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

**FINANCIAL REPORT**

August 31, 2001

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 2/27/02

**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 general purpose financial statements of **ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1** (a component unit of the Parish of Ascension) as of August 31, 2001, for the period June 7 through August 31, 2001, 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, 2001, and the results of its operations and cash flows for the period June 7 through August 31, 2001, 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 November 28, 2001, 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.

Certified Public Accountants

Baton Rouge, Louisiana  
November 28, 2001

**ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**

Donaldsonville, Louisiana

**BALANCE SHEET**

August 31, 2001

**ASSETS****CURRENT**

Cash and cash equivalents	\$ 9,744
Accounts receivable, net	10,410
Other asset	<u>385</u>

Total current assets	20,539
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<b>RESTRICTED ASSETS, cash</b>	42,395
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<b>FIXED ASSETS, net</b>	<u>59,310</u>
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Total assets	<u>\$ 122,244</u>
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**LIABILITIES AND FUND DEFICIT****CURRENT LIABILITIES**

Accounts payable	\$ 9,835
Due to the Parish of Ascension	34,177
Current portion of long-term bonds payable	<u>5,000</u>

Total current liabilities	<u>49,012</u>
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**PAYABLE FROM RESTRICTED ASSETS**

Long-term portion of bonds payable	45,000
Customer deposits	<u>29,695</u>

Total restricted liabilities	<u>74,695</u>
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Total liabilities	<u>123,707</u>
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**FUND DEFICIT:**

Contributed capital	<u>29,373</u>
Accumulated deficit:	
Reserved - debt extinguishment	8,000
Reserved - property, repairs and replacement	4,700
Unreserved	<u>(43,536)</u>

Total accumulated deficit	<u>(30,836)</u>
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Total fund deficit	<u>(1,463)</u>
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Total liabilities and fund deficit	<u>\$ 122,244</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 REVENUES, EXPENSES,  
AND CHANGES IN ACCUMULATED DEFICIT**

For the period June 7, 2001 through August 31, 2001

<b>OPERATING REVENUES</b>	
Charges for services	\$ 19,774
Other	798
	<hr/>
Total operating revenues	20,572
 <b>OPERATING EXPENSES</b>	
Cost of water	14,425
Management fees and service charges	3,414
Professional services	44
Repairs & maintenance	1,112
Insurance	537
Depreciation	978
Miscellaneous	101
	<hr/>
Total operating expenses	20,611
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Operating loss	(39)
 <b>NON-OPERATING REVENUES AND EXPENSES</b>	
Interest income	169
Interest expense	(1,649)
	<hr/>
Total non-operating revenues and expenses	(1,480)
	<hr/>
Net loss	(1,519)
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Depreciation transferred to contributed capital	426
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Net loss transferred to retained earnings	(1,093)
 <b>ACCUMULATED DEFICIT</b>	
Accumulated deficit from consolidation of districts	(29,743)
	<hr/>
Ending	\$ (30,836)
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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 period June 7, 2001 through August 31, 2001

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss	\$ (1,519)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	978
Change in operating assets and liabilities:	
Increase in accounts receivable and other asset	2,507
Increase in restricted assets	12,212
Increase in accounts payable	<u>(2,248)</u>
Net cash provided by operating activities	<u>11,930</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	<u>(301)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payment of long-term debt	(4,000)
Capital and deposits contributed by customers	<u>660</u>
Net cash used by operating activities	<u>(3,340)</u>
Net increase in cash and cash equivalents	8,289
<b>CASH</b>	
Cash from consolidation of districts	<u>1,455</u>
Ending	\$ <u>9,744</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 West Ascension. 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 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, 2001. On August 31, 2001, the District had bank balances in two banks totaling \$59,112 with FDIC coverage of \$200,000.

**Restricted Assets**

Restricted assets on the balance sheet represent (1) amounts which are required to be maintained pursuant to the District's revenue bond resolution (bond interest and redemption, bond reserve, and reserve for contingency and improvements) and (2) 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 \$3,600 at August 31, 2001. 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)**

**Contributed capital**

Grants, entitlements or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Retirement of contributed capital is the equivalent of the depreciation charged against the asset involved.

