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SEWERAGE DISTRICT NO. 5 OF THE PARISH
OF ST. MARY, STATE OF LOUISIANA

Component Unit Financial Statements
with Independent Auditors' Report

and

Independent Auditors' Report on
Internal Accounting Control and Compliance

For the Year Ended September 30, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 ~~APR 15 1998~~

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Sewerage District No. 5
of the Parish of St. Mary,
State of Louisiana
P.O. Box 119
Centerville, LA 70522-0119

We have audited the accompanying financial statements of Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, as of September 30, 1997, and for the year then ended, as listed in the financial information section of the foregoing table of contents. These financial statements are the responsibility of the management of Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana, as of September 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of General Fund Expenditures and Combined Financial Statements contained in the supplementary information section are presented for the purpose of additional analysis and are not a required part of the financial statements of

Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated February 23, 1998 on our consideration of Sewerage District No. 5's internal control structure and a report dated February 23, 1998 on its compliance with laws and regulations.

A handwritten signature in cursive script that reads "Adams & Johnson".

ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
February 23, 1998

SEWERAGE DISTRICT NO. 5
PARISH OF ST. MARY, STATE OF LOUISIANA
COMBINED BALANCE SHEET
All Fund Types and Account Groups
September 30, 1997

	General Fund	Debt Service Funds	Capital Projects Fund	General Fixed Assets	General Long Term Debt	Memorandum Only
Assets						
Cash and cash equivalents	\$96,976	\$167,120	\$10,836	\$0	\$0	\$274,932
Deposits	65	0	0	0	0	65
Prepaid insurance	4,406	0	0	0	0	4,406
Due from General Fund	0	15,120	0	0	0	15,120
Accrued interest receivable	814	2,921	0	0	0	3,735
Accounts receivable	15,540	0	0	0	0	15,540
Property, plant, and equipment	0	0	0	5,061,805	0	5,061,805
Total assets	\$117,801	\$185,161	\$10,836	\$5,061,805	\$0	\$5,375,603
Other Debits						
Amount available in debt service fund	\$0	\$0	\$0	\$0	\$185,161	\$185,161
Amount to be provided for retirement of general long- term debt	0	0	0	0	2,103,531	2,103,531
Total Other Debits	0	0	0	0	2,288,692	2,288,692
Total assets and other debits	\$117,801	\$185,161	\$10,836	\$5,061,805	\$2,288,692	\$7,664,295
Liabilities, Equity, and Other Credits						
Liabilities						
Accounts payable and accrued expenses	\$10,451	\$0	\$0	\$0	\$0	\$10,451
Due to Waterworks Dist #5	0	0	0	0	18,692	18,692
Due to Debt Service Fund	15,120	0	0	0	0	15,120
Bonds payable	0	0	0	0	2,270,000	2,270,000
Refundable deposits	9,891	0	0	0	0	9,891
Total liabilities	\$35,462	\$0	\$0	\$0	\$2,288,692	\$2,324,154
Equity and Other Credits						
Investment in general fixed assets	\$0	\$0	\$0	\$5,061,805	\$0	\$5,061,805
Fund balances						
reserved for debt service	0	185,161	0	0	0	185,161
Unreserved - undesignated	82,339	0	10,836	0	0	93,175
Total Equity and Other Credits	82,339	185,161	10,836	5,061,805	0	5,340,141
Total liabilities, equity, and other credits	\$117,801	\$185,161	\$10,836	\$5,061,805	\$2,288,692	\$7,664,295

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

SEWERAGE DISTRICT NO. 5
PARISH OF ST. MARY, STATE OF LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
All Fund Types
For the Year Ended September 30, 1997

	General Fund	Debt Service Fund	Capital Projects Fund	Memorandum Only
Revenues				
Property taxes	\$41,102	\$546,063	\$0	\$587,165
Interest earned	5,003	44,152	155	49,310
Sewer user fees	159,786	0	0	159,786
Parish Council Grant	30,000	0	0	30,000
Other	1,500	0	0	1,500
Total revenues	\$237,391	\$590,215	\$155	\$827,761
Expenditures				
Current:				
Personal services	\$80,703	\$0	\$0	\$80,703
Operating services	72,387	0	0	72,387
Debt services:				
Principal retirement	1,819	0	0	1,819
Bond Principal	0	267,805	0	267,805
Interest and fiscal charges	1,181	200,614	0	201,795
Capital outlays	10,575	0	0	10,575
Total expenditures	166,665	468,419	0	635,084
Excess of revenues over expenditures	\$70,726	\$121,796	\$155	\$192,677

