

**LAKESHORE SUBDIVISION  
SEWERAGE DISTRICT #1**

*Ouachita Parish Police Jury  
Monroe, Louisiana*

**Report on the Audit of the  
Component Unit  
Basic Financial Statements  
As of and For the Year Ended December 31, 2010**

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 8/17/11

**Jimmie Self, CPA**  
*A Professional Accounting Corporation*  
**2908 Cameron Street, Suite C**  
**Monroe, LA 71201**  
**Phone (318) 323-4656 • Fax (318) 388-0724**

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**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1**  
**Component Unit of the**  
**Ouachita Parish Police Jury**

**Basic Financial Statements**  
**As of and For the Year Ended**  
**December 31, 2010**  
*With Supplementary Information Schedules*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Lakeshore Subdivision Sewerage District #1  
Monroe, LA

I have audited the accompanying basic financial statements of the business-type activities of Lakeshore Subdivision Sewerage District #1, (the District) a component unit of the Ouachita Parish Police Jury, as of and for the year ended, December 31, 2010, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion 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 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lakeshore Subdivision Sewerage District #1 as of December 31, 2010, and the respective changes in financial position 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, I have also issued my report dated June 23, 2011, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of my audit.

**JIMMIE SELF, CPA**  
**A PROFESSIONAL ACCOUNTING CORPORATION**  
2908 Cameron Street, Suite C  
Monroe, Louisiana 71201  
Phone (318) 323-4656 Fax (318) 388-0724

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying supplemental information is listed in the table of contents under Supplementary Information presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, therefore, I express no opinion on them.



Jimmie Self, CPA  
Monroe, Louisiana  
June 23, 2011

**REQUIRED SUPPLEMENTARY INFORMATION  
(PART I)**

**Management Discussion and Analysis**

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT No. 1**  
**Monroe, Louisiana**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**

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As management of the Lakeshore Subdivision Sewerage District we offer readers the Management's Discussion and Analysis (MD&A), a narrative overview and examination of the financial activities for the year ended December 31, 2010. The MD&A is designed to provide an objective and easy to read evaluation of the District's financial activities based on currently known facts, decisions, and conditions. It is also intended to provide readers with a broad overview of the District's finances and an analysis of short-term and long-term activities of the District based on information presented in the financial report and fiscal policies that have been adopted. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan, and identify fund issues or concerns.

Our discussion and analysis of the financial performance of the Lakeshore Subdivision Sewerage District No. 1 (the District) provides an overview of the District's financial activities for the fiscal year that ended December 31, 2010. Please read it in conjunction with the financial statements and notes to the financial statements.

#### **FINANCIAL HIGHLIGHTS**

During the current year ended December 31, 2010, the District's net assets were reported to be \$961,522. The District's total operating revenues were \$284,489. The District had total operating expenses, including depreciation, of \$330,361.

During the prior year ended December 31, 2009, the District's net assets were \$944,586. The District's total operating revenues were \$285,487. The District had total operating expenses of \$280,653.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the Basic Financial Statements, and Other Supplementary Information. The Basic Financial Statements include enterprise fund financial statements (business-type activities) about the District's overall financial status.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

#### **ENTERPRISE FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Fund Net Assets provide information in a way that shows the change in the District's

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT No. 1**  
**Monroe, Louisiana**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**

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 (what the District owns) and liabilities (what the District owes), is a way to measure the financial position of the District. Over time, 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 activities, capital and related financing activities, and investing activities.

**FINANCIAL ANALYSIS**

The information in the table below is found in the "Statements of Net Assets" located in the section of this report entitled "Basic Financial Statements." The following restatement of those figures is offered to aid the reader of this report in understanding the intent and meaning of the figures contained in the Statement of Net Assets.

**Net Assets.** The District's Total Net Assets for the prior year ended December 31, 2009 were in the amount of \$944,586. The District's Total Net Assets for the current year ended December 31, 2010 were in the amount of \$961,522.

