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**SEWERAGE DISTRICT NO. 7
OF THE PARISH OF ST. MARY**

Franklin, Louisiana

Year Ended September 30, 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 5/11/05

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Sewerage District No. 7 of the Parish of St. Mary
Franklin, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of Sewerage District No. 7 of the Parish of St. Mary (hereinafter "District"), a component unit of the Parish of St. Mary, State of Louisiana as of and for the year ended September 30, 2004 which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the board of supervisors of Sewerage District No. 7 of the Parish of St. Mary. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 the board of supervisors, 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 the governmental activities and each major fund of Sewerage District No. 7 of the Parish of St. Mary, as of September 30, 2004, and the respective changes in financial position 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 a report dated March 28, 2005 on our consideration of the District's compliance with laws and regulations and on its internal control over financial reporting. This 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 required supplementary information on page 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

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Sewerage District No. 7 of the Parish of St. Mary has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information on page 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Sewerage District No. 7 of the Parish of St. Mary. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 28, 2005

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Statement of Net Assets
September 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and interest-bearing deposits	\$ 3,024
Due from other governmental units	11,575
Prepaid expenses	702
Restricted assets	2,122
Capital assets, net	<u>1,976,516</u>
 TOTAL ASSETS	 <u>1,993,939</u>
LIABILITIES	
Accounts, salaries, and other payables	<u>102,869</u>
 TOTAL LIABILITIES	 <u>102,869</u>
NET ASSETS	
Invested in capital assets	1,976,516
Restricted	2,122
Unrestricted (deficit)	<u>(87,568)</u>
 TOTAL NET ASSETS	 <u>\$ 1,891,070</u>

The accompanying notes are an integral part of the financial statements.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Statement of Activities

Year Ended September 30, 2004

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 265,631	\$ 92,992	\$ 13,157	\$ 195,802
Total governmental activities	<u>\$ 265,631</u>	<u>\$ 92,992</u>	<u>\$ 13,157</u>	<u>\$ 195,802</u>
General revenues:				
Interest and investment earnings				251
Miscellaneous				(95)
Total general revenues				<u>156</u>
Change in net assets				195,958
Net assets - October 1, 2003				<u>1,695,112</u>
Net assets - September 30, 2004				<u>\$ 1,891,070</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTION

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Capital Projects Fund

The Capital Projects fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Balance Sheet - Governmental Funds
September 30, 2004

	General	Capital Projects	Total Governmental Funds
ASSETS			
Assets:			
Cash	\$ 3,024	\$ 2,122	\$ 5,146
Receivables	11,575	-	11,575
Due from other funds	2,228	-	2,228
Prepaid expenses	702	-	702
 Total assets	 \$ 17,529	 \$ 2,122	 \$ 19,651
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 13,833	\$ 17,224	\$ 31,057
Due to other funds	-	2,228	2,228
Total liabilities	13,833	19,452	33,285
 Fund balance (deficit):			
Unreserved and undesignated	3,696	(17,330)	(13,634)
 Total liabilities and fund balance	 \$ 17,529	 \$ 2,122	 \$ 19,651

The accompanying notes are an integral part of the financial statements.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
September 30, 2004

Total fund balances for governmental funds at September 30, 2004 \$ (13,634)

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of

Sewer system facilities, net of \$1,196,510 accumulated depreciation	\$ 1,958,643	
Improvements, net of \$8,166 accumulated depreciation	649	
Construction in Progress	<u>17,224</u>	1,976,516

Accrued liabilities that are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds. Those consist of

St. Mary Parish Government	<u>(71,812)</u>
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Net assets at September 30, 2004 \$ 1,891,070

The accompanying notes are an integral part of the financial statements.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2004

	General	Capital Projects	Total Governmental Funds
Revenues:			
Local Sources-			
Intragovernmental	\$ 13,157	\$ 308,034	\$ 321,191
Sewer user fees	92,992	-	92,992
Miscellaneous income	156	-	156
Total revenues	106,305	308,034	414,339
Expenditures:			
Current -			
General government	70,280	-	70,280
Repairs and maintenance	27,103	-	27,103
Professional Fees	8,951	-	8,951
Utilities	12,370	-	12,370
Capital outlay	-	383,298	383,298
Total expenditures	118,704	383,298	502,002
Excess (deficiency) of revenues over expenditures	(12,399)	(75,264)	(87,663)
Other financing sources:			
Proceeds from special assessments	-	47,250	47,250
Excess of revenues and other sources over expenditures	(12,399)	(28,014)	(40,413)
Fund balances, beginning	16,095	10,684	26,779
Fund balance (deficit), ending	\$ 3,696	\$ (17,330)	\$ (13,634)

