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SENIOR DISTRICT NO. 10 OF THE
PARISH OF ST. HENRY, STATE OF LOUISIANA
FINANCIAL STATEMENTS
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 1-19-98

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1/19/98

SEWERAGE DISTRICT NO. 10 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Sewerage District No. 10 of the
Parish of St. Mary, State of Louisiana
Jeanerette, Louisiana 70344

We have audited the accompanying general purpose financial statements of the Sewerage District No. 10, a component unit of the St. Mary Parish Council, State of Louisiana, as of September 30, 1997, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sewerage District No. 10 of the Parish of St. Mary, State of Louisiana as of September 30, 1997, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Quiry & Chavin
Certified Public Accountants

Franklin, Louisiana
March 9, 1998

SEWERAGE DISTRICT NO. 10 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

PROPRIETARY FUND - ENTERPRISE FUND
BALANCE SHEETS

SEPTEMBER 30, 1997 and 1996

	1997	1996
ASSETS		
Cash	\$ 40,750	\$ 62,816
Accounts Receivable - Sewerage Fees	9,182	26,662
(Net of allowance \$18,778 and \$5,326)		
Accrued interest receivable	28	-
Prepaid Insurance	1,280	1,280
Due from St. Mary Parish Water District No. 7	4,188	3,969
Sewer Property, Plant and Equipment	2,228,980	2,288,905
Accumulated Depreciation	(227,134)	(155,947)
TOTAL ASSETS	\$2,648,324	\$2,137,752
 LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts Payable	\$ 4,311	\$ 4,611
Accrued Payroll and Payroll Taxes	1,918	1,648
Due to St. Mary Parish Water District No. 7	422	400
Total Current Liabilities	6,651	6,659
Fund Equity:		
Contributed Capital	2,283,918	2,283,418
Retained Earnings - Unreserved	(169,225)	(173,313)
Total Fund Equity	2,114,693	2,110,105
TOTAL LIABILITIES AND FUND EQUITY	\$2,648,314	\$2,137,752

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 11 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

PROPRIETARY FUND - ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS

FOR THE YEARS ENDED SEPTEMBER 30, 1997 AND 1996

	<u>1997</u>	<u>1996</u>
OPERATING REVENUES		
Charges for Sewer Services	\$ 81,741	\$ 80,378
Interest Income	787	142
TOTAL OPERATING REVENUES	<u>82,528</u>	<u>80,520</u>
OPERATING EXPENSES		
Accounting Fees	6,460	6,460
Bad Debt	19,381	9,328
Chemicals	1,962	1,895
Commissioner's Fees	3,320	3,320
Depreciation	68,216	64,476
Insurance Expense	9,348	9,493
Miscellaneous	312	271
Office Expense	3,169	3,889
Permits & Fees	1,879	3,489
Repairs and Maintenance	19,820	20,250
Taxes - Payroll	1,152	1,161
Utilities	10,788	11,738
Wages	19,228	19,728
TOTAL OPERATING EXPENSES	<u>146,160</u>	<u>142,344</u>
OPERATING INCOME (LOSS)	(63,632)	(61,824)
NON-OPERATING REVENUES		
Grant - St. Mary Parish Council	-	29,200
NET INCOME (LOSS)	(63,632)	(66,524)
RETAINED EARNINGS AT BEGINNING OF YEAR	(72,312)	(3,762)
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ (146,244)</u>	<u>\$ (70,286)</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 11 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