<b>NET ASSETS – BUSINESS TYPE ACTIVITIES</b>	2009	2010
Current and Other Assets	477,874	357,768
Capital Assets	776,752	769,447
Unamortized Bond Discount	2,295	2,195
<b>Total Assets</b>	<u>1,256,921</u>	<u>1,129,410</u>
Accounts payable and Accrued Expenses	4,200	2,888
Other Liabilities	68,135	
Revenue Bonds Payable	240,000	165,000
<b>Total Liabilities</b>	<u>312,335</u>	<u>167,888</u>
Net Assets		
Invested in Capital Assets, net of Related Debt	536,752	601,559
Restricted for Debt Service	98,974	96,875
Restricted for Repairs	36,394	0
Unrestricted	272,466	263,088
<b>Total Net Assets</b>	<u>944,586</u>	<u>961,522</u>

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT No. 1**  
**Monroe, Louisiana**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**

The information in the table below is found in the "Statement of Revenues, Expenses, and Changes in Fund Net Assets" located in the section of this report entitled "Basic Financial Statements." The following restatement of these figures is offered to aid the reader of this report in understanding the meaning of those figures.

The Change in Net Assets for the prior year ended December 31, 2009 was a decrease of \$5,273. The Change in Net Assets for the current year ended December 31, 2010 was a decrease of \$51,199, due largely to charge off of long-term debt of \$68,135 to Retained earnings (See note 14). The net loss was due largely to many repairs to sewer lines, due to clogged pipes, which needed more supplies and materials.

<b>CHANGES IN NET ASSETS</b>	<u>2009</u>	<u>2010</u>
<b>Operating Revenues</b>		
Charges for Services	\$ 285,487	\$ 284,489
<b>Expenses</b>		
Operating Expenses	280,653	330,361
<b>Non-Operating Expenses</b>		
Interest Income	8,372	8,536
Interest Expense	(17,879)	(13,263)
Bond Agent Fee	(600)	(600)
Total Non Operating Income (Expenses)	<u>(10,107)</u>	<u>(5,327)</u>
<b>Change – Increase (Decrease) in Net Assets</b>	<b>\$ (5,273)</b>	<b>(51,199)</b>

The District experienced a net loss of \$(5,273) for the year ended December 31, 2009. This compares to a net loss of \$(51,199) for the year ended December 31, 2010. Even though total revenues increased only by \$998.00, expenses increased \$49,708, due to increases in plumbing supplies to repair clogged sewer lines.

**FINANCIAL ANALYSIS OF THE FUNDS**

As the District completed the prior year ended December 31, 2009, the enterprise fund reported total assets of \$1,256,921. At the conclusion of the current year ended December 31, 2010, the enterprise fund reported total assets of \$1,129,410.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District showed Capital Assets at the close of the prior year ended December 31, 2009 with an investment of \$1,999,598 and a net value after depreciation of \$776,752.

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT No. 1**  
**Monroe, Louisiana**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**

At the close of the current year ended December 31, 2010, the District showed Capital Assets with an investment of 2,046,477, and a net value after depreciation of \$769,447, as illustrated below.

<b>CAPITAL ASSETS – PROPERTY, PLANT &amp; EQUIPMENT</b>
---------------------------------------------------------

Total Capital Assets Investment - December 31, 2009	1,999,597
Additions – 2010	46,880
Total Capital Assets Investment – December 31, 2010	2,046,477
Less - Accumulated Depreciation	1,277,030
<b>Total Net Capital Assets – December 31, 2010</b>	<b>769,447</b>
Includes land (\$20,000) which is not depreciated	

**Debt**

As of December 31, 2009, the prior year, the District had Sewer Revenue Bonds payable in the amount of \$240,000. The portion due and payable for the current year was made on April 1, 2010 in the amount of \$87,889.

As of December 31, 2010 and the beginning of the current year, the District had Sewer Revenue Bonds payable in the amount of \$165,000. The next payment date shall be April 1, 2011 for the amount of \$80,000 principal and \$8,750 interest, totaling \$88,750.

The District is required by the bond agreement to maintain a sufficient amount in the Revenue Bond Sinking Fund to pay promptly and fully the principal and interest on the bonds as they come due and payable by transferring from the Sewer System Fund to the Sinking Fund monthly in advance on or before the 20<sup>th</sup> day of each month 1/6<sup>th</sup> of the interest on bonds falling due on the next interest payment date and 1/12<sup>th</sup> of the principal of the bonds falling due on the next principal payment date.

