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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, 1999

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 3-1-00

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FINANCIAL INFORMATION SECTION

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MEMBERS:

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, 1999, 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, 1999, 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, insurance in force, and the individual fund 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, except for that portion marked "unaudited", on which we express no opinion, 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 December 7, 1999 on our consideration of Sewerage District No. 5's compliance and internal control over financial reporting based on an audit of financial statements.

Adams & Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
December 7, 1999

SEWERAGE DISTRICT NO. 5
PARISH OF ST. MARY, STATE OF LOUISIANA
COMBINED BALANCE SHEET
All Fund Types and Account Groups
September 30, 1999

	General Fund	Debt Service Funds	Capital Projects Fund	General Fixed Assets	General Long Term Debt	Total Memorandum Only
Assets						
Cash and cash equivalents	\$91,196	\$274,524	\$16,148	\$0	\$0	\$381,868
Deposits	65	0	0	0	0	65
Prepaid insurance	3,070	0	0	0	0	3,070
Accrued interest receivable	353	6,548	0	0	0	6,901
Accounts receivable	15,594	0	0	0	0	15,594
Property, plant, and equipment	0	0	0	5,088,198	0	5,088,198
Total assets	\$110,278	\$281,072	\$16,148	\$5,088,198	\$0	\$5,495,696
Other Debits						
Amount available in debt service fund	\$0	\$0	\$0	\$0	\$281,072	\$281,072
Amount to be provided for retirement of general long- term debt	0	0	0	0	1,558,640	1,558,640
Total other debits	0	0	0	0	1,839,712	1,839,712
Total assets and other debits	\$110,278	\$281,072	\$16,148	\$5,088,198	\$1,839,712	\$7,335,408
Liabilities						
Accounts payable and accrued expenses	\$988	\$0	\$0	\$0	\$0	\$988
Due to Waterworks Dist #5	0	0	0	0	14,712	14,712
Bonds payable	0	0	0	0	1,825,000	1,825,000
Refundable deposits	12,923	0	0	0	0	12,923
Total liabilities	\$13,911	\$0	\$0	\$0	\$1,839,712	\$1,853,623
Equity and Other Credits						
Investment in general fixed assets	\$0	\$0	\$0	\$5,088,198	\$0	\$5,088,198
Fund balances reserved for debt service	0	281,072	0	0	0	281,072
Unreserved - undesignated	96,367	0	16,148	0	0	112,515
Total equity and other credits	96,367	281,072	16,148	5,088,198	0	5,481,785
Total liabilities, equity, and other credits	\$110,278	\$281,072	\$16,148	\$5,088,198	\$1,839,712	\$7,335,408

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, 1999

	General Fund	Debt Service Fund	Capital Projects Fund	Total Memorandum Only
<u>Revenues</u>				
Property taxes	\$47,002	\$314,554	\$0	\$361,556
Interest earned	4,291	14,842	575	19,708
Sewer user fees	170,772	0	0	170,772
Parish Council Grant	6,000	0	0	6,000
Other	1,500	0	0	1,500
Total revenues	\$229,565	\$329,396	\$575	\$559,536
<u>Expenditures</u>				
Personal services	\$80,689	\$0	\$0	\$80,689
Operating services	71,932	0	0	71,932
Debt services:				
Principal retirement	2,050	0	0	2,050
Bond Principal	0	230,000	0	230,000
Interest and fiscal charges	950	90,915	0	91,865
Capital outlays	17,906	0	0	17,906
Total expenditures	173,527	320,915	0	494,442
Excess of revenues over expenditures	\$56,038	\$8,481	\$575	\$65,094

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, 1999

	General Fund	Debt Service Fund	Capital Projects Fund	Total Memorandum Only
Other financing sources (uses)				
Transfer in	\$0	\$37,786	\$2,071	\$39,857
Transfer out	(39,857)	0	0	(39,857)
Total financing sources (uses)	(39,857)	37,786	2,071	0
Excess of revenues and other financing sources over expenditures and other financing uses	\$16,181	\$46,267	\$2,646	\$65,094
Beginning of year Fund balances at end of year	80,186	234,805	13,502	328,493
	<u>\$96,367</u>	<u>\$281,072</u>	<u>\$16,148</u>	<u>\$393,587</u>

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, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Property taxes	\$41,000	\$47,002	\$6,002
Sewer user fees	163,835	170,772	6,937
Interest earned	3,000	4,291	1,291
Parish Council Grant	0	6,000	6,000
Other	1,500	1,500	0
	<hr/>		
Total revenues	\$209,335	\$229,565	\$20,230
<u>Expenditures</u>			
Principal retirement	\$2,050	\$2,050	\$0
Interest	950	950	0
Personal services	78,037	80,689	(2,652)
Operating services	75,784	71,932	3,852
Capital outlay	4,500	17,906	(13,406)
	<hr/>		
Total expenditures	161,321	173,527	(12,206)
Excess of revenues over expenditures	\$48,014	\$56,038	\$8,024
Total other financing sources (uses)			
Transfer out	(55,409)	(39,857)	(15,552)
	<hr/>		
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	(\$7,395)	\$16,181	\$23,576
Fund balance at beginning of year	80,186	80,186	0
	<hr/>		
Fund balance at end of year	\$72,791	\$96,367	\$23,576
	<hr/> <hr/>		