**Deferred debt expense**

Amortization of deferred debt expense is recognized on the "bonds outstanding" method over the life of the bond issue.

**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. The District maintains a commercial insurance policy to minimize these risks.

**Fund deficit**

At June 7, 2001, the unreserved retained earnings (accumulated deficit) totaled \$47,215. The decrease was primarily due to water loss experienced.

**NOTE 2 - 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 \$101,536 at June 7, 2001 and depreciation expense was \$2,935 for the period September 1, 2000 through June 7, 2001.

**NOTE 3 - DEBT DUE TO PARISH OF ASCENSION**

The District's term debt consisted of a loan from the Parish of Ascension for various expenses incurred by the Waterworks District No. 7 of Ascension Parish. The debt is non-interest bearing and due on demand.

**NOTE 4 - LONG-TERM DEBT**

The District's long-term debt consisted of water revenue bonds of \$50,000 at August 31, 2001, which bear interest of 6%, payable semi-annually on March 1 and September 1 of each year and mature as follows:

<u>August 31</u>	<u>Amount</u>
2002	\$ 5,000
2003	5,000
2004	5,000
2005	5,000
2006	5,000
Thereafter	<u>25,000</u>
Total due	<u>\$ 50,000</u>

The bonds are callable at par plus a premium of 3%, except that the call premium is reduced by ½ % for each year for five years after the first call date (September 1, 1982). In accordance with the indenture governing Water Revenue Bonds, Series 1971, cash is periodically deposited into accounts administered by a trustee bank. Deposits are made to these trust accounts in accordance with the requirements of each.

1. The Water System Revenue Fund requires all revenue derived from its operations to be deposited in a bank that is a member of the Federal Deposit Insurance Corporation as long as any of the bonds are outstanding. Required transfers are made on a monthly basis to designated trust accounts.
2. The Water Revenue Bond and Interest Sinking Fund requires monthly fund transfers from the Water System Revenue Fund to provide payment of the next maturing interest and principal of the revenue bonds.
3. The Water Revenue Bond Reserve Fund requires monthly transfers until \$8,000 has been accumulated. This fund is restricted to payment of principal and interest in case of default.
4. The Replacement and Extension Fund requires monthly transfers of \$79 until \$4,700 has been accumulated. The Fund is restricted to payments for unusual or extraordinary maintenance, repairs, replacement, and extensions and improvements that will either enhance its revenue producing capacity or provide improved service. It will also be used to pay principal and interest if there are not sufficient funds in the Water Revenue Bond Fund, or Water Revenue Bond Reserve Fund.

The District has not complied with the above conditions at August 31, 2001 since no bank accounts were maintained separately.

**NOTE 5 – COMPENSATION OF BOARD MEMBERS**

Board members were not compensated for their services during the period June 7, 2001 through August 31, 2001.

**NOTE 6 – CONSOLIDATION OF WATERWORKS DISTRICTS**

Effective June 7, 2001, the Parish of Ascension created the Ascension Consolidated Utilities District No. 1 to collectively administer the operations of Waterworks District Nos. 1, 4 & 7.

Waterworks District No. 1 was a non-operating district with no financial activity. The combination of financial activity of Waterworks District Nos. 4 & 7 at June 7, 2001 was as follows:

