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

Franklin, Louisiana

Year Ended September 30, 2003

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 4-21-04

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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, 2003 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, 2003, 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.

As described in Note 2 to the basic financial statements, the Sewerage District No. 7 of the Parish of St. Mary has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This results in a change in the format and content of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated December 6, 2003 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.

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The required supplementary information on page 25 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.

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 27 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  
December 6, 2003

**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, 2003

	<u>Governmental Activity</u>
<b>ASSETS</b>	
Cash and interest-bearing deposits	\$ 2,038
Due from other governmental units	109,490
Prepaid expenses	9,167
Restricted assets	17,722
Capital assets, net	<u>1,717,092</u>
<b>TOTAL ASSETS</b>	<u>1,855,509</u>
<b>LIABILITIES</b>	
Accounts, salaries, and other payables	<u>160,397</u>
<b>TOTAL LIABILITIES</b>	<u>160,397</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,717,092
Restricted	10,684
Unrestricted	<u>(32,664)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,695,112</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, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 258,764	91,356	14,003	253,075	\$ 99,670
Total governmental activities	<u>258,764</u>	<u>91,356</u>	<u>14,003</u>	<u>253,075</u>	<u>99,670</u>

General revenues:

Grants and contributions not restricted to specific programs:

Federal sources (FEMA)	1,408
Interest and investment earnings	251
Miscellaneous	<u>2,720</u>
Total general revenues	<u>4,379</u>

Change in net assets

104,049

Net assets - October 1, 2002, as restated

1,591,063

Net assets - September 30, 2003

\$ 1,695,112

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 Project Fund**

The Capital Project Fund is used to account for parish grant proceeds and special assessment proceeds financing the sewerage systems improvements at Katy Circle and Sterling Sugar.

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

Balance Sheet - Governmental Funds  
September 30, 2003

	General Fund	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Assets:			
Cash	\$ 2,038	\$ 17,722	\$ 19,760
Receivables	9,068	100,422	109,490
Due from other funds	16,747	-	16,747
Prepaid expenses	9,167	-	9,167
 Total assets	 \$ 37,020	 \$ 118,144	 \$ 155,164
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
Liabilities:			
Accounts payable	\$ 20,925	\$ 90,713	\$ 111,638
Due to other funds	-	16,747	16,747
Total liabilities	20,925	107,460	128,385
Equity and other credits:			
Fund balance-			
Unreserved and undesignated	16,095	10,684	26,779
Total equity and other credits	16,095	10,684	26,779
 Total liabilities, equity and other credits	 \$ 37,020	 \$ 118,144	 \$ 155,164

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, 2003

Total fund balances for governmental funds at September 30, 2003	\$ 26,779
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 \$1,079,040 accumulated depreciation	1,710,040
Improvements, net of \$1,763 accumulated depreciation	7,052
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>(48,759)</u>
Net assets at September 30, 2003	<u>\$ 1,695,112</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 Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2003

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>			
Local Sources-			
Intragovernmental	\$ 14,003	\$ 70,692	\$ 84,695
Sewer user fees	91,356	-	91,356
Miscellaneous income	4,379	-	4,379
Total revenues	<u>109,738</u>	<u>\$ 70,692</u>	<u>180,430</u>
<b>Expenditures:</b>			
Current -			
General government	48,833	-	48,833
Repairs and maintenance	34,276	-	34,276
Professional Fees	8,260	-	8,260
Utilities	14,636	-	14,636
Capital outlay	-	242,391	242,391
Total expenditures	<u>106,005</u>	<u>\$ 242,391</u>	<u>348,396</u>
Excess (deficiency) of revenues over expenditures	3,733	\$(171,699)	(167,966)
<b>Other financing sources:</b>			
Proceeds from special assessments	-	182,383	182,383
Excess of revenues and other sources over expenditures	3,733	10,684	14,417
Fund balances, beginning	<u>12,362</u>	<u>-</u>	<u>12,362</u>
Fund balance, ending	<u>\$ 16,095</u>	<u>\$ 10,684</u>	<u>\$ 26,779</u>

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, 2003

Total net changes in fund balance for the year ended September 30, 2003 per  
Statement of Revenues, Expenditures and Changes in Fund Balances \$ 14,417

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 (48,759)

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	\$ 242,391	
Depreciation expense for the year ended September 30, 2003	<u>(104,000)</u>	
Current year deletions of capital assets, net of accumulated depreciation		<u>138,391</u>

Total changes in net assets for the year ended September 30, 2003 per  
Statement of Activities \$ 104,049

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, 2003

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and interest-bearing deposits	\$ 8,752
Receivables	<u>199,397</u>
 Total assets	 <u>\$208,149</u>
<b>LIABILITIES</b>	
Liabilities:	
Accounts payable	\$ 48
Due to holders of special assessment notes	<u>208,101</u>
 Total liabilities	 <u>\$208,149</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 Project 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, 2003 are recorded as prepaid items.

