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**SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA**

Financial Report

Year Ended September 30, 1999

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the clerk, or reviewed, and filed with 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 1-19-2000

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
GENERAL PURPOSE FINANCIAL STATEMENTS (COMBINED STATEMENTS - OVERVIEW)	
Combined balance sheet - all fund types and account groups	4-5
Comparative statements of revenues, expenditures, and changes in fund balances - governmental fund type	6
Statement of revenues, expenditures, and changes in fund balance - budget (GAAP basis) and actual - governmental fund type	7
Comparative statements of revenues, expenses, and changes in retained earnings - proprietary fund type	8-9
Comparative statements of cash flows - proprietary fund type	10-11
Notes to financial statements	12-20
SUPPLEMENTAL INFORMATION	
INTERNAL CONTROL AND COMPLIANCE REPORTS	
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	23-24
OTHER SUPPLEMENTARY INFORMATION	
Schedule of number of utility customers (unaudited)	26
Schedule of insurance in force (unaudited)	27
Combined schedule of interest-bearing deposits - all funds	28
Summary Schedule of Prior Year Findings	29
Schedule of Findings and Questioned Costs	30
Management's Corrective Action Plan for Current Year Findings	31



Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

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Eugene H. Darnall, CPA, Retired 1990

E. Larry Sikes, CPA, CVA
Danny P. Frederick, CPA
Clayton E. Darnall, CPA
Eugene H. Darnall, III, CPA
Paula D. Bihm, CPA
Stephanie M. Higginbotham, CPA

Jennifer S. Ziegler, CPA
Chris A. Miller, CPA
John P. Armato, CPA

Kathleen T. Darnall, CPA
Stephen R. Dischler, MBA, CPA
Alan M. Taylor, CPA
Christine A. Raspberry, CPA
Steven G. Moosa, CPA
Erich G. Loewer, Jr., CPA
Erich G. Loewer, III, CPA
Danny P. Pontiff, CPA
Tamera T. Landry, CPA
Carla R. Fontenot, CPA
Raegan D. Stelly, CPA
Jason H. Watson, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Supervisors
Sewerage District No. 8
of the Parish of St. Mary,
State of Louisiana

Other Locations:

125 Rue Beauregard
Lafayette, LA 70508
318.232.3312

1231 E. Laurel Avenue
Funice, LA 70535
318.457.4146

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
504.384.6264

404 Pere Megret
Abbeville, LA 70510
318.893.5470

dsfcpas.com

We have audited the accompanying general purpose financial statements of the Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, as of and for the year ended September 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's officials. 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 applicable to financial audits contained in 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.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue in order for financial statements to be in conformity with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000-compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant; and
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000-compliant.

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Certified Public Accountants

The Sewerage District No. 8 has omitted such disclosures. We do not provide assurance that the District is or will be year 2000 ready, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sewerage District No. 8 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.

In accordance with Government Auditing Standards, we have also issued a report dated November 3, 1999 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.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the respective general purpose financial statements taken as a whole.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of the Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana.

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
November 3, 1999

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Combined Balance Sheet - All Fund Types and Account Groups
September 30, 1999
With Comparative Totals for September 30, 1998

	Governmental Fund Type Debt Service	Proprietary Fund Type Enterprise	Account Group General Long- Term Debt
ASSETS AND OTHER DEBITS			
Cash	\$ 168,566	\$ 2,147	\$ -
Interest-bearing deposits, at cost	-	676,639	-
Receivables:			
Accounts	-	8,307	-
Accrued interest	288	5,317	-
Due from other funds	-	18,241	-
Prepaid insurance	-	812	-
Deposits	-	145	-
Restricted assets:			
Interest-bearing deposits, at cost	-	19,302	-
Utility property, plant and equipment	-	2,552,646	-
Accumulated depreciation	-	(687,249)	-
Amount available in debt service fund	-	-	150,613
Amount to be provided for retirement of general long-term debt	-	-	761,387
Total assets and other debits	<u>\$ 168,854</u>	<u>\$ 2,596,307</u>	<u>\$ 912,000</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ -	\$ 4,190	\$ -
Accrued liabilities	-	3,007	-
Due to other funds	18,241	-	-
Payable from restricted assets - Customers' deposits	-	16,675	-
Long-term debt - General obligation bonds payable	-	-	912,000
Total liabilities	<u>18,241</u>	<u>23,872</u>	<u>912,000</u>
Fund equity:			
Contributed capital	-	1,846,235	-
Retained earnings - Unreserved	-	726,200	-
Fund balance - Reserved for debt service	150,613	-	-
Total fund equity	<u>150,613</u>	<u>2,572,435</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 168,854</u>	<u>\$ 2,596,307</u>	<u>\$ 912,000</u>

