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

For the Year Ended September 30, 1998

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 4-14-99

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana, a component unit of the Parish of St. Mary, State of Louisiana as of and for the year ended September 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the board of supervisors of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of supervisors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana, as of September 30, 1998, and the results of operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 27, 1998 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Kolder, Champagne, Slaven & Rainey, LLC*  
Certified Public Accountants

Morgan City, Louisiana  
December 27, 1998

**FINANCIAL STATEMENTS**

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

Combined Balance Sheet  
All Fund Types and Account Groups  
September 30, 1998

	<u>Governmental</u>	<u>Fund Types</u>	<u>Fiduciary</u>
	<u>General</u>	<u>Capital</u> <u>Projects</u>	<u>Agency</u> <u>Fund</u>
<b>ASSETS AND OTHER DEBITS</b>			
Assets:			
Cash	\$33,909	\$ 3,624	\$ 7,471
Receivables	3,145	-	151,100
Due from other funds	5,010	-	12,039
Sewerage system facility	-	-	-
Amount to be provided for payment of other long term obligations	-	-	-
Total assets and other debits	\$42,064	\$ 3,624	\$170,610
	=====	=====	=====
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
Liabilities:			
Due to other funds	-	12,039	5,010
Due to holders of special assessment notes	-	-	165,600
Special assessment debt payable	-	-	-
Total liabilities	-	12,039	170,610
Equity and other credits:			
Investment in general fixed assets	-	-	-
Fund balance - Unreserved and undesignated	42,064	(8,415)	-
Total fund equity and other credits	42,064	(8,415)	-
Total liabilities, equity and other credits	\$42,064	\$ 3,624	\$170,610
	=====	=====	=====

<u>Account Groups</u>		
<u>General Fixed Assets</u>	<u>General Long Term Debt</u>	<u>Total (Memorandum Only)</u>
\$ -	\$ -	\$ 45,004
-	-	154,245
-	-	17,049
2,496,108	-	2,496,108
<u>-</u>	<u>12,039</u>	<u>12,039</u>
\$2,496,108	\$12,039	\$2,724,445
=====	=====	=====
\$ -	\$ -	\$ 17,049
-	-	165,600
<u>-</u>	<u>12,039</u>	<u>12,039</u>
<u>-</u>	<u>12,039</u>	<u>194,688</u>
2,496,108	-	2,496,108
<u>-</u>	<u>-</u>	<u>33,649</u>
<u>2,496,108</u>	<u>-</u>	<u>2,529,757</u>
\$2,496,108	\$12,039	\$2,724,445
=====	=====	=====

The accompanying notes are an integral part of this statement.

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

Combined Statement of Revenues, Expenditures and Changes in Fund Balance -  
All Governmental Fund Types  
Year Ended September 30, 1998

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total (Memorandum Only)</u>
Revenues:			
Local Sources -			
Intragovernmental	\$ -	\$ -	\$ -
Sewer user fees	<u>97,683</u>	<u>-</u>	<u>97,683</u>
Total revenues	<u>97,683</u>	<u>-</u>	<u>97,683</u>
Expenditures:			
Current -			
General government	67,489	-	67,489
Repairs and maintenance	7,628	-	7,628
Professional fees	6,755	-	6,755
Utilities	9,801	-	9,801
Miscellaneous	-	2,772	2,772
Capital outlay	<u>3,891</u>	<u>5,938</u>	<u>9,829</u>
Total expenditures	<u>95,564</u>	<u>8,710</u>	<u>104,274</u>
Excess of revenues over (under) expenditures	<u>2,119</u>	<u>(8,710)</u>	<u>(6,591)</u>
Excess of revenues and other sources over (under) expenditures	2,119	(8,710)	(6,591)
Fund balance, beginning	<u>39,945</u>	<u>295</u>	<u>40,240</u>
Fund balance (deficit), ending	\$42,064 =====	\$(8,415) =====	\$ 33,649 =====

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
General Fund  
Year Ended September 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Local Sources -			
Sewer user fees	\$ 96,000	\$97,683	\$ 1,683
Expenditures:			
Current			
General government	79,880	67,489	12,391
Repairs and maintenance	12,000	7,628	4,372
Professional fees	6,775	6,755	20
Utilities	7,200	9,801	(2,601)
Capital outlay	<u>          -</u>	<u>3,891</u>	<u>(3,891)</u>
Total expenditures	<u>105,855</u>	<u>95,564</u>	<u>10,291</u>
Excess of revenues over (under) expenditures	(9,855)	2,119	11,974
Fund balance, beginning	<u>40,240</u>	<u>39,945</u>	<u>(295)</u>
Fund balance, ending	\$ 30,385 =====	\$42,064 =====	\$11,679 =====

The accompanying notes are an integral part of this statement.



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

Notes to Financial Statements

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

The financial statements of the District have been prepared in conformity with 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.

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

(1) Reporting Entity

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

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

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

Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.

Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

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

Notes to Financial Statements (Continued)

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

A. Fund Accounting

The accounts of the District are organized on the basis of funds and 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, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds of the district are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

The following funds and accounts are used by the District:

B. Governmental Funds

General Fund:

The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Fund:

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

C. Fiduciary Funds

Agency Funds:

Agency funds are used to account for assets held by the District as an agent for other funds and/or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

Notes to Financial Statements (Continued)

D. General Fixed Assets Account Group

The general fixed assets account group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

E. General Long-Term Debt Account Group

The general long-term Debt account group is used to account for long-term liabilities to be financed from government funds.