	Waterworks District No. 4 of the Parish of Ascension	Waterworks District No. 7 of the Parish of Ascension	Total
<b>Assets</b>			
Cash - restricted and unrestricted	\$ 24,590	\$ 31,473	\$ 56,063
Accounts receivable	12,707	-	12,707
Other assets	593	-	593
Property	<u>54,988</u>	<u>5,000</u>	<u>59,988</u>
<b>Total assets</b>	<u><u>\$ 92,878</u></u>	<u><u>\$ 36,473</u></u>	<u><u>\$ 129,351</u></u>
<b>Liabilities</b>			
Accounts payable and other	\$ 17,798	\$ 57,877	\$ 75,675
Long-term debt	<u>54,000</u>	<u>-</u>	<u>54,000</u>
<b>Total liabilities</b>	<u>71,798</u>	<u>57,877</u>	<u>129,675</u>
<b>Fund Equity (Deficit)</b>			
Contributed capital	24,419	5,000	29,419
Accumulated deficit	<u>(3,339)</u>	<u>(26,404)</u>	<u>(29,743)</u>
<b>Total fund equity (deficit)</b>	<u>21,080</u>	<u>(21,404)</u>	<u>(324)</u>
<b>Total liabilities and and fund equity (deficit)</b>	<u><u>\$ 92,878</u></u>	<u><u>\$ 36,473</u></u>	<u><u>\$ 129,351</u></u>

**Special Independent Auditors' Report**

**ASCENSION CONSOLIDATED UTILITIES DISTRICT NO. 1**

Donaldsonville, Louisiana

August 31, 2001



**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, 2001 and for the period June 7, 2001 through August 31, 2001, and have issued our report thereon dated November 28, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as Items 2001-2 and 2001-3.

**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.

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 the internal control over financial reporting that we have reported to management of the District in a separate letter dated November 28, 2001.

However, the reportable condition described in the Schedule of Findings and Questioned Costs as Item 2001-1 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.

A handwritten signature in cursive script that reads "Jacoby Winkler LLC".

Certified Public Accountants

Baton Rouge, Louisiana  
November 28, 2001

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

August 31, 2001

**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 instances of noncompliance material to the financial statements in relation to this audit described as Items 2001-2 and 2001-3.
3. There is one internal control finding that is described as Item 2001-1.

**B) FINDING – FINANCIAL STATEMENT AUDIT**

**2001-1 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

**Recommendation:** No action recommended.

**Management's corrective action plan:** We concur with the finding.

**2001-2 MAINTENANCE OF CASH RESERVE FUNDS**

**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.

**Recommendation:** We recommend that the cash reserve bank accounts previously maintained by the District be re-established in accordance with the bond agreement. The accounts are as follows:

Bond and interest sinking fund  
Bond reserve account, minimum of \$8,000  
Replacement and Extension fund, minimum of \$4,700  
Customer deposit account

**Management's corrective action plan:** Management has subsequently retired the outstanding bond payable. As a result, the cash accounts required by the bonds are no longer necessary. Additionally, management will maintain cash in its customer deposit account at a level sufficient to liquidate customer deposit liabilities. Finally, see corrective action plan described at 2001-3.

### **2001-3 CONSOLIDATION OF WATER DISTRICTS**

**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 is a violation of the bond agreement.

**Recommendation:** We recommend that the bondholders be contacted concerning the events occurring on June 7, 2001 and that the name of the bonds be properly transferred to Ascension Consolidated Utilities District No. 1.

**Management's corrective action plan:** Management has entered into a cooperative endeavor agreement with the Parish of Ascension for funding of the bonds outstanding. Since management has retired the debt, the items described in 2001-2 and 2001-3 are resolved, as it relates to the previously held bonds.



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 period June 7, 2000 to August 31, 2001, 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 November 28, 2001; 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.

  
Certified Public Accountants

Baton Rouge, Louisiana  
November 28, 2001

**OR 2001-1 ~ 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 2001 is illustrated below:

	<u>2001</u>
Water purchased	56,556
Water sold	<u>36,482</u>
Water unaccounted for	<u>20,074</u>
Percent unaccounted for	<u>35%</u>

Based on the average cost per thousand gallons of water, for the year, the cost of the water that is unaccounted for amounted to approximately \$5,300. As the price charged to customers did not include this expense of operations, revenues lost amounted to approximately \$10,400.

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

**Recommendation:** We recommend that the District adjust its water rates to cover these costs. 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 begin. As a result, management believes that the replacement of the older system will reduce the water loss the District has been experiencing.