**ECONOMIC FACTORS AFFECTING THE UPCOMING YEAR'S BUSINESS**

The continued slowing of the economy throughout the year of 2010 and the resulting trends of increased unemployment in the United States have caused further difficulty for many individuals and businesses. It is not possible to predict the long-term effects of these trends and how they will affect this community, prices of fuel and equipment, and other factors of interest to the District.

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT No. 1**  
**Monroe, Louisiana**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2010**

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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The District is a component unit of the Ouachita Parish Police Jury and as such, is ultimately under the supervision of the Police Jury. The Jury has appointed a board of commissioners to oversee the operations of the District. Mr. Jeff McNew serves as the Secretary-Treasurer of the board of commissioners and may be contacted by mail at Lakeshore Subdivision Sewerage District, P. O. Box 7237, Monroe, LA 71211.

**BASIC FINANCIAL STATEMENTS**

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OUACHITA PARISH POLICE JURY  
Monroe, Louisiana  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
DECEMBER 31, 2010**

**EXHIBIT A**

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	\$	45,487
Accounts Receivable, Net		42,235

**Noncurrent Assets:**

Restricted Assets		96,875
Investments		173,171
Capital Assets, Net (See Note 5)		769,447
Unamortized Bond Discount		2,195

<b>TOTAL ASSETS</b>	<b>\$</b>	<b>1,129,410</b>
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**LIABILITIES**

**Current Liabilities:**

Accrued Interest Payable	\$	2,888
Current Portion of Bonds Payable		75,000
<b>Total Current Liabilities</b>		<b>77,888</b>

**Non-current Liabilities:**

Sewer Revenue Bonds Payable		90,000
<b>Total Long-Term Liabilities</b>		<b>90,000</b>
<b>TOTAL LIABILITIES</b>		<b>167,888</b>

**NET ASSETS**

Invested in Capital Assets Net of Related Debt	601,559
Restricted	96,875
Unrestricted	263,088
<b>TOTAL NET ASSETS</b>	<b>961,522</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.**

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OUACHITA PARISH POLICE JURY

EXHIBIT B

Monroe, Louisiana

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS

For the Year Ended December 31, 2010

OPERATING REVENUES:

Charges for Services	\$ 284,489
Total Operating Revenues	<u>284,489</u>

OPERATING EXPENSES:

Chemicals	524
Bank Fees	1,227
Bill Collecting Fees	1,525
Depreciation Expense	54,184
Engineering Expense	4,000
Insurance	5,819
Lab Fees	4,368
Legal & Professional	6,381
Office Expense	213
Permit Fees	2,180
Plumbing Supplies & Maintenance	156,945
Electrical expense	21,972
Supervisory and Accounting	71,024
Total Operating Expenses	<u>330,361</u>

OPERATING INCOME (45,872)

NON-OPERATING REVENUES (Expenses):

Investment Income	8,536
Interest Expense	(13,263)
Bond Agent Fee	(600)
Total Non-Operating Revenues (Expenses)	<u>(5,327)</u>

CHANGE IN NET ASSETS (51,199)

Net Assets at the Beginning of Year	944,586
Adjustment to Retained Earnings @ 12-31-2010 to write off \$68,135 long-term liability (Note # 14)	68,135
NET ASSETS END OF YEAR	<u>\$ 961,522</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

LAKESHORE SUBDIVISION SEWERAGE DISTRICT #  
 QUACHITA PARISH POLICE JURY  
 Monroe, Louisiana  
**STATEMENT OF CASH FLOW:**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**  
 Proprietary Fund  
 December 31, 2010

EXHIBIT C

	<u>Operating Account</u>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 284,489
Cash Paid to Suppliers for Goods and Services	<u>277,716</u>
Net Cash Provided by Operating Activities	<u>6,773</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfer from Savings Account to Checking Account	30,000
Transfers from Checking Account used to pay Additional Expenses	(35,000)
Transfers from Checking Account to Bond Fund	(98,000)
Transfers from Bond Fund to pay Bond	<u>98,000</u>
Net Cash Provided from non-capital Financing Activities	<u>(5,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of Capital Assets	(46,880)
Principal paid on Bonds	<u>(75,000)</u>
Net Cash Provided (Used) by Capital and Financing Activities	<u>(121,880)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(120,107)
Cash and Cash Equivalents at Beginning of Year (see note below)	<u>165,594</u>
Cash and Cash Equivalents at End of Year *	<u>\$ 45,487</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>	
<b>Provided (Used) by Operatng Activities:</b>	
Net Income	\$ (51,199)
Depreciation	54,184
Unamortized Bond Debt	100
Accrued Interest Payable	(1,312)
Bonds Payable, Current Portion	<u>5,000</u>
Net Cash provided by Operating Activities	<u>\$ 6,773</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENT

**Disclosure of Accounting Policy:**

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

\* The cash accounts included in the transactions using cash and cash equivalents in 2010 is shown below:

The balance in cash and cash equivalents accounts used is as follows:

Checking account #1500	\$ 7,639
OIB Sinking Fund # 8440	<u>37,848</u>
	<u>45,487</u>

Total Asset Acquisition-Cash Account #1500	\$ 46,808
Total	<u>\$ 46,808</u>

Total Interest Expense	<u>\$ 13,263</u>
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**NOTES  
TO THE  
FINANCIAL STATEMENTS**

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OF OUACHITA PARISH  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. INTRODUCTION**

The Lakeshore Subdivision Sewerage District #1, Monroe, Louisiana, (serving approximately 4000 people) was established by the Ouachita Parish Police Jury in the early 1970's and is a component unit of the Police Jury. The District is operated by a board of four Commissioners, which is appointed by the Ouachita Parish Police Jury. The Commissioners receive no compensation. The District is managed by an independent contractor, hence no payrolls. The actual footage for the sewerage lines is not known

**B. REPORTING ENTITY**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting authority for generally accepted accounting principals as applied to governmental entities. GASB Statement Number 14 *The Financial Reporting Entity* establishes criteria for determining which component units of governments should be considered part of a primary government for financial reporting purposes.

The basic criterion for determining a component unit is accountability. As the Police Jury appoints a voting majority of the board of commissioners by the District and has the ability to impose its will upon the District, the District is considered a component unit of the Police Jury, the primary governing body of the parish and the governmental body with oversight responsibility.

The accompanying basic financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the general government services provided by that primary governmental unit or other component units that comprise the primary government reporting entity.

**C. BASIS OF ACCOUNTING**

The District has adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 establishes standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities, and a statement of cash flows. It also requires the classification of net assets into three components – invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes, or other borrowings attributed to the acquisition, construction, or improvement of those assets.

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OF OUACHITA PARISH**

**Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010**

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Restricted net assets - This component of net assets on which constraints have been placed externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued since November 30, 1989 unless they are adopted by GASB.

The District recognizes income on the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District’s principal ongoing operations. The principal operating revenues are charges to customers for service. Customers are billed monthly for services received during the month. The District also recognizes as operating revenues the fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **D. ACCOUNTS RECEIVABLE**

Receivables are primarily composed of amounts due from customers located within the district. The direct write-off method for recognizing bad debts is used. Under this method, the receivable is charged to expense when the account is deemed to be uncollectible. The difference between the use of direct write-off method and the allowance method for accounting for bad debts is not material to the financial statements of the District.

#### **E. PROPERTY AND EQUIPMENT**

Fixed assets of the District are valued at historical cost and are included on the balance sheet of the fund, net of accumulated depreciation. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation is computed using the straight-line method over estimated useful lives of periods from 5 to 50 years. The District considers assets with an individual cost of \$500 or more and an estimated useful life of one year or more as a capital asset. Donated assets, if applicable are stated at fair market value. Construction interest is immaterial and is not capitalized.

#### **F. STATEMENT OF CASH FLOWS**

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OF OUACHITA PARISH  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010**

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**G. COMPENSATED ABSENCES**

The District has no employees and therefore does not have a formal leave policy

**H. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**I. CASH AND INVESTMENTS**

Under state law, the District may invest funds in demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. If the original maturity of investments exceeds 90 days, they are classified as investments.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

**J. RESTRICTED ASSETS**

Certain proceeds of the enterprise fund's resources are set aside for specific payments and are classified on the balance sheet as restricted assets because their use is limited by applicable requirements.

**K. LONG-TERM LIABILITIES**

Long-term liabilities are recognized within the enterprise fund.