I. 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, 2003.

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

Notes to Financial Statements (Continued)

(2) Changes in Accounting Principles

For the year ended September 30, 2003, the District has implemented GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting on the District’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. The District also implemented GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, No. 37, Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments: Omnibus, No. 38, Certain Financial Statement Note Disclosures, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The implementation of GASB Statement No. 34 caused the opening fund balance at September 30, 2002 to be restated in terms of “net assets” as follows:

Total fund balances - Governmental Funds at September 30, 2002		\$ 12,362
Add: Cost of capital assets at September 30, 2002	\$ 2,555,503	
Less: Accumulated depreciation at September 30, 2002	<u>(976,802)</u>	
		<u>1,578,701</u>
Net assets at September 30, 2002		<u>\$ 1,591,063</u>



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

Notes to Financial Statements (Continued)

(3) Cash

At September 30, 2003, the District has cash (book balances) totaling \$28,512, as follows:

	Governmental Funds	Agency Fund
Demand deposits	\$ 2,038	-
Interest Bearing demand deposits	17,722	8,752
	\$ 19,760	\$ 8,752

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, 2003, the District has \$11,356 in deposits (bank balances). These deposits are entirely secured from risk by federal deposit insurance.

(4) Receivables

The following is a summary of receivables at September 30, 2003:

	Governmental Funds	Agency Fund
Sewer User Fees	\$ 9,068	\$ -
Due from St. Mary Parish Government	100,422	-
Special Assessment	-	199,397
	\$ 109,490	\$ 199,397

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

Notes to Financial Statements (Continued)

(5) Capital Assets

Capital asset activity for the year ended September 30, 2003 was as follows:

	<u>Balance</u> <u>10/1/2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2003</u>
Governmental activities:				
Work in progress	\$ 27,927	\$ 107,997	\$ (27,927)	\$ 107,997
Sewerage systems	2,518,761	162,321	-	2,681,082
Improvement other than building	8,815	-	-	8,815
Total	<u>2,555,503</u>	<u>270,318</u>	<u>(27,927)</u>	<u>2,797,894</u>
Less: accumulated depreciation				
Sewerage systems	975,920	103,118	-	1,079,038
Improvements other than buildings	882	882	-	1,764
Total	<u>976,802</u>	<u>104,000</u>	<u>-</u>	<u>1,080,802</u>
Net capital assets	<u>\$1,578,701</u>	<u>\$ 166,318</u>	<u>\$ (27,927)</u>	<u>\$1,717,092</u>

Depreciation expense in the amount of \$104,000 was charged to general government.

(6) 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.

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

Notes to Financial Statements (Continued)

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.

(7) Interfund Receivables and Payables

Interfund receivable and payable balances at September 30, 2003 were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 16,747	\$ -
Capital Project Fund	-	16,747
	\$ 16,747	\$ 16,747

(8) 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, President	\$ 720
Tommy Ducote	360
Beverly Epps	480
Clark Lee	780
Stan Pipes	720
Total	\$3,060



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

Notes to Financial Statements (Continued)

(9) Restricted Assets

Restricted assets consisted of the following at September 30, 2003:

	<u>Governmental Activities</u>
Cash and interest bearing deposits	\$ <u>17,722</u>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended September 30, 2003

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Local Source-			
Intergovernmental	\$ 40,000	\$ 14,003	\$ (25,997)
Sewer user fees	96,000	91,356	(4,644)
Miscellaneous income	-	4,379	4,379
Total revenues	<u>136,000</u>	<u>109,738</u>	<u>(26,262)</u>
<b>Expenditures:</b>			
Current -			
General government	96,180	48,833	47,347
Repairs and maintenance	24,000	34,276	(10,276)
Professional Fees	7,200	8,260	(1,060)
Utilities	12,000	14,636	(2,636)
Capital outlay	-	-	-
Total expenditures	<u>139,380</u>	<u>106,005</u>	<u>33,375</u>
Excess (deficiency) of revenues over expenditures	<u>(3,380)</u>	<u>3,733</u>	<u>7,113</u>
Fund balance, beginning	<u>12,362</u>	<u>12,362</u>	<u>-</u>
Fund balance, ending	<u>\$ 8,982</u>	<u>\$ 16,095</u>	<u>\$ 7,113</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, 2003

	Totals
Balances, beginning of year	\$ 66,824
Additions:	
Sewerage certificates	242,133
Interest on investments	11
Total additions	242,144
Total	308,968
Reductions:	
Assessments paid	25,255
Bank charges	63
Transfer to capital projects	74,422
Total reductions	99,740
Balances, end of year	\$ 209,228

The accompanying notes are an integral part of this statement.

**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, 2003, and have issued our report thereon dated December 6, 2003. 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 03-01.

### 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  
December 6, 2003

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

Summary Schedule of Audit Results  
Year Ended September 30, 2003

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 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. Also, the mayor may be subject to the penalty provisions of LSA-RS14:134.

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

Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2003

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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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

No items were reported in this section.

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, 2003

Ref. No.	Description of Finding	Corrective Action Planned	Contact Person(s)	Anticipated Completion Date
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Section I - Internal control and compliance material to the financial statements.

Compliance

03-01	The Sewerage District No. 7 of the Parish of St. Mary incurred budget variances in excess of 5% in violation of LSA-RS 39:1310 et seq.	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.	Vincent Ashley, Chairman	Year ending September 30, 2004
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Internal Control

No items are applicable to this section.

Section Ia - Other Internal control and compliance

Compliance

No items are applicable to this section.

Internal Control

No items are applicable to this section.

Section II - Management letter

No items are applicable to this section.