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, 1999

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, 1999. 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, 1999

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, 1999

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, 1999

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, 1999

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, 1999. 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, 1999

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, 1999, the carrying amount of the District's deposits (cash) of \$ 381,868 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, 1999

NOTE 5 - FIXED ASSETS

A summary of the District's fixed assets at September 30, 1999 follows:

	Balance September <u>30, 1998</u>	<u>Additions</u>	<u>Retirement</u>	Balance September <u>30, 1999</u>
Furniture & fixtures	\$ 1,185	\$ 561	\$ ---	\$ 1,746
Machinery & equipment	77,016	13,495	---	90,511
Vehicles & boats	18,882	---	---	18,882
Sewerage treatment facility	4,950,709	3,850	---	4,954,559
Half-interest on building	<u>22,500</u>	<u>---</u>	<u>---</u>	<u>22,500</u>
 Total	 \$5,070,292	 \$ 17,906	 \$ ---	 \$5,088,198
	<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, 1998	\$ 2,055,000
Retirements	<u>< 230,000 ></u>
Bonds payable September 30, 1999	<u>\$1,825,000</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1999

NOTE 6 - LONG-TERM DEBT (Continued)

Bonds payable at September 30, 1999 are comprised of the following individual issues:

\$1,545,000 Sewerage System Bonds, Series 1997,
due in annual installments of \$210,000 to \$260,000
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.

\$ 1,160,000

Municipal Facilities Revolving Loan (MFRL) for
a loan amount of up to \$1,058,000. The balance
funded as of September 30, 1999 is \$807,805
due in annual installments of \$35,000 to \$50,000
through March 2015; interest fixed at 2.45% financed
through the issuance of Sewerage Revenue Bonds
Series 1994

665,000

Bonds payable at September 30, 1999

\$ 1,825,000
=====

The following is an approximation of future debt requirements of the bonds payable at September 30, 1999:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 245,000	\$ 76,184	\$ 321,184
2001	255,000	64,406	319,406
2002	265,000	52,109	317,109
2003	275,000	39,291	314,291
2004	295,000	25,954	320,954
2005-2009	205,000	47,714	252,714
2010-2014	235,000	20,886	255,886
2015	<u>50,000</u>	<u>612</u>	<u>50,612</u>
	\$ 1,825,000 =====	\$ 327,156 =====	\$ 2,152,156 =====

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1999

NOTE 6 - LONG-TERM DEBT (Continued)

In 1997 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. During the year ending September 30, 1999, the Series 1989 bonds were called and the assets in the trust accounts were used to pay this bond liability in total.

The above schedule reflects repayments related to the Municipal Facilities Revolving Loan (MFRL) based upon current total borrowings of \$807,805.

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 of 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, 1999

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, 1999:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 2,177	\$ 823	\$ 3,000
2001	2,311	689	3,000
2002	2,453	547	3,000
2003	2,605	395	3,000
2004	2,765	235	3,000
2005	<u>2,401</u>	<u>66</u>	<u>2,467</u>
Total	\$ 14,712 =====	\$ 2,755 =====	\$ 17,467 =====

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 \$ 3,621 for the year ended September 30, 1999. 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1999

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 (225)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, 1999:

<u>Commissioners</u>	<u>Amount</u>
Wendell C. Bogan	\$ 480
Phelo J. Keller	780
C.T. Paul	660
Hayward Verdun	540
Connie Fournet	<u>720</u>
	\$3,180
	=====

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
September 30, 1999

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.

NOTE 10 - YEAR 2000 ISSUE

According to GASB Technical Bulletin No. 98-1, "the year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely effect the government's operations as early as fiscal year 1999." The Sewerage District No. 5 has inventoried its computer systems and other electronic equipment that may be affected by the year 2000 issue and operations. The financial reporting system and other electronic equipment have been assessed, remediated, tested, and validated.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of the remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be ready, that their remediation efforts will be successful in whole or in part, or that parties with whom they do business will be year 2000 ready.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF GENERAL FUND EXPENDITURES

For the Year Ended September 30, 1999

	Governmental <u>Fund Type</u>
	<u>General</u>
Personal services:	
Salaries	\$ 62,477
Payroll taxes & retirement	6,199
Group insurance	<u>12,013</u>
Total personal services	<u>\$ 80,689</u>
Operating services:	
Advertising	\$ 474
Auto allowance	2,168
Dues and subscriptions	180
Chemicals	3,650
Insurance general	7,804
Lab testing	1,485
Legal and audit	3,420
Office expense	2,624
Per diems	3,180
Pond maintenance	18,000
Repairs & maintenance	8,089
Supplies	2,213
Utilities	17,991
Telephone	636
Travel	<u>18</u>
Total operating services	<u>\$ 71,932</u>