Totals (Memorandum Only)	
<u>1999</u>	<u>1998</u>
\$ 170,713	\$ 12,099
676,639	777,934
8,307	9,324
5,605	18,459
18,241	-
812	1,913
145	145
19,302	19,281
2,552,646	2,549,224
(687,249)	(635,800)
150,613	163,127
<u>761,387</u>	<u>864,873</u>
<u>\$ 3,677,161</u>	<u>\$ 3,780,579</u>
\$ 4,190	\$ 5,773
3,007	5,212
18,241	-
16,675	16,950
<u>912,000</u>	<u>1,028,000</u>
<u>954,113</u>	<u>1,055,935</u>
<u>1,846,235</u>	<u>1,896,062</u>
<u>726,200</u>	<u>665,455</u>
<u>150,613</u>	<u>163,127</u>
<u>2,723,048</u>	<u>2,724,644</u>
<u>\$ 3,677,161</u>	<u>\$ 3,780,579</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Fund Type
Years Ended September 30, 1999 and 1998

	Debt Service Fund	
	1999	1998
Revenues:		
Taxes - ad valorem	\$ 157,785	\$ 204,913
Miscellaneous	<u>7,011</u>	<u>7,601</u>
Total revenues	<u>164,796</u>	<u>212,514</u>
 Expenditures:		
Current -		
General government:		
Administrative	5,555	7,008
Debt service -		
Principal retirement	116,000	108,000
Interest and fiscal charges	<u>55,755</u>	<u>62,215</u>
Total expenditures	<u>177,310</u>	<u>177,223</u>
 Excess (deficiency) of revenues over expenditures	 (12,514)	 35,291
 Fund balance, beginning	 <u>163,127</u>	 <u>127,836</u>
 Fund balance, ending	 <u>\$ 150,613</u>	 <u>\$ 163,127</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (GAAP Basis) and Actual
Governmental Fund Type
Year Ended September 30, 1999

	Debt Service Fund		
	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Taxes - ad valorem	\$ 162,167	\$ 157,785	\$ (4,382)
Miscellaneous	<u>4,600</u>	<u>7,011</u>	<u>2,411</u>
Total revenues	<u>166,767</u>	<u>164,796</u>	<u>(1,971)</u>
Expenditures:			
Current -			
General government:			
Administrative	6,156	5,555	601
Debt service -			
Principal retirement	116,600	116,000	600
Interest and fiscal charges	<u>55,555</u>	<u>55,755</u>	<u>(200)</u>
Total expenditures	<u>178,311</u>	<u>177,310</u>	<u>1,001</u>
Deficiency of revenues over expenditures	(11,544)	(12,514)	(970)
Fund balance, beginning	<u>163,127</u>	<u>163,127</u>	<u>-</u>
Fund balance, ending	<u>\$ 151,583</u>	<u>\$ 150,613</u>	<u>\$ (970)</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Type
Years Ended September 30, 1999 and 1998

	Enterprise	
	1999	1998
Operating revenues:		
Charges for sewer service	\$ 103,635	\$ 104,733
Permits	75	25
Delinquent charges	2,587	1,541
Miscellaneous	-	1,294
Total operating revenues	<u>106,297</u>	<u>107,593</u>
Operating expenses:		
Advertising	351	383
Accounting	8,635	13,484
Bad debt expense	15	-
Bank charges	156	141
Contract labor	168	247
Depreciation	53,062	53,590
Insurance	17,946	14,697
Office supplies	3,300	2,901
Meeting expense	2,280	2,280
Miscellaneous	1,820	1,006
Postage	2,614	2,003
Repairs	6,252	9,266
Security	3,600	3,600
Salaries	42,762	47,795
Sewer treatment charges	42,436	41,922
Supplies	4,887	2,917
Taxes	1,136	1,330
Telephone	2,927	2,344
Truck expense	4,700	3,600
Utilities	<u>6,854</u>	<u>7,448</u>
Total operating expenses	<u>205,901</u>	<u>210,954</u>
Operating loss	<u>(99,604)</u>	<u>(103,361)</u>

(Continued)

