effect on the basic financial statements except for the classification of net assets in accordance with the Statement and the reflections of capital contributions as a change in net assets. Additionally, the Statement required management of the District to prepare a Management's Discussion and Analysis.

The District accounts for its activities on a flow of economic resources measurement focus. 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. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that they do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Although the District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the District has chosen not to do so.

*Enterprise funds distinguish operating revenues and expenses from nonoperating items.* Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District are water sales to residential and commercial users. Operating expenses for the District include the cost of water, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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, 2004. On August 31, 2004, the District had bank balances in one bank totaling \$66,008 with FDIC coverage of \$100,000.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Assets**

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

**Accounts receivable**

Accounts receivable represent amounts owed to the District from customer water usage. The allowance for doubtful accounts was \$2,500 at August 31, 2004. The allowance is based on historical data and management's assessment of the collectibility of accounts receivable. The District does not require collateral for its accounts receivable.

**Capital Assets**

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

**Fair value financial instruments**

The carrying value of cash, accounts receivable and operating liabilities 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 2004 with no significant change to coverage.

**Net deficit and net working capital**

At August 31, 2004, the unrestricted net deficit totaled \$40,454. Additionally, net working capital was \$17,723.

**NOTE 2 - GOING CONCERN**

As shown in the accompanying financial statements, the District has an accumulated deficit of \$40,545 at August 31, 2004. The District has decreased the unrestricted net deficit, net working capital deficit, and has generated an operating gain during the year ended August 31, 2004. However, the District still operates with an unrestricted net asset deficit which creates 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.

**NOTE 3 - CAPITAL ASSETS**

Capital assets and depreciation activity as of and for the year ended August 31, 2004, is as follows:

	<u>Balance at 9/1/2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 8/31/2004</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	-	619,087	-	619,087
Land	<u>5,000</u>	<u>619,087</u>	<u>-</u>	<u>624,087</u>
<b>Capital assets being depreciated:</b>				
Water system	521,100	-	-	521,100
Less accumulated depreciation	<u>(10,857)</u>	<u>(13,028)</u>	<u>-</u>	<u>(23,885)</u>
Capital assets being depreciated, net	<u>510,243</u>	<u>(13,028)</u>	<u>-</u>	<u>497,215</u>
Total, net	<u>\$ 515,243</u>	<u>\$ 606,059</u>	<u>\$ -</u>	<u>\$ 1,121,302</u>

The new waterworks system is being depreciated over a forty-year life on the straight-line method. Depreciation expense for the year ended August 31, 2004 was \$13,028.

The amount of interest capitalized as part of construction in progress related to debt issued during the year ended August 31, 2004 was \$993.

**NOTE 4 - LONG-TERM DEBT**

The District's debt consisted of a loan from the Parish of Ascension, the governing entity, and USDA Water Revenue Bonds. The following summarizes debt transactions for the year ended August 31, 2004:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Related party loan	\$ 84,177	\$ -	\$ 6,000	\$ 78,177	\$ 20,000
Revenue bonds	-	402,500	-	402,500	-
	<u>\$ 84,177</u>	<u>\$ 402,500</u>	<u>\$ 6,000</u>	<u>\$ 480,677</u>	<u>\$ 20,000</u>



**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

Long-term debt obligations for the District at August 31, 2004, are comprised of the following:

\$402,500 Water Revenue Bonds secured by a pledge and dedication of water revenues, due in monthly installments of \$1,847 through June 14, 2044; interest at 4.50 %.	\$ 402,500
\$90,177 Ascension Parish Loan unsecured and non-interest bearing, due in yearly installments of \$10,000 through 2011	<u>78,177</u>
<b>Total long-term debt from business-type activities</b>	<b><u>\$ 480,677</u></b>

**Debt Service Requirements to Maturity**

The annual requirements to amortize debt outstanding at August 31, 2004, are as follows:

Year	Ascension Parish Loan	Revenue Bonds		Total Long-term debt	
	Principal	Principal	Interest	Principal	Interest
2005	\$ 20,000	\$ -	\$ 18,491	\$ 20,000	\$ 18,491
2006	10,000	338	20,000	10,338	20,000
2007	10,000	4,158	18,012	14,158	18,012
2008	10,000	4,349	17,821	14,349	17,821
2009	10,000	4,548	17,622	14,548	17,622
2010-2014	18,177	26,075	84,774	44,252	84,774
2015-2019	-	32,640	78,209	32,640	78,209
2020-2024	-	40,858	69,990	40,858	69,990
2025-2029	-	51,146	59,702	51,146	59,702
2030-2034	-	64,025	46,824	64,025	46,824
2035-2039	-	80,146	30,703	80,146	30,703
2040-2044	-	94,217	12,936	94,217	12,936
	<u>\$ 78,177</u>	<u>\$ 402,500</u>	<u>\$ 475,084</u>	<u>\$ 480,677</u>	<u>\$ 475,084</u>

**NOTE 5 - COMPENSATION OF BOARD MEMBERS**

Board member compensation during 2004 was as follows:

Oliver Joseph	\$ 150
Gregory Madison	150
Herbert Brunswick	150
Harry Thibodaux	150
Kenneth Maher	150
Oliver Hooper	<u>150</u>
<b>Total compensation</b>	<b><u>\$ 900</u></b>

**NOTE 6 - RELATED PARTY**

The Parish of Ascension received a federal grant of \$600,000, in a prior year, to replace the water system operated by the District. The grant contract was with the Parish of Ascension. Approximately \$521,000 was expended to build the new system. Although the District was not a participant in the grant, its water system was replaced during the year ended August 31, 2003. During the year ending August 31, 2003, the Parish relinquished ownership and operations of the newly constructed water lines to the District.