**NOTE 2. CASH AND CASH EQUIVALENTS**

At December 31, 2010, the District has cash and cash equivalents (book balances) as follows:

Cash and Cash Equivalents	\$ 45,487
TOTAL	\$ 45,487

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance and/or the pledge of securities owned by the fiscal

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OF OUACHITA PARISH**

**Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010**

agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2010, the District has \$7,640 on deposit (checking) with the Ouachita Independent Bank, and CD's in the amount of \$170,454 at Chase Bank. The deposits held by the OIB and Chase Banks are insured by FDIC and Security Pledges (Market Value) for a total of \$500,000.

PLEGGED SECURITIES	CHASE	OIB	TOTAL
Cash and Cash Equivalents	0	45,487	45,487
CD's	170,454	99,592	270,045
Totals	170,454	145,079	315,532
FDIC Insurance	250,000	250,000	500,000
Security Pledge (Market Value)	0	0	0
Total Insurance and Security Pledge	250,000	250,000	500,000
Collateralized above requirement	(79,546)	(104,921)	(184,468)

All accounts are adequately collateralized.

The District's policy for custodial credit risk is with their banks when, or if, they become uncollateralized, the bank automatically corrects this problem, and contacts the District.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 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.

**NOTE 3. RECEIVABLES**

The following is a summary of receivables at December 31, 2010:

Class of Receivable	Current Assets	Total
Accounts Receivable	\$ 42,235	\$ 42,235

No allowance for bad debts is used since bad debts are offset by utility deposits or written off.

**NOTE 4. RESTRICTED ASSETS**

RESTRICTED ASSETS	
Operating Fund Savings	\$ 96,875
TOTAL	\$ 96,875

These assets are restricted to pay bond indebtedness and a contingency fund for repairs. The outstanding bond indebtedness @ 12/31/2010 was \$165,000.

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OF OUACHITA PARISH  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010**

**NOTE 5. CAPITAL ASSETS**

A summary of Capital Assets at December 31, 2010, follows:

	Beginning Basis 12/31/2009	Additions	Basis Before Deprec	Prior Accum Deprec	Balance Before Current Deprec	Current Deprec	Net Assets 12/31/2010
Land	20,000	-	20,000	-	20,000	-	20,000
Plant, Equipment	1,979,597	46,880	2,026,477	1,222,845	823,632	54,184	749,447
<b>TOTAL</b>	<b>1,999,597</b>	<b>46,880</b>	<b>2,046,477</b>	<b>1,222,845</b>	<b>843,632</b>	<b>54,184</b>	<b>769,447</b>

Land is not depreciated. Depreciation of \$54,184 was expensed for 2010.

**NOTE 6. LONG - TERM LIABILITIES**

On April 1, 1992, Sewer Revenue Bonds, Series 1992, were issued to Lakeshore Sewerage Subdivision District #1. The following are descriptions of the bonds:

Sewer Revenue Bonds	\$ 765,000
Form	Fully Registered
Date	04/01/92
Denomination	5,000
Payment to Trust Co. of LA	
Maturity	20 Years
Interest Rate	Varies 4 – 7.1%

The following restrictions apply:

**Revenue Bond Sinking Fund**

1. Maintain a sufficient amount to pay promptly and fully the principal of and the interest on the bonds as they severally become due and payable by transferring from the Sewer System Fund to the Sinking Fund monthly in advance on or before the 20<sup>th</sup> day of each month of
2. Each year, one sixth (1/6) of the interest on the Bonds falling due on the next Interest Payment Date and One – Twelfth (1/12) of the principal of the Bonds falling due on the next principal payment date, together with such additional proportionate sum as may be required so that sufficient moneys will be available in the Sinking Fund to pay said principal and interest as the same respectively become due.
3. The establishment and maintenance of a “Revenue Bond Reserve Fund” (the Reserve Fund) with the Fiscal Agent Bank by depositing from Bond proceeds upon delivery of the Bonds, a sum equal to the Reserve Fund Requirement, and by making any further deposits as provided in the Bond resolution so that there will be on deposit in the

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OF OUACHITA PARISH  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010**

Reserve Fund an amount equal to the Reserve Fund Requirement. The money in the Reserve fund shall be retained solely for the purpose of paying the principal of and interest on bonds payable from the Sinking Fund as to which there would otherwise be default (except such amounts, if any, as may be payable to the United States of America as a rebate of arbitrage pursuant to Section 148(f) of the Code.