The accompanying notes are an integral part of the financial statements.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2004

Total net changes in fund balance for the year ended September 30, 2004 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (40,413)
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The change in net assets reported for governmental activities in the
statement of activities is different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds	(23,053)
--	----------

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 383,298	
Depreciation expense for the year ended September 30, 2004	(123,874)	259,424

Total changes in net assets for the year ended September 30, 2004 per Statement of Activities	\$ <u>195,958</u>
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The accompanying notes are an integral part of the financial statements.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Statement of Fiduciary Net Assets
September 30, 2004

	<u>Agency Fund</u>
ASSETS	
Cash and interest-bearing deposits	\$ 26,513
Receivables	<u>156,035</u>
Total assets	<u>\$182,548</u>
LIABILITIES	
Accounts Payable	\$ 48
Due to holders of special assessment notes	<u>182,500</u>
Total liabilities	<u>\$182,548</u>

The accompanying notes are an integral part of the basic financial statements.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements

Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana was created under the provision of Louisiana Revised Statutes 33:3881 by Ordinance No. 938 issued by the St. Mary Parish Police Jury on August 8, 1984. The District, which is governed by a board of supervisors appointed by the St. Mary Parish Council, is authorized to construct and maintain sewer and sewer disposal works within the territorial limits of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(1) Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Council is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- Appointing a voting majority of an organization's governing body, and the ability of the parish council to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.
- Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

Because the parish council appoints the governing body and has the ability to significantly impose its will, the District is a component unit of the St. Mary Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the Sewerage District No. 7 of the Parish of St. Mary have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments", issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include all the financial activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions."

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

Fund Financial Statements (FFS)

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified into two categories: governmental and fiduciary. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds. The general fund and capital project fund of the District are considered to be major funds. The funds of the District are described below:

Governmental Fund –

General Fund – this fund is the primary operating fund of the District and it accounts for the operations of the District's office. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

Capital Projects Fund – the capital project fund is used to account for financial resources to be used for the acquisition and construction of major capital facilities.

Fiduciary Funds -

Fiduciary fund reporting focuses on net assets and changes in net assets. The only funds accounted for in this category by the District are agency funds. Agency funds are used to account for assets held by the District as an agent for other funds and/or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting.

C. Capital Assets

Capital assets are capitalized at historical cost or estimated cost (the extent to which fixed asset costs have been estimated and the methods of estimation should be disclosed) if historical cost is not available (or describe other method of valuation). Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

Capital assets are recorded in the Statement of Net Assets and Statement of Activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Useful Lives</u>
Sewerage system	25
Improvements other than buildings	5-10

D. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District uses the following practices in recording certain revenues and expenditures:

Revenues

Intergovernmental revenues are recorded when approved for payment by the payor or governing body.

Sewer user fees are recorded in the month the charges are due and payable.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt is recognized when due.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

E. Budgetary Practices

The District prepares and adopts a budget in accordance with LSA-RS 39:1301 et seq. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund. The original budget was not amended during the current fiscal year; therefore, a comparison of amended budget to actual budget is not presented.

The District does not adopt a budget for the Capital Projects Fund.

Neither encumbrance accounting nor formal integration of the budget into the accounting records is employed as a management control device. However, periodic comparisons of budget and actual amounts are made. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments.

F. Cash

Cash includes amounts in demand deposits and interest bearing demand deposits.

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

G. Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

H. Prepaid Items

Insurance payments made to insurance agencies that will benefit periods beyond September 30, 2004 are recorded as prepaid items.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

I. Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt -- consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets -- consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets -- all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

J. Capitalized Interest

The District capitalizes interest costs and interest earned as part of the cost of constructing various sewerage projects when material. The District capitalized no interest for the year ended September 30, 2004.