F. Basis of Accounting

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

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

G. Revenues

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

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

Substantially all other revenues are recorded when received.

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

Notes to Financial Statements (Continued)

H. Expenditures

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

I. Budgetary Practices

The district prepares and adopts a budget in accordance with LSA-RS 39:1301 et seq. The annual budget for the general fund is prepared in accordance with the basis of accounting utilized by that fund.

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

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

J. Cash

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

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

K. Capitalized Interest

The District capitalizes interest costs and interest earned as part of the cost of constructing various sewerage projects when material. The district capitalized no interest for the year ended September 30, 1998.

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

Notes to Financial Statements (Continued)

L. Total Columns on Statement

The total column on the statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

(2) Cash

At September 30, 1998, the district has cash (book balances) totaling \$45,004 follows:

Demand deposits	\$43,424
Interest Bearing demand deposits	<u>1,580</u>
Total	\$45,004 =====

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 1998, the district has \$45,004 on deposits (bank balances). These deposits are entirely secured from risk by federal deposit insurance.

(3) Receivables

The following is a summary of receivables at September 30, 1998:

Sewer User Fees	\$ 3,145
Special Assessment	<u>151,100</u>
Total	\$154,245 =====

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

Notes to Financial Statements (Continued)

(4) General Fixed Assets

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets including sewerage systems are capitalized along with other general fixed assets. A summary of changes in general fixed assets follows:

	<u>Balance</u> <u>10/01/97</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>9/30/98</u>
Sewerage System	\$2,478,827	\$9,833	\$ -	\$2,488,660
Improvements Other Than Buildings	<u>7,448</u>	<u>-</u>	<u>-</u>	<u>7,448</u>
Total	\$2,486,275 =====	\$9,833 =====	\$ - =====	\$2,496,108 =====

(5) General Long-Term Debt

On June 6, 1990, the district passed Local or Special Assessment Ordinance No. 1 of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana which provided for the levying of local or special assessments on certain properties within the territorial limits of the district to pay the cost of the establishment, acquisition and construction of sewerage improvements and extensions.

On July 18, 1990 the District amended Ordinance No. 1 by passing Local or Special Assessment Ordinance No. 2 of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana. Ordinance No. 2 provided for corrections in front footage and the cancellation of certain assessments in consideration of rights of way granted and service to be performed for the District. As a result, the District assumed \$12,039 of the assessments. For the year ended September 30, 1998, the District has not increased nor reduced its special assessment liability.

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

Notes to Financial Statements (Continued)

(6) Special Assessment and Related Debt

On July 18, 1990, the district passed a resolution providing for the issuance, execution, sale and delivery of \$363,148 of Sewerage Certificates, Series 1990 which are secured and payable solely in principal and interest from the irrevocable pledge and dedication of the unpaid local or special assessments levied by Local or Special Assessment Ordinance No. 1 of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana, as amended by Local and Special Assessment Ordinance No. 2 of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana.

On November 26, 1997, the district passed a resolution providing for the issuance, execution, sale and delivery of \$126,276 of Sewerage Certificates, Series 1998 which are secured and payable solely in principal and interest from the irrevocable pledge and dedication of the unpaid local or special assessment levied by Local or Special Assessment Ordinance No. 1 of Sewerage District No. 7 of the Parish of St. Mary, State of Louisiana, for the year 1997.

Except as discussed in Note 5 the District is not obligated in any manner for the repayment of the Sewerage Certificates, Series 1990 or 1998 and acts only as an agent for the assessed property owners and certificate holders by collecting the assessments, remitting the collections to the certificate holder and initiating foreclosure proceedings.

(7) Interfund Receivables and Payables

Interfund receivable and payable balances at September 30, 1998 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 5,010	\$ -
Capital Project Fund	-	12,039
Agency Fund	<u>12,039</u>	<u>5,010</u>
	\$17,049	\$17,049
	=====	=====

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

Notes to Financial Statements (Continued)

(8) Compensation Paid To Board Members

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

Vincent Ashley, President	\$ 550
Tommy Ducote	300
Beverly Epps	600
Clark Lee	600
Stan Pipes	<u>450</u>
	\$2,500
	=====



INTERNAL CONTROL AND COMPLIANCE

# KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

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

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

We have audited the general purpose financial statements of the Sewerage District No. 7 of the Parish of St. Mary as of and for the year ended September 30, 1998, and have issued our report thereon dated December 27, 1998. 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 Sewerage District No. 7 of the Parish of St. Mary's general purpose financial statements 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 the Sewerage District No. 7 of the Parish of St. Mary's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would

be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

*Kolder, Champagne, Slaven & Rainey, LLC*  
Certified Public Accountants

Morgan City, Louisiana  
December 27, 1998

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

Schedule of Prior and Current Audit Findings and  
Management's Corrective Action Plan  
Year Ended June 30, 1998

I. Prior Year Findings

Compliance -

There were no instances of noncompliance at June 30, 1997.

Internal Control Over Financial Reporting

There were no instances of internal control weaknesses at June 30, 1997.

Management Letter Items

There were no management letter items at June 30, 1998.

II. Current Year Findings and Management's Corrective Action Plan

There were no findings that were required to be reported.