4. The establishment and maintenance of a "Capital Additions and Contingencies Fund" (the Contingencies Fund") to care for additions and improvements, renewals, replacements and emergency repairs or operational costs necessary to properly operate the System. In addition to caring for extensions, additions, improvements, renewals and replacements or emergency operation and maintenance expenditures necessary to properly operate the System, the money in the Contingencies Fund shall be used to pay the principal of and the interest on the bonds, including any additional *pari passu* bonds issued in the manner provided by the Bond Resolution, for the payment of which there is not sufficient money in the Sinking and or Reserve Fund, but the money in the Contingencies Fund shall never be used for the making of extensions, additions, improvements, renewals and replacements to the System if such use of said money will leave in the Contingencies fund for making emergency repairs or replacements or paying emergency operational costs less than the sum of Ten Thousand Dollars (\$10,000.00). Upon a finding of the Governing Authority that moneys in the Contingencies Fund are not required for the above - stated purposes, of the fund, such moneys may also be used to retire by purchase or call for redemption Outstanding Bonds or outstanding *pari passu* bonds payable from the Net Sewer Revenues (as defined in the Bond Resolution) at prices not exceeding 105% of the face value thereof plus accrued interest; provided such purchase would not leave remaining in the Contingencies Fund less than the amount of Fifty Thousand Dollars (\$50,000.00). If at any time it shall be necessary to use moneys in the Reserve Fund or the Contingencies Fund for the purpose of paying principal or interest on bonds payable from the Sinking Fund as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues of the system first thereafter received, not required for the purposes described in the Bond Resolution it being the intention that there shall as nearly as possible be at all times in the Reserve Fund and the Contingencies Fund the amounts specified.

The following is a summary of bond transactions of the District for the fiscal year ended December 31, 2010.

Total Long-Term Debt at December 31, 2009	240,000
Less Current Portion – April 1, 2010	(75,000)
Total Long-Term Debt at December 31, 2010	(90,000)
Principal due in 2011, \$80,000, interest 8,750, total	88,750

The annual requirements to amortize bonds outstanding at December 31, 2010, is as follows:

Due April 1	Total Payment	Interest	Principal	Balance
Balance @ 12-31-2010				165,000

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
OF OUACHITA PARISH  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2010**

2011	88,750	8,750	80,000	85,000
2012	87,975	2,975	85,000	0

**NOTE 7. PENSION PLAN**

None.

**NOTE 8. RESTRICTIONS ON USE OF UTILITIES REVENUES**

Funds provided by sewer utilities revenue are to be used in the following manner before they are available for other lawful purposes.

1. Operating expense of the District.
2. Revenue bond service funds.
3. Revenue bond reserve funds.
4. Maintenance and repair funds.

**NOTE 9. RELATED PARTY TRANSACTIONS**

None.

**NOTE 10. LITIGATION AND CLAIMS**

None.

**NOTE 11. SUBSEQUENT EVENTS**

Subsequent events were evaluated by management up to and including the issue date of this report, June 15, 2011. There were no subsequent events noted which would affect the financial statements for the year ended December 31, 2010.

**NOTE 12. OTHER SUPPORT**

None.

**NOTE 13. RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts, theft of damage to, and destruction of assets. The Ouachita Parish Police Jury is responsible for these liabilities of the District.

**NOTE 14. ADJUSTMENTS to RETAINED EARNINGS**

This adjustment was for a charge back of long-term liabilities in the amount of \$68,135. This adjustment caused a decrease in Long-Term Liabilities with a corresponding increase in Retained Earnings.

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1**  
**OF OUACHITA PARISH**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2010**

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Management and the Lakeshore Sewerage District Board made the decision to write off this liability to DOTD which had been carried for many years but which should have never been on the books since this was money received from the DOTD to repair broken sewer pipes due to inclement weather.