PROPRIETARY FUND - ENTERPRISE FUND
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (92,912)	\$ (91,524)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	65,217	64,675
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	8,459	2,378
(Increase) Decrease in Accrued Interest	(28)	-
(Increase) Decrease in Prepaid Insurance	71	1
(Increase) Decrease in Due from Water District No. 3	(218)	448
Increase (Decrease) in Accounts Payable and Payroll Taxes	(988)	2,273
	<u>266</u>	<u>421</u>
Net Cash (Used) by Operating Activities	<u>(20,882)</u>	<u>(22,428)</u>
Cash Flows from Noncapital Financing Activities:		
Receipt of Grants - St. Mary Parish Council	<u>2,500</u>	<u>25,025</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Fixed Assets	<u>(4,825)</u>	<u>(312)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	122,861	2,191
Cash and Cash Equivalents at Beginning of Year	<u>62,811</u>	<u>60,620</u>
Cash and Cash Equivalents at End of Year	<u>\$ 40,190</u>	<u>\$ 62,811</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 10 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

INTRODUCTION:

Sewerage District No. 10 of the Parish of St. Mary, State of Louisiana, was created by Ordinance No. 939 of the St. Mary Parish Police Jury on September 13, 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 is governed by a board of five supervisors, who are appointed by the St. Mary Parish Council.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying component unit financial statements of the St. Mary Parish Sewerage District have been prepared in conformity with generally accepted accounting principles (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.

B. 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 (parish council), (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:

1. Appointing a voting majority of an organization's governing body, and
2. The ability of the parish council to impose its will on that organization and/or
3. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.

SEWERAGE DISTRICT NO. 18 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 1997

2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.
3. Organizations for which the reporting entity financial statements would be misleading if facts of the organization is not included because of the nature or significance of the relationship.

Because the parish council is able to appoint the district's board, impose its will on the district, and because of the potential for the district to provide specific financial benefits to or impose specific burdens in the parish council, the district was determined to be a component unit of the St. Mary Parish Council, the financial reporting entity.

C. FUND ACCOUNTING

The St. Mary Parish Sewerage District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the Balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues

Charges for sewer services are recorded when billed to the customer. Licenses and permits are recorded when received. Interest income is recorded when earned. Parish Grants are recorded as nonoperating revenues in the period in which they are both measurable and earned.

Expenses

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

SEWERAGE DISTRICT NO. 10 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 1997

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. 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.

F. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond September 30, 1997, are recorded as prepaid items. The balance of \$1,116 is attributable to insurance.

G. FIXED ASSETS

All fixed assets are included on the balance sheet. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations are charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets. The estimated useful lives are as follows:

Sewerage System Facility	20
Equipment	7
Vehicles	5

H. FUND EQUITY

Contributed Capital

Contributed capital at September 30, 1997, consisted of \$2,203,925, which was the amount that the St. Mary Parish Community Development Block Grant Program had paid to construct the sewerage system. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

I. BUDGETS

The District is not required to adopt and did not adopt a budget for the year ended September 30, 1997.

SEWERAGE DISTRICT NO. 10 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 1997

J. ENCUMBRANCE REPORTING

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies, are recorded in order to reserve that portion of the applicable appropriation is not employed by the District.

K. CASH AND CASH EQUIVALENTS

At September 30, 1997, the District had cash and cash equivalents (book balances) totaling \$48,798 as follows:

Demand deposits	\$18,803
Interest-bearing demand deposits	<u>31,995</u>
Total	<u>\$48,798</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits 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. 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, 1997, the District had \$43,334 in deposits (collected bank balances). These deposits are secured from risk by \$43,334 of federal deposit insurance.

L. RECEIVABLES

The District had accounts receivable in the amount of \$26,968 at September 30, 1997, which consisted solely of sewer fees billed but not received as of this date. The District's write-off policy is to set up an allowance for uncollectibles for any account more than 90 days past due, this consisted of \$18,778 at September 30, 1997.

M. DUE FROM ST. MARY PARISH WATER DISTRICT NO. 7

The St. Mary Parish Water District No. 7 bills and collects the sewer fees for the District and remits payment at month end. At September 30, 1997, the balance due from the Water District was \$4,194.