Additionally, during 2004, the Parish of Ascension awarded the District funding in the amount of \$150,425 for the construction of Phase II of the District's water distribution system.

**NOTE 7 - COMMITMENT AND CONTINGENCIES**

**Supplier**

On April 22, 2003 the District entered into a bulk water sales agreement with its water supplier in which they committed to purchase a minimum of 1,000,000 gallons of water per month at a fixed rate of \$1.55 per 1,000 gallons and \$1.40 per 1,000 gallons for amounts over 5,000,000 gallons. The contract is for a period of five years.

**Construction contract**

The District has entered into a construction contract for Phase II of the water distribution system which has a remaining contract commitment of approximately \$1,365,000 at August 31, 2004.

**Environmental contingencies**

Management of the District is not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the water systems on a regular basis and providing the test results to the proper environmental authorities.

**Special Independent Auditors' Report**

**ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**  
Donaldsonville, Louisiana

August 31, 2004



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

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

We have audited the financial statements of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1 (District)** as of August 31, 2004 and for the year then ended, and have issued our report thereon dated December 28, 2004. 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 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 is 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 financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-1, 2004-2 and 2004-3.

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 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 the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, the reportable conditions described in the Schedule of Findings and Questioned Costs as items 2004-1, 2004-2 and 2004-3 involving internal control over financial reporting are also considered to be material weaknesses as defined above. We also noted another matter involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated December 28, 2004.

This report is intended solely for the information and use 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Faulk & Winkler, LLC*

Certified Public Accountants

Baton Rouge, Louisiana  
December 28, 2004

**ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**  
Donaldsonville, Louisiana

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

August 31, 2004

**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.
3. There are three internal control findings that are described as Items 2004-1, 2004-2 and 2004-3.

**B) FINDING – FINANCIAL STATEMENT AUDIT**

**2004-1 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, including check disbursements.*
- b) *The listing of delinquent water 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 are to 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.

## 2004-2 CUSTOMER DEPOSITS

**Observation:** The District maintains its customer deposit listings through two separate customer listings. One listing is maintained on the billing system utilized for customers that use the operating water system. This process appears to work effectively.

A second listing is maintained for users that will receive water service at the completion of construction of the water system expansion. The list is prepared in an excel worksheet and reflects approximately \$23,000 in customer deposits. The list has been manually changed for a small number of refunds that have been disbursed in the last few years.

**Recommendation:** We recommend the District maintain the manual customer listing in its billing system that will include future water customers once the water system is operational. The manual reports utilized are not an efficient means to account for the volume of deposits held by the District.

**Management's corrective action plan:** We concur with the finding and intend to implement the recommendation during 2005.

## 2004-3 OPERATING BUDGET/FINANCIAL REPORTING

**Observation:** The District does not prepare an operating budget for revenues and expenses that it incurs. Additionally, a monthly balance sheet and income statement is not presented to the Board of Directors for interim review. On the other hand, financial related matters are reviewed in a report that includes cash activity, outstanding bills, and monthly cash position.

**Recommendation:** The District should prepare an operating budget at the inception of each fiscal year to establish revenue expectations as well as authority for spending. Additionally, the operating budget will give the Board of Directors a tool to evaluate operational results throughout each operating period. Additionally, as the District's customer base increases with the expansion of its water system, the need for monitoring operational results becomes more imperative. Finally, monthly reporting to the Board should include a balance sheet and income statements that includes budget comparisons.

**Management's corrective action plan:** Management prepared an operating budget which was presented to the Board of Directors at its January 2005 meeting. However, the Board requested additional revision to the budget, but plans to approve a final budget during 2005. Finally, after approval of the operating budget is obtained, interim financial statements will be prepared to compare the results of operations with the operating budget on an on-going basis.

**ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**  
Donaldsonville, Louisiana

**SCHEDULE OF PRIOR YEAR FINDINGS**

August 31, 2004

**2003-1 SEGREGATION OF DUTIES**

**Prior Year Observation:**

This finding has been reclassified at finding 2004-1.





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, 2004, 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 December 28, 2004; 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 Board of Director's, management, the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Faulk & Winkler, LLC*  
Certified Public Accountants

Baton Rouge, Louisiana  
December 28, 2004

**OR 2004-1 – 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 2004 is illustrated below:

	2004 Gallons (in millions)	2003 Gallons (in millions)
Water purchased	20,503	23,030
Water sold	16,089	15,862
Water unaccounted for	4,414	7,168
Percent unaccounted for	22%	31%

Based on the average cost per thousand gallons of water, for the year, the expense of “lost” water is approximately \$6,900. As the price charged to customers did not include this expense of operations, revenues lost amounted to approximately \$25,000. This loss of water has improved considerably over the prior year; however, the recovery of this lost revenue would have a material impact on the District.

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 sufficient to recoup operating costs.

**Management’s corrective action plan:** Management will consider rate increases on an annual basis based on the profitability of operations.