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

SCHEDULE OF INSURANCE IN FORCE
For the Year Ended September 30, 1999

(Unaudited)

<u>Insurer</u>	<u>Type of Insurance</u>	<u>Coverage</u>	<u>Expiration</u>
LWCC	Workers' Compensation		
	By Each Accident	\$ 100,000	Monthly
	By Disease Policy Limit	\$ 500,000	
	By Disease Each Employee	\$ 100,000	
Progressive Ins.	Vehicles		
	General Aggregate	\$ 500,000	08-20-00
	Each Occurrence	500,000	
Valley Forge Ins.	General Liability		
	General Aggregate	\$1,000,000	09-02-00
	Each Occurrence	1,000,000	
	Fire	50,000	
CNA	Property		
	Liability	\$1,000,000	07-18-00
	General Aggregate	2,000,000	
	Each Occurrence	1,000,000	

**SEWERAGE DISTRICT NO. 5 OF THE PARISH
OF ST. MARY, STATE OF LOUISIANA
DEBT SERVICE FUNDS
COMBINED BALANCE SHEET
September 30, 1999**

	1997 Sinking Fund	1994 Sinking Fund	Reserve Fund	Totals
<u>Assets and Other Debits</u>				
Cash and cash equivalents	\$191,486	\$26,602	\$56,436	\$274,524
Accrued interest	6,033	135	380	\$6,548
Total assets & other debits	\$197,519	\$26,737	\$56,816	\$281,072
<u>Liabilities, Equity, and Other Credits</u>				
Fund balances				
Reserved for debt service	\$197,519	\$26,737	\$56,816	\$281,072
Total fund balances	197,519	26,737	56,816	281,072
Total liabilities, equity, and other credits	\$197,519	\$26,737	\$56,816	\$281,072

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

SEWERAGE DISTRICT NO.5
PARISH OF ST. MARY, STATE OF LOUISIANA
DEBT SERVICE FUNDS
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 September 30, 1999

	1997 Sinking Fund	1994 Sinking Fund	Reserve Fund	Totals
<u>Revenues</u>				
Property taxes	\$314,554	\$0	\$0	\$314,554
Interest	11,739	984	2,119	14,842
Total revenues	\$326,293	\$984	\$2,119	\$329,396
<u>Expenditures</u>				
Debt Services:				
Bond principal	\$200,000	\$30,000	\$0	\$230,000
Interest and fiscal charge	70,855	20,060	0	90,915
Total expenditures	\$270,855	\$50,060	\$0	\$320,915
Excess (deficiency) of revenues over expenditures	\$55,438	(\$49,076)	\$2,119	\$8,481
Other financing sources (uses)				
Transfer in General fund	0	37,786	0	37,786
Total financing sources (uses)	0	37,786	0	37,786
Excess of revenues and other financing sources over expenditures and other financing uses	\$55,438	(\$11,290)	\$2,119	\$46,267
Fund balance at beginning of year	142,081	38,027	54,697	234,805
Fund balance end of year	\$197,519	\$26,737	\$56,816	\$281,072

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, 1999**

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 up to \$1,058,000 of Sewer Revenue Bonds Series 1994. Debt Service is financed from proceeds of a revolving loan from the Department of Environmental Quality. The loan will be repaid from portions of the District's sewer 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 FUND
BALANCE SHEET
September 30, 1999

	<u>Renewal and Replacement Fund</u>
<u>Assets and Other Debits</u>	
Cash and cash equivalents	<u>\$16,148</u>
Total assets and other debits	<u><u>\$16,148</u></u>
<u>Equity and Other Credits</u>	
Fund Balances Unreserved- Undesignated	<u>\$16,148</u>
Total fund balance	<u>16,148</u>
Total equity and other credits	<u><u>\$16,148</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
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 For the Year Ended September 30, 1999

	<u>Renewal and Replacement Fund</u>
<u>Revenues</u>	
Interest income	\$575
<u>Expenditures</u>	<u>0</u>
Excess of revenues over expenditures	\$575
Total other financing sources	
Transfer in General Fund	<u>2,071</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$2,646
Fund balance at beginning of year	<u>13,502</u>
Fund balance at end of year	<u><u>\$16,148</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, 1999**

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.

ADAMS & JOHNSON

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MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

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, a component unit of the St. Mary Parish Council of Louisiana as of and for the year ended September 30, 1999, and have issued our report thereon dated December 7, 1999. We 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 financial statements of Sewerage District No. 5, a component unit of the St. Mary Parish Council, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no 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 Sewerage District No. 5's, a component unit of the St. Mary Parish Council, 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 internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Sewerage District No. 5's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements.

Our examination disclosed that there is not any segregation of duties within the 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 full-time 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 district 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 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 over financial reporting 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 for the information of the Sewerage District No. 5, the Legislative Auditor of the State of Louisiana, the finance committee of the St. Mary Parish Council, and management. However, this report is a matter of public record and its distribution is not limited.

Adams & Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, LA
December 7, 1999