SEWERAGE DISTRICT NO. 10 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 1997

5. **FIXED ASSETS**

A summary of fixed assets at September 30, 1997, follows:

	Balances 12-31-96	Additions	Balances 09-30-97	Accumulated Depreciation	Net
Land	\$ 98,137	\$ ---	\$ 98,137	\$ ---	\$ 98,137
Sewerage System Facility	2,111,278	---	2,111,278	316,433	1,794,845
Equipment	3,971	4,095	7,066	2,719	4,347
Vehicle	4,312	---	4,312	2,722	1,590
Total	<u>\$2,208,858</u>	<u>\$ 4,095</u>	<u>\$2,212,953</u>	<u>\$ 321,874</u>	<u>\$1,891,079</u>

Depreciation expense related to the utilization of fixed assets for the years ending September 30, 1997 and 1996 was \$48,218 and \$64,675 respectively.

6. **DEB FOR ST. MARY PARISH WATER DISTRICT NO. 7**

The balance due to the St. Mary Parish Water District No. 7 at September 30, 1997 was \$480. This amount represents the cost of a lawn mower purchased jointly with the Water District.

7. **FUND DEFICITS**

At September 30, 1997, the unreserved retained earnings deficit was \$164,225.

8. **LEASES**

The Sewerage District had no material capital or operating leases at September 30, 1997.

9. **LITIGATION**

There is no litigation pending against the Sewerage District at September 30, 1997.

SEWERAGE DISTRICT NO. 10 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 1997

10. SUBSEQUENT EVENTS

The Parish Council of the Parish of St. Mary, State of Louisiana adopted an ordinance on June 24, 1997 to consolidate the St. Mary Parish sewerage district No. 10 and the St. Mary Parish Waterworks District No. 7 into St. Mary Parish Water and Sewer Commission No. 3, State of Louisiana. Therefore, beginning October 1, 1997, the Sewer District No. 10 will begin its audit reporting as the St. Mary Water and Sewer Commission No. 3.

SEWERAGE DISTRICT NO. 10 OF THE
PARISH OF ST. MARY, STATE OF LOUISIANA

SUPPLEMENTAL INFORMATION

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

COMPENSATION PAID BOARD MEMBERS

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No 54 of the 1975 Session of the Louisiana Legislature.

NAME	MEMBER	AMOUNT
Raphael Rodriguez, III.	13	\$ 600
Wilfred Edwards	13	750
Peggy Liscomb	13	600
Cleveland Brewcut	13	700
William Stacey	13	750
Riversa Brexler	03	<u>90</u>
Total		<u>\$3,700</u>

Independent Auditors' Reports Required
by Government Auditing Standards

The following independent auditor's reports on compliance and internal control are presented in compliance with the requirements of Government Auditing Standards (Standards for Audit of Government Organizations, Programs, Activities, and Functions), issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

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**Independent Auditors' Report on Compliance and Internal Control
Over Financial Reporting Based on an Audit of General
Purpose Financial Statements Performed
in Accordance with Government Auditing Standards**

**Board of Commissioners
Sewerage District No. 10 of the
Parish of St. Mary, State of Louisiana
Pétersville, Louisiana 70544**

We have audited the general purpose financial statements of the Sewerage District No. 10 of the Parish of St. Mary, State of Louisiana, (the District) as of and for the year ended September 30, 2007, and have issued our report thereon dated March 9, 1998.

We have conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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 statements 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 no material instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions noted are as follows:

Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the District does not have adequate segregation of functions within the accounting system.

Recommendation:

Several attempts have been made to segregate duties in the area of cash receipts, cash disbursements, billings, bookkeeping, and monthly financial report preparation. These efforts have been successful, but the District should understand that all pertinent accounting functions have not been segregated. The limited number of personnel of the District and its outside accounting services currently prevents correction of this weakness.

Response:

No response is considered necessary.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable condition described above, inadequate segregation of duties, is also considered to be a material weakness.

This report is intended for the information of the District's management and regulatory agencies. However, this report is a matter of public record, and its distribution is not limited.

Dwight S. Chavasin

Certified Public Accountants

Franklin, Louisiana
March 3, 1998