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

SEWERAGE DISTRICT NO. 5
PARISH OF ST. MARY, STATE OF LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
CHANGES IN FUND BALANCES
All Fund Types
For the Year Ended September 30, 1997

	General Fund	Debt Service Fund	Capital Projects Fund	Memorandum Only
Other financing sources (uses)				
Transfer in	\$0	\$97,977	\$3,244	\$101,221
Transfer out	(101,221)	0	0	(101,221)
Payment to refunded bond escrow	0	(2,302,153)	0	(2,302,153)
Proceeds of refunding bonds	0	1,545,000	0	1,545,000
Total financing sources (uses)	(101,221)	(659,176)	3,244	(757,153)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(\$30,495)	(\$507,380)	\$3,399	(\$564,476)
Beginning of year Fund balances at end of year	112,834	722,541	7,437	842,812
	\$82,339	\$185,161	\$10,836	\$278,336

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

SEWERAGE DISTRICT NO. 5
PARISH OF ST. MARY, STATE OF LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
General Fund
For the Year Ended September 30, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Property taxes	\$39,000	\$41,102	\$2,102
Sewer user fees	155,750	159,786	4,036
Interest earned	2,500	5,003	2,503
Parish Council Grant	0	30,000	30,000
Other	5,500	1,500	(4,000)
Total revenues	\$202,750	\$237,391	\$34,641
 <u>Expenditures</u>			
Principal retirement	\$1,819	\$1,819	\$0
Interest	1,181	1,181	0
Personal services	73,756	80,703	(6,947)
Operating services	64,250	72,387	(8,137)
Capital outlay	13,000	10,575	2,425
Total expenditures	154,006	166,665	(12,659)
Excess of revenues over expenditures	\$48,744	\$70,726	\$21,982
Total other financing sources (uses)			
Transfer out	(67,625)	(101,221)	(33,596)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(\$18,881)	(\$30,495)	(\$11,614)
Fund balance at beginning of year	112,834	112,834	0
Fund balance at end of year	\$93,953	\$82,339	(\$11,614)

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

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
September 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana was created by Ordinance No. 298 of the St. Mary Parish Police Jury, on February 24, 1984, for the purpose of establishing, acquiring, constructing, maintaining and operating a sewerage system for the benefit of the people of the District. The District encompasses all of the territory situated in Ward Four of St. Mary Parish.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517, and to the guides set forth in Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A) REPORTING ENTITY

GASP statement No. 14, Governmental Reporting Entity, established criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana, is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1997. Sewerage District No. 5 has followed GASB-14 guidance to determine that there are no financial statements of other organizations to form a financial reporting entity. These financial statements include only the operations of the District.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) FUND ACCOUNTING

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The various funds are summarized by type in the financial statements. The following fund types and account groups are used by the District:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition or construction of capital facilities by the District.

Governmental Account Groups

General Fixed Assets - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. No depreciation has been provided on general fixed assets.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

General Long-Term Debt - Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Account Group.

Investments - Investments are stated at cost.

Total Column on Combined Balance Sheet - The total column of the Combined Balance Sheet is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C) BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues and expenditures are accounted for as follows:

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

Ad valorem taxes (which are based on population and homesteads in the District) are recorded in the year the tax assessments are mailed to the taxpayers.

Interest income on investments is recorded when the investments have matured and the income is available.

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, except principal and interest on general long-term debt which is not recognized until due.

Other Financing Sources (Uses)

Transfers between funds which are not expected to be repaid are accounted for as other financing sources (uses).

D) BUDGETS

The District is required by state law to legally adopt an annual budget for the General Fund. This budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP).

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual operating budgets are plans of current expenditures and the proposed means of financing them. Budgets are the primary means by which the acquisition, spending and service delivery activities of a government are legally controlled.

NOTE 2 - CASH AND CASH EQUIVALENTS

For financial statement purposes, cash and cash equivalents include demand deposits and certificates of deposit which have a maturity of three months or less. Cash and cash equivalents are stated at cost, which approximates market.