(2) Cash

At September 30, 2004, the District has cash (book balances) totaling \$31,659, as follows:

	Governmental Funds	Agency Fund
Demand deposits	\$ 3,024	-
Interest Bearing demand deposits	2,122	26,513
	\$ 5,146	\$ 26,513

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. 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 September 30, 2004, the District has \$44,208 in deposits (bank balances). These deposits are entirely secured from risk by federal deposit insurance.

(3) Receivables

The following is a summary of receivables at September 30, 2004:

	Governmental Funds	Agency Fund
Sewer User Fees	\$ 11,575	\$ -
Special Assessment	-	156,035
	\$ 11,575	\$ 156,035

(4) Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	Balance 10/1/2003	Additions	Deletions	Balance 9/30/2004
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 107,997	\$ 17,224	\$(107,997)	\$ 17,224
Capital assets, being depreciated:				
Sewerage systems	2,681,082	474,071	-	3,155,153
Improvement other than building	8,815	-	-	8,815
Total capital assets, being depreciated	2,689,897	474,071	-	3,163,968
Total capital assets	2,797,894	491,295	(107,997)	3,181,192
Less: accumulated depreciation				
Sewerage systems	1,079,038	117,472	-	1,196,510
Improvements other than buildings	1,764	6,402	-	8,166
Total	1,080,802	123,874	-	1,204,676
Net capital assets	\$1,717,092	\$ 367,421	\$(107,997)	\$1,976,516

Depreciation expense in the amount of \$123,874 was charged to general government.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

(5) Special Assessment and Related Debt

On November 26, 1996, the District passed a resolution providing for the issuance, execution, sale and delivery of \$126,276 of Sewerage Certificates, Series 1997 which are secured and payable solely in principal and interest from the irrevocable pledge and dedication of the unpaid local or special assessment levied by Local or Special Assessment Ordinance No. 1 of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana, for the year 1996.

On February 27, 2003, the District passed a resolution providing for the issuance, execution, sale and delivery of \$112,976 of Sewerage Certificates, Series 2003 which are secured and payable solely in principal and interest from the irrevocable pledge and dedication of the unpaid local or special assessment levied by Local or Special Assessment Ordinance No. 1 of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana, for the year 2003.

On July 17, 2003, the District passed a resolution providing for the issuance, execution, sale and delivery of \$47,244 of Sewerage Certificates, Series 2003-B which are secured and payable solely in principal and interest from the irrevocable pledge and dedication of the unpaid local or special assessment levied by Local or Special Assessment Ordinance No. 2 of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana, for the year 2003.

The District is not obligated in any manner for the repayment of the Sewerage Certificates, Series 1997, 2003 and 2003-B and acts only as an agent for the assessed property owners and certificate holders by collecting the assessments, remitting the collections to the certificate holder and initiating foreclosure proceedings.

(6) Interfund Receivables and Payables

Interfund receivable and payable balances at September 30, 2004 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 2,228	\$ -
Capital Project Fund	-	2,228
	\$ 2,228	\$ 2,228

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Notes to Financial Statements (Continued)

(7) Compensation Paid To Board Members

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

Vincent Ashley	\$ 240
Tommy Ducote	420
Beverly Epps	720
Clark Lee	660
Stan Pipes, President	660
Wilfred Verden	<u>360</u>
Total	<u>\$3,060</u>

(8) Restricted Assets

Restricted assets consisted of the following at September 30, 2004:

	<u>Governmental Activities</u>
Cash and interest bearing deposits	<u>\$ 2,122</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Local Source-				
Intergovernmental	\$ 40,000	\$ 8,000	\$ 13,157	\$ 5,157
Sewer user fees	96,000	90,000	92,992	2,992
Miscellaneous income	-	-	156	156
Total revenues	<u>136,000</u>	<u>98,000</u>	<u>106,305</u>	<u>8,305</u>
Expenditures:				
Current -				
General government	96,180	49,401	70,280	(20,879)
Repairs and maintenance	24,000	34,000	27,103	6,897
Professional Fees	7,200	8,500	8,951	(451)
Utilities	12,000	12,000	12,370	(370)
Total expenditures	<u>139,380</u>	<u>103,901</u>	<u>118,704</u>	<u>(14,803)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,380)</u>	<u>(5,901)</u>	<u>(12,399)</u>	<u>(6,498)</u>
Fund balance, beginning	<u>16,095</u>	<u>16,095</u>	<u>16,095</u>	<u>-</u>
Fund balance, ending	<u>\$ 12,715</u>	<u>\$ 10,194</u>	<u>\$ 3,696</u>	<u>\$ (6,498)</u>

The accompanying notes are an integral part of this statement.