**SUPPLEMENTARY INFORMATION**

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT #1  
Monroe, Louisiana**

**Supplementary Information Schedule**

**SCHEDULE OF COMPENSATION PAID TO BOARD OF COMMISSIONERS  
As of and for the Year Ended December 31, 2010**

The following schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Wylie Moore 626 McCain Monroe, LA 71203	0.00
Leon Sivils – Secretary Treasurer 210 Pickett Lane Monroe, LA 71203	0.00
T. B. Bethea 108 Curve Drive Monroe, LA 71203	0.00
O. C. Hancock 711 Lakeshore Drive Monroe, LA 71203	0.00
Jimmy Machnik 102 Blue Jay Drive Monroe, LA 71203	0.00
Jeff McNew 200 Balboa Drive Monroe, LA 71203	0.00

Jimmie Self, CPA  
A Professional Accounting Corporation  
2908 Cameron St, Suite C  
Monroe, LA 71201  
Phone (318)-323-4656 • Fax (318)388-0724

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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 Commissioners  
Lakeshore Subdivision Sewerage District #1  
Monroe, Louisiana

I have audited the financial statements of the business-type activities of the Lakeshore Subdivision Sewerage District #1, a component unit of the Ouachita Parish Police Jury, State of Louisiana, as of and for the year ended December 31, 2010, which collectively comprise the district's basic financial statements, and have issued my report thereon dated June 23, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District'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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement to the District's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as 2010-1 and 2010-2 that I consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 instances of noncompliance or other such matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as items # 2010-1 and 2010-2.

The District's response to the findings identified in my audit is described in the accompanying schedule of findings and responses as items # 2010-1 and 2010-2. I did not audit the District's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of management of the District, others within the District, and the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities 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 Legislative Auditor as a public document.



Jimmie Self, CPA  
Monroe, Louisiana  
June 23, 2011

**LAKESHORE SUBDIVISION SEWERAGE DISTRICT No. 1**  
**A Component Unit Of The**  
**OUACHITA PARISH POLICE JURY**  
**Monroe, Louisiana**

## **SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended December 31, 2010

### Summary of Audit Results

The auditor's report for the year ended December 31, 2010 expressed an unqualified opinion on the basic financial statements of the Lakeshore Subdivision Sewerage District No. 1 of Ouachita Parish, State of Louisiana.

#### **Finding 2010-1**

**CONDITION:** No segregation of duties

**CRITERIA:** Duties should be distributed among employees.

**CAUSE OF CONDITION:** The staff consists of only one clerk.

**EFFECT OF CONDITION:** Internal control is weakened by the limited staff.

**RECOMMENDATION:** Hire more employees and redistribute duties.

**CLIENT RESPONSE:** The System states this cannot be remedied due to lack of funds.

#### **FINDING: 2010-2**

**CONDITION:** The District's records had several coding errors and also several incorrect amounts posted to the beginning balances. This is largely due to limited personnel to perform these tasks.

**CRITERIA:** Correct beginning balances and proper coding of transactions to the correct accounts are germane to accurate bookkeeping and reporting.

**CAUSE OF CONDITION:** Beginning balances are not verified, neither are transactions applied to the proper accounts by the bookkeeper.

**EFFECT OF CONDITION:** Internal control and compliance are compromised.

**RECOMMENDATION:** Staff should correct beginning balances and coding errors. The accountant should prepare a chart of accounts to be utilized when posting transactions.

**CLIENT RESPONSE:** Client has corrected beginning balance and coding errors and will be more careful in entering transactions, being sure to check beginning balances and utilize the chart of accounts.

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**For the Year Ended December 31, 2009**

There were no findings for the year ended December 31, 2009.

**Jimmie Self, CPA**  
**A Professional Accounting Corporation**  
**2908 Cameron Street, Suite C**  
**Monroe, Louisiana 71201**  
**Phone (318) 323-4656 Fax (318) 388-0724**

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## **SUMMARY SCHEDULE OF FINDINGS**

LAKESHORE SEWERAGE DISTRICT 1  
For the Year Ended December 31, 2010

I have audited the financial statements of Lakeshore Sewerage District 1 as of and for the year ended December 31, 2009 and have issued my report dated June 15, 2011. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as December 31, 2010 resulted in an unqualified opinion (qualified, adverse, disclaimer).

### Section I Summary of Auditor's Reports

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

Internal Control

Material Weaknesses  yes  no Internal Control Deficiencies  yes  no

Compliance

Compliance material to Financial Statements  yes  no

b. Federal Awards: None

c. Identification of major Programs:

None.