The District may deposit funds with a fiscal agent bank and certain other financial institutions. The District may also invest in time deposits, certificates of deposit, or certain government backed securities.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank.

Under the provision of the Governmental Accounting Standards Board (GASB) codification, accounts secured by securities which are not in the name of the governmental unit and held by the governmental unit or its agent are considered uncollateralized.

The Sewerage District deposits are categorized to give an indication of the level of risk assumed by the Sewerage District No. 5 at September 30, 1997. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the entity's name.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized or securities uninsured or unregistered and held by the counter party (this includes GNMA Pool investments and mutual fund shares held in " book-entry-only" form by brokerage firms)

It is the Sewerage District No. 5's policy for deposits (cash) to be 100% secured by collateral or insurance. As of September 30, 1997, the carrying amount of the District's deposits (cash) of \$ 274,993 were category 1.

NOTE 3 - INVESTMENTS

Statutes authorize the Sewerage District No. 5 to invest in certificates of deposit, repurchase agreements, passbooks, bankers acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit, as required.

NOTE 4 - TAXES

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and an enforceable lien attaches to the property on January 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District receives most of the ad valorem taxes in January and February.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 5 - FIXED ASSETS

A summary of the District's fixed assets at September 30, 1997 follows:

	Balance September <u>30, 1996</u>	<u>Additions</u>	<u>Retirement</u>	Balance September <u>30, 1997</u>
Furniture & fixtures	\$ 210	\$ 975	\$ ---	\$ 1,185
Machinery & equipment	64,455	9,600	---	74,055
Vehicles & boats	13,356	---	---	13,356
Sewerage treatment facility	4,950,709	---	---	4,950,709
Half-interest on building	<u>22,500</u>	<u>---</u>	<u>---</u>	<u>22,500</u>
 Total	 \$5,051,230	 \$ 10,575	 \$ ---	 \$5,061,805
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in the District's long-term debt account group:

	<u>General Obligation</u>
Bonds payable September 30, 1996	\$ 3,162,805
Additions	1,545,000
Retirements	<u><2,437,805></u>
Bonds payable September 30, 1997	<u>2,270,000</u>

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 6 - LONG-TERM DEBT (Continued)

Bonds payable at September 30, 1997 are comprised of the following individual issues:

\$1,545,000 Sewerage System Bonds, Series 1997,
due in annual installments of \$251,950 to \$273,520
through May 1, 2004, interest fixed at 5.2%
payable from ad valorem taxes of the District.
These bonds were issued for the advance refunding
of all of the Series 1989 Bonds.

\$ 1,545,000

Municipal Facilities Revolving Loan (MFRL) for
a loan amount of up to \$1,058,000. The balance
funded as of September 30, 1997 is \$767,805
due in annual installments of \$30,000 to \$50,000
through March 2015; interest at 2.45% financed
through the issuance of Sewerage Revenue Bonds
Series 1994

725,000

Bonds payable at September 30, 1997

\$ 2,270,000
=====

The following is an approximation of future debt requirements of the bonds payable at September 30, 1997:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 215,000	\$ 84,345	\$ 299,345
1999	230,000	87,380	317,380
2000	245,000	76,184	321,184
2001	255,000	64,406	319,406
2002	265,000	52,109	317,109
2003-2007	690,000	96,850	786,850
2008-2012	220,000	32,095	252,095
2013-2015	<u>150,000</u>	<u>5,512</u>	<u>155,512</u>
	\$ 2,270,000 =====	\$ 498,881 =====	\$ 2,768,881 =====

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 6 - LONG-TERM DEBT (Continued)

In the current year, the District defeased the Series 1989 Bonds by issuing the Series 1997 Bonds for \$1,545,000 and placing the proceeds of the new bonds and \$751,152 from a transfer from the District's Debt Service Fund in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the District's financial statements. On September 30, 1997, \$2,170,000 of the defeased Series 1989 Bonds are still outstanding.

The above schedule reflects repayments related to the Municipal Facilities Revolving Loan (MFRL) based upon current total borrowings of \$767,805.