**OTHER
SUPPLEMENTARY INFORMATION**

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana
Agency Funds

Statement of Changes in Assets and Liabilities
Year Ended September 30, 2004

	<u>Totals</u>
Balances, beginning of year	\$ <u>209,228</u>
Additions:	
Assessments collected	58,246
Interest on investments	<u>574</u>
Total additions	<u>58,820</u>
Total	<u>268,048</u>
Reductions:	
Assessments paid	38,188
Bank charges	62
Transfer to capital projects	<u>47,250</u>
Total reductions	<u>85,500</u>
Balances, end of year	<u>\$ 182,548</u>

REQUIRED BY GOVERNMENT AUDITING STANDARDS

**COMPLIANCE
AND
INTERNAL CONTROL**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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

Members of the Board of Supervisors
Sewerage District No. 7 of the Parish of St. Mary
Franklin, Louisiana

We have audited the financial statements of the Sewerage District No. 7 of the Parish of St. Mary for the year ended September 30, 2004, and have issued our report thereon dated March 28, 2005. 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 Sewerage District No. 7 of the Parish of St. Mary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying corrective action plan for current year findings as Item 2004-01.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sewerage District No. 7 of the Parish of St. Mary's internal control over financial reporting in order 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. *Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.*

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This report is intended for the information of management and is not intended to be and should not be used by anyone other than specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
March 28, 2005

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY

Summary Schedule of Audit Results
Year Ended September 30, 2004

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

The audit did not disclose any reportable conditions in internal control.

The audit disclosed an instance of noncompliance which is not material to the financial statements.

A management letter was not issued.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

CONDITION Budget variances in excess of 5% were incurred.

CRITERIA LSA-RS 39:1310 et seq, Budgetary Authority and Control, provides for the following:

~A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

- (1) Revenue collection plus projected revenue collections for the remainder of the year, within a fund fail to meet estimated annual revenues by five percent or more.
- (2) Actual expenditures plus projected expenditures for the remainder of the year, within a fund are exceeding estimated budgeted expenditures by five percent or more.
- (3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and beginning fund balance is being used to fund current expenditures.

CAUSE The condition results from a failure to process, update and review general ledger transactions on a timely basis.

EFFECT The District may not prevent and/or detect compliance violations due to overexpenditure of the appropriated budget, and/or errors or irregularities on a timely basis.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2004

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
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Section I - Internal control and compliance material to the financial statements.

Compliance

No items were reported in this section.

Internal Control

No items were reported in this section.

Section Ia - Other Internal control and compliance

Compliance

2003-01 Budget variances in excess of 5% were incurred No N/A

Internal Control

No items were reported in this section.

Section II - Management letter

No items were reported in this section.

SEWERAGE DISTRICT NO. 7 OF THE PARISH OF ST. MARY
Franklin, Louisiana

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2004

Ref. No.	Description of Finding	Corrective Action Planned	Contact Person(s)	Anticipated Completion Date
<u>Section I - Internal control and compliance material to the financial statements.</u>				
<u>Compliance</u>				
No items are applicable to this section.				
<u>Internal Control</u>				
No items are applicable to this section.				
<u>Section Ia - Other Internal control and compliance</u>				
<u>Compliance</u>				
2004-01	Budget variances in excess of 5% were incurred	Additional allocation from St. Mary Parish Government were anticipated but did not materialize. In the future, actual and projected revenues and expenditures will be monitored more closely to insure that the District's budget will be appropriately amended in a timely fashion.	Stanley Pipes, Chairman	Year ending September 30, 2005
<u>Internal Control</u>				
No items are applicable to this section.				
<u>Section II - Management letter</u>				
No items are applicable to this section.				