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Comparative Statements of Cash Flows
Proprietary Fund Type
Years Ended September 30, 1999 and 1998

	Enterprise	
	1999	1998
Cash flows from operating activities:		
Operating loss	<u>\$ (92,604)</u>	<u>\$ (103,361)</u>
Adjustments to reconcile operating loss to net cash used by operating activities -		
Depreciation	53,062	53,590
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	1,017	(1,244)
(Increase) decrease in other assets	(4,607)	895
Decrease in accounts payable	(1,583)	(1,699)
Decrease in accrued liabilities	(2,205)	(4,384)
Increase (decrease) in customer deposits	<u>(275)</u>	<u>1,450</u>
Total adjustments	<u>45,409</u>	<u>48,608</u>
Net cash used by operating activities	<u>(54,195)</u>	<u>(54,753)</u>
Cash flows from noncapital financing activities:		
Ad valorem taxes	137,861	138,504
Intergovernmental transfers	<u>(53,145)</u>	<u>(46,747)</u>
Net cash provided by noncapital financing sources	<u>84,716</u>	<u>91,757</u>
Cash flows from capital and related financing activities:		
Acquisition of utility property, plant and equipment	<u>(5,034)</u>	<u>(3,775)</u>
Net cash used by capital and related activities	<u>(5,034)</u>	<u>(3,775)</u>
Cash flows from investing activities:		
Purchase of interest-bearing deposits	(1,254,331)	(525,406)
Proceeds from sales and maturities of interest-bearing deposits	1,150,981	395,100
Interest received on interest-bearing deposits	<u>25,806</u>	<u>29,116</u>
Net cash used by investing activities	<u>(77,544)</u>	<u>(101,190)</u>

(Continued)

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Comparative Statements of Cash Flows (Continued)
Proprietary Fund Type
Years Ended September 30, 1999 and 1998

	Enterprise	
	1999	1998
Net decrease in cash and cash equivalents	(52,057)	(67,961)
Cash and cash equivalents, beginning of year	<u>167,496</u>	<u>235,457</u>
Cash and cash equivalents, end of year	<u>\$ 115,439</u>	<u>\$ 167,496</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$ 12,099	\$ 3,126
Interest-bearing deposits - unrestricted	615,416	563,862
Interest-bearing deposits - restricted	19,281	17,462
Less: Interest-bearing deposits with a maturity over three months	<u>(479,300)</u>	<u>(348,993)</u>
Total cash and cash equivalents	<u>167,496</u>	<u>235,457</u>
Cash and cash equivalents, end of period -		
Cash - unrestricted	2,147	12,099
Interest-bearing deposits - unrestricted	676,639	615,416
Interest-bearing deposits - restricted	19,302	19,281
Less: Interest-bearing deposits with a maturity over three months	<u>(582,649)</u>	<u>(479,300)</u>
Total cash and cash equivalents	<u>115,439</u>	<u>167,496</u>
Net decrease	<u>\$ (52,057)</u>	<u>\$ (67,961)</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sewerage District No. 8 of the Parish of St. Mary (District), which is a component unit of the St. Mary Parish Council, was created by an ordinance dated August 8, 1984 of the St. Mary Parish Council (formerly Police Jury). The District operates under a Board of Supervisors. The purpose of the District is to provide sewerage treatment services to citizens residing within Sewerage District No. 8.

The accounting and reporting policies of the Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, the Louisiana Governmental Audit 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. Financial Reporting Entity

This report includes all funds and account groups which are controlled by or dependent on the District executive and legislative branches (the Board of Supervisors). Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

The District is a component unit of the Parish of St. Mary. Although the Parish does not provide facilities or financing, it does exercise some control over operations.

B. 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, or expenses, as appropriate. 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. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

GOVERNMENTAL FUND -

Debt service fund

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUND -

Enterprise fund

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District's enterprise fund is the Utility Fund.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its *measurement focus*.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus, and only current assets and current liabilities are generally included on their balance sheets.

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

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewerage Utility:	
System	50 years
Equipment	8 years
Furniture and fixtures	5 years

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed. Other major revenues that are considered susceptible to accrual include intergovernmental revenues and interest on interest-bearing deposits.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that principal and interest on general long-term debt are recognized when due. Purchases of various operating supplies are regarded as expenditures at the time purchased.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables, resulting from utility services rendered between the date of meter reading and billing and the end of the month, are not estimated and recorded at year end. In the opinion of the administration, such amounts cannot be accurately determined and would have no material effect on the fairness of the financial statements.

E. Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The District Secretary prepares a proposed budget and submits it to the Board of Supervisors no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Supervisors.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board of Supervisors. Such amendments were not material in relation to the original appropriations.

F. Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), no allowance for uncollectible accounts receivable was made due to immateriality.

G. Vacation and Sick Leave

On January 27, 1989, the District adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one half day per month and is allowed to accumulate up to sixty days. No sick leave is payable on termination. At September 30, 1999, \$3,132 of vacation pay and sick leave was accrued.

H. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 1999, are recorded as prepaid items.

J. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative (i.e., presentation of prior year totals by *fund type*) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

L. Encumbrances

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 as an extension of formal budgetary integration in the funds.

M. Memorandum Only - Total Columns

Total columns on the general purpose financial 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 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.

N. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

O. Capitalization of Interest Expense

It is the policy of the District to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. For the year ended September 30, 1999, no capitalized interest expense was recorded on the books.

P. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds during the reporting period.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 2 MEETING EXPENSE

Meeting expense paid to the Board of Supervisors for the year ending September 30, 1999, is as follows:

Ken Cooper, Secretary/Treasurer	\$ 780
Ray Rentrop, Chairman	780
Daniel Felterman (Appointed August, 1998)	<u>720</u>
	<u>\$ 2,280</u>

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 1999, the District has cash and interest-bearing deposits (book balances) totaling \$866,654 as follows:

Demand deposits	\$ 10,050
Money market accounts	191,763
Time deposits	<u>664,841</u>
Total	<u>\$ 866,654</u>

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. Deposit balances (bank balances) at September 30, 1999, are secured as follows:

Bank balances	\$ <u>880,040</u>
Federal deposit insurance	\$ 351,426
Pledged securities (Category 2)	<u>1,500,966</u>
Total federal insurance and pledged securities	<u>1,852,392</u>
Excess	<u>\$ 972,352</u>

Pledged securities in Category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent in the District's name.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 4 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects property taxes for the District using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

For the year ended September 30, 1999, 13.44 mills were authorized and dedicated as follows:

Sewerage system maintenance	6.44 mills
Debt service	7.00 mills

Total taxes levied were \$302,967. There were no taxes receivable at September 30, 1999.

NOTE 5 UTILITY PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at September 30, 1999 follows:

System	\$ 2,451,140
Equipment	4,770
Furniture and fixtures	<u>96,736</u>
	2,552,646
Less: Accumulated depreciation	<u>687,249</u>
Net utility property, plant and equipment	<u>\$ 1,865,397</u>

Depreciation expense for the years ended September 30, 1999 and 1998 is \$53,062 and \$53,590, respectively.

NOTE 6 CHANGES IN LONG-TERM DEBT

The following is a summary of bond transactions of the Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana, for the year ended September 30, 1999:

	<u>Obligation</u>
Bonds payable, October 1, 1998	\$ 1,028,000
Bonds retired	<u>116,000</u>
Bond payable, September 30, 1999	<u>\$ 912,000</u>

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 6 CHANGES IN LONG-TERM DEBT (CONTINUED)

Bonds payable at September 30, 1999 is composed of the following individual issue:

in annual installments of \$124,000 to \$184,000 through March 1, 2005; interest rate of 5.75 percent per annum; payable by levy and collection of ad valorem taxes	<u>\$ 912,000</u>
---	----------------------

The annual requirements to amortize all debt outstanding as of September 30, 1999, including interest payments of \$169,510, are as follows:

Year Ending September 30,	General Obligation
2000	\$ 172,875
2001	177,400
2002	173,465
2003	180,955
2004	187,525
2005	<u>189,290</u>
	<u>\$ 1,081,510</u>

NOTE 7 RETIREMENT COMMITMENTS

All employees of the District who are hired on a permanent basis not participating in another public funded retirement system are required to participate in the Louisiana State Employees Retirement System.

State statute requires covered employees to contribute 9.5 percent of their salaries to the System. The System required an employer contribution equal to 7.75 percent of each covered member's salary for wages paid to members. The District's contribution to the System for the years ended September 30, 1999, 1998 and 1997 were \$2,688, \$3,117, and \$2,969 respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Louisiana State Employees' Retirement System.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 8 INTERGOVERNMENTAL AGREEMENT

On July 26, 1997 the district entered into an agreement with the St. Mary Parish Council to pay a portion of the Parish's General Obligation Bonds used for the construction of the regional sewerage treatment facility in Wards 5 and 8.