The District is subject to certain affirmative and negative covenants pursuant to its bond agreements. These covenants include but are not limited to:

1. Establishment and funding of certain debt service funds
2. Preparation and adoption of budgets
3. Preparation and independent audit of financial statements
4. Restriction as to additional debt issuance
5. Restriction as to investments

During the year ended September 30, 1995, the Sewerage District No. 5 purchased a one half interest in a building with Waterworks District No. 5 of St. Mary Parish. Both of these entities occupy the building and share the maintenance cost. Waterworks District No. 5 paid the entire \$45,000 purchase price and Sewerage District No.5 owes the Waterworks District No. 5 half of the purchase price, \$22,500. The debt is to be repayed by the Sewerage District by paying the Waterworks District \$250 per month beginning August 1, 1995 and ending July 1, 2005.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 6 - LONG-TERM DEBT (Continued)

The following is an approximation of future debt requirements of the amount payable to Waterworks District No. 5 at September 30, 1997:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$ 1,931	\$ 1,069	\$ 3,000
1999	2,050	950	3,000
2000	2,177	823	3,000
2001	2,311	689	3,000
2002	2,453	547	3,000
2003-2005	<u>7,770</u>	<u>696</u>	<u>8,466</u>
Total	<u>\$ 18,692</u>	<u>\$ 4,774</u>	<u>\$ 23,466</u>

NOTE 7 - PENSION PLAN

The District's employees are covered under the Employees Parochial Retirement System of Louisiana. The District opted to enter this retirement system instead of continuing with (Social Security). The District began participation on January 1, 1997 and made contributions to this plan of \$ 2,530 for the year ended September 30, 1997. All full-time eligible employees of the District are members of the Parochial Employees Retirement System of Louisiana, a multiple-employer (cost-sharing) public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All eligible employees of the District are members of Plan A.

All eligible employees working at least 28 hours per week who are paid wholly or in part from the District's funds are eligible to participate in the system. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. Final-

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA
September 30, 1997

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7 - **PENSION PLAN** (Continued)

average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or calling (504)928-1361.

Funding Policy: Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 7.75% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

NOTE 8 - **COMPENSATION OF COMMISSIONERS**

The Commissioners of the District received the following per diems for the year ended September 30, 1997:

<u>Commissioners</u>	<u>Amount</u>
Wendell C. Bogan	\$ 60
Phelo J. Keller	840
Gerald J. Miller	120
C.T. Paul	840
Hayward Verdun	600
Connie Fournet	<u>780</u>
	 \$3,240
	<u><u> </u></u>

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1997

NOTE 9 - RELATED PARTIES

As reflected in Note 5, the Sewerage District No. 5 and Waterworks District No. 5, both component units of the Parish, purchased a building jointly for \$45,000. The Waterworks District No. 5 paid the total purchase price and the Sewerage District No. 5 will repay the Waterworks District No. 5 over a ten year period. They also share jointly in the cost of maintaining the building.

SEWERAGE DISTRICT NO. 5
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

SCHEDULE OF GENERAL FUND EXPENDITURES

For the Year Ended September 30, 1997

	Governmental <u>Fund Type</u>
	<u>General</u>
Personal services:	
Salaries	\$ 57,816
Payroll taxes	5,989
Retirement	6,955
Group insurance	<u>9,943</u>
Total personal services	<u>\$ 80,703</u>
Operating services:	
Advertising	674
Auto allowance	1,839
Dues and subscriptions	165
Engineering services	1,100
Chemicals	2,336
Insurance general	7,376
Lab testing	1,485
Legal and audit	2,985
Miscellaneous	1,875
Office expense	3,929
Per diems	3,240
Outside Services	18,000
Repairs & maintenance	7,702
Supplies	1,271
Utilities	16,716
Telephone	913
Training	<u>781</u>
Total operating services	<u>\$ 72,387</u>

**SEWERAGE DISTRICT NO. 5 OF THE PARISH
OF ST. MARY, STATE OF LOUISIANA
DEBT SERVICE FUNDS
COMBINED BALANCE SHEET
September 30, 1997**

	1989 Sinking Fund	1994 Sinking Fund	Reserve Fund	1997 Sinking Fund	Totals
<u>Assets and Other Debits</u>					
Cash and cash equivalents	\$100,927	\$22,072	\$44,121	\$0	\$167,120
Accrued interest	2,921	0	0	0	\$2,921
Due from General Fund	15,120	0	0	0	15,120
Total assets & other debits	<u>\$118,968</u>	<u>\$22,072</u>	<u>\$44,121</u>	<u>\$0</u>	<u>\$185,161</u>
<u>Liabilities, Equity, and Other Credits</u>					
Fund balances					
Reserved for debt service	\$118,968	\$22,072	\$44,121	\$0	\$185,161
Total fund balances	<u>118,968</u>	<u>22,072</u>	<u>44,121</u>	<u>0</u>	<u>185,161</u>
Total liabilities, equity, and other credits	<u>\$118,968</u>	<u>\$22,072</u>	<u>\$44,121</u>	<u>\$0</u>	<u>\$185,161</u>

The accompanying notes are an integral part of these financial statements

**SEWERAGE DISTRICT NO. 5 OF THE PARISH
OF ST. MARY, STATE OF LOUISIANA
DEBT SERVICE FUNDS**

Combined Statement of Revenue, Expenditures and Changes in Fund Balance
September 30, 1997

	1989 Sinking Fund	1994 Sinking Fund	Reserve Fund	1997 Sinking Fund	Memorandum Totals
Revenues					
Property taxes	\$546,063	\$0	\$0	\$0	\$546,063
Interest earned	43,281	278	593	0	44,152
Total revenues	\$589,344	\$278	\$593	\$0	\$590,215
Expenditures					
Debt Services:					
Bond principal	\$225,000	\$42,805	\$0	\$0	\$267,805
Interest and fiscal charge	178,595	22,019	0	0	200,614
Total expenditures	403,595	64,824	0	0	468,419
Excess (deficiency) of revenues over expenditures	\$185,749	(\$64,546)	\$593	\$0	\$121,796
Other financing sources (uses)					
Proceeds of refunding bonds	\$0	\$0	\$0	\$1,545,000	\$1,545,000
Transfer in - General Fund	0	78,880	19,097	0	97,977
Payment to refunded bond escrow	(757,153)	0	0	(1,545,000)	(2,302,153)
Total financing sources (uses)	(757,153)	78,880	19,097	0	(659,176)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(\$571,404)	\$14,334	\$19,690	\$0	(\$537,380)
Fund balance at beginning of year	690,372	7,738	24,431	0	722,541
Fund balances end of year	\$118,968	\$22,072	\$44,121	\$0	\$185,161

The accompanying notes are an integral part of these financial statements

**SEWERAGE DISTRICT NO. 5 OF THE PARISH OF
ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements
DEBT SERVICE FUNDS
September 30, 1997**

NOTE 1 - DESCRIPTION OF FUNDS

1989 Sinking Fund - To accumulate monies for payment of the \$ 2,920,000 Sewerage System Bonds, which are due in annual installments, plus interest, through maturity in 2004. Debt service is financed from proceeds of the District's ad valorem taxes.

1994 Sinking Fund - To accumulate monies for payment of \$1,058,000 of Sewer Revenue Bonds Series 1994. Debt Service is financed from proceeds of a loan from the Department of Environmental Quality. The loan will be repaid from portions of the District's sewer user fees.

Reserve Fund - The Reserve Fund is a reserve required by the \$1,058,000 1994 bond issue indenture. The reserve will be financed from portions of the District's sewer user fees.

1997 Sinking Fund - To accumulate monies for payment of the \$ 1,545,000 Refunding Bonds issued to defease the above 1989 Series Bonds. Debt service is financed from the proceeds of the District's ad valorem taxes.

**SEWERAGE DISTRICT NO. 5 OF THE PARISH
OF ST. MARY, STATE OF LOUISIANA
CAPITAL PROJECTS FUNDS
BALANCE SHEET
September 30, 1997**

	<u>Renewal and Replacement Fund</u>
<u>Assets and Other Debits</u>	
Cash and cash equivalents	<u>\$10,836</u>
Total assets and other debits	<u><u>\$10,836</u></u>
<u>Equity and Other Credits</u>	
Fund Balances Unreserved- Undesignated	<u>\$10,836</u>
Total fund balances	<u>10,836</u>
Total liabilities, equity, and other credits	<u><u>\$10,836</u></u>

The accompanying notes are an integral part of these financial statements

**SEWERAGE DISTRICT NO. 5 OF THE PARISH
OF ST. MARY, STATE OF LOUISIANA**
CAPITAL PROJECTS FUND
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended September 30, 1997