The annual requirement to amortize this debt including interest of \$96,021, are as follows:

<u>Year Ending September 30,</u>	<u>Parish General Obligation</u>
2000	\$ 121,014
2001	120,249
2002	120,587
2003	120,564
2004	120,192
2005	<u>120,184</u>
	<u>\$ 722,790</u>

The Parish has obligated a portion of its 3/4 cents sales tax revenues to pay these bonds. The District's liability in 1999 (difference in sales tax collection and payment obligation) is not measurable and therefore is not recorded as a liability. Payments made to cover principal and interest exceeded sales tax collected by \$53,145 in the year ended September 30, 1999.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended September 30, 1999. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

NOTE 10 PENDING LITIGATION

The District is presently not involved in any litigation.

**SUPPLEMENTAL
INFORMATION**

**INTERNAL CONTROL
AND
COMPLIANCE**



Darnall, Sikes & Frederick

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Retired 1990

E. Larry Sikes, CPA, CVA
Danny P. Frederick, CPA
Clayton E. Darnall, CPA
Eugene H. Darnall, III, CPA
Paula D. Bilim, CPA
Stephanie M. Higginbotham, CPA
Jennifer S. Ziegler, CPA
Chris A. Miller, CPA
John P. Armato, CPA

Kathleen T. Darnall, CPA
Stephen R. Dischler, MBA, CPA
Alan M. Taylor, CPA
Christine A. Raspberry, CPA
Steven G. Moosa, CPA
Erich G. Loewer, Jr., CPA
Erich G. Loewer, III, CPA
Danny P. Pontiff, CPA
Tamera T. Landry, CPA
Carla R. Fontenot, CPA
Raegan D. Stelly, CPA
Jason H. Watson, CPA

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

The Board of Supervisors
Sewerage District No. 8
of the Parish of St. Mary,
State of Louisiana

Other Locations:

125 Rue Beaugard
Lafayette, LA 70508
318.232.3312

1231 E. Laurel Avenue
Funice, LA 70535
318.457.4146

1201 Brashear Avenue
Suite 301
Morgan City, LA 70380
504.384.6264

404 Pere Megret
Abbeville, LA 70510
318.893.5470

dsfepas.com

We have audited the general purpose financial statements of the Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council as of and for the year ended September 30, 1999, and have issued our report thereon dated November 3, 1999, which was qualified due to the omission of the year 2000 disclosures that are required by Governmental Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. 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. 8 of the Parish of St. Mary, State of Louisiana's, 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. 8 of the Parish of St. Mary, State of Louisiana'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 one certain matter involving the 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 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. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-1.

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Society of Louisiana
Certified Public Accountants

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, as defined above. However, we believe the reportable condition described above as 99-1 to be material weaknesses.

This report is intended for the information of the District's Board of Supervisors, management, and others within the organization and is not intended to be and should not be used by anyone other than those specified parties.

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
November 3, 1999

OTHER SUPPLEMENTARY INFORMATION

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Number of Utility Customers
(Unaudited)
September 30, 1999

Records maintained by the District indicated the following number of sewerage customers were being served during the month of September, 1999 and 1998:

1999	544
1998	564

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Insurance in Force
(Unaudited)
September 30, 1999

<u>Description of Coverage</u>	<u>Coverage Amounts</u>
Comprehensive general liability, bodily injury and property damage/combined single limit	\$ 2,000,000
Surety bonds -	
Ken Cooper	10,000
Ray Rentrop	10,000
<i>Danny Felterman</i>	10,000
Leo Harrington	10,000
Valarie Crappell	10,000
Antoinette LeBlanc	10,000
Business auto (hired and non-owned)	1,000,000
Workmen's compensation -	statutory
Employer liability	100,000
Fire, lightning, and extended coverage -	
Building and contents, all risks except flood and earthquake	62,000

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Combined Schedule of Interest-Bearing Deposits - All Funds
September 30, 1999

	<u>Term</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Debt Service Fund:				
Certificate of Deposit - Iberia Savings Bank	6 months	2/2/2000	4.46%	\$ 82,191
Insured money market	N/A	N/A	various	7,904
Priority Savings Account	N/A	N/A	2.62%	<u>78,471</u>
Total debt service fund				<u>168,566</u>
Utility Fund:				