	<u>Renewal and Replacement Fund</u>
<u>Revenues</u>	
Interest income	\$155
<u>Expenditures</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	\$155
Total other financing sources	
Proceeds from loan	
Transfer in General Fund	<u>3,244</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$3,399
Fund balances at beginning of year	<u>7,437</u>
Fund balances at end of year	<u><u>\$10,836</u></u>

The accompanying notes are an integral part of these financial statements

**SEWERAGE DISTRICT NO. 5 OF THE PARISH OF
ST. MARY, STATE OF LOUISIANA**

**Notes to the Financial Statements
CAPITAL PROJECTS FUNDS
September 30, 1997**

NOTE 1 - DESCRIPTION OF FUNDS

Renewal and Replacement Fund - To account for the receipt and expenditure of funds for the purpose of paying the costs of any unusual and extraordinary maintenance and any repairs, replacements, extensions and improvements to the system.

SEWERAGE DISTRICT NO. 5
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

FOR THE YEAR ENDED SEPTEMBER 30, 1997

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 729 • 517 WISE STREET

PATTERSON, LOUISIANA 70392

(504) 395-9545

HERBERT J. ADAMS, JR., C P A

WILLIAM H. JOHNSON, III, C.P.A.

MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Sewerage District No. 5
of the Parish of St. Mary
State of Louisiana
P.O. Box 119
Centerville, LA 70522-0119

We have audited the financial statements of Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, for the year ended September 30, 1997, and have issued our report thereon dated February 23, 1998.

We conducted our audit in accordance with generally accepted auditing standards 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.

In planning and performing our audit of the financial statements of Sewerage District No. 5 for the year ended September 30, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.

The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected.

Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

△ We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our examination disclosed that there is not any segregation of duties within the District's accounting function (especially in the areas of accounts receivable, cash receipts and bank reconciliations). This weakness is due to the fact that the District employs only one person in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practical. Also, the cost of additional employees might exceed any benefits gained. The management of the Commission is well aware of the loss of internal control that results due to its limited staff and is constantly on watch for any problems that would occur.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 or performing their assigned function.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness as defined above. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the use of management of the District, the Legislative Auditor of the State of Louisiana, and the St. Mary Parish Council, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana, is a matter of public record.

Adams & Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
February 23, 1998

SEWERAGE DISTRICT NO. 5
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

FOR THE YEAR ENDED SEPTEMBER 30, 1997

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Sewerage District No. 5
of the Parish of St. Mary
State of Louisiana
P.O. Box 119
Centerville, Louisiana

We have audited the financial statements of Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana, as of and for the year ended September 30, 1997, and have issued our report thereon dated February 23, 1998.

We conducted our audit in accordance with generally accepted auditing standards 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.

Compliance with laws, regulations, contracts, and grants applicable to Sewerage District No. 5 of the Parish of St. Mary, State of Louisiana, is the responsibility of Sewerage District No. 5's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Sewerage District No. 5's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Our prior year audit report, issued March 7, 1997 for the year ended September 30, 1996, contained one item of noncompliance. See prior year item of noncompliance section to see how management corrected this finding.

This report is intended solely for the use for the management of the District, the Legislative Auditor of the State of Louisiana, and the St. Mary Parish Council and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Adams & Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
February 23, 1998

PRIOR YEAR ITEM OF NONCOMPLIANCE

LOCAL BUDGET ACT
Auditors' Comments

Condition: During the course of the audit for the year ended September 30, 1996, it was noted that the District adopted the budget for the year ending September 30, 1996 on April 8, 1996.

Criteria: The proposed budget for political subdivisions with a governing authority including municipalities, parishes, school boards, and special districts shall be completed and submitted to the governing authority of that political subdivision and made available for public inspection as provided for in R.S. 39:1307 no later than fifteen days prior to the beginning of each fiscal year.

Effect: Failure to adopt a budget for the ensuing year prior to the end of the preceding year results in a violation of state statute.

Cause The late budget adoption was due to oversight by management.

Management's Comments

This was a prior year finding, but our audit was not complete until March 15, 1996. We should have completed our current budget by September 15, 1995, and did not realize this oversight until our audit report was presented to us on March 15, 1996. We did, however, timely adopt our budget for the year ending September 30, 1997.

Current Year Resolution

During the year ended September 30, 1997 the District Complied with R.S. 39:1307 and timely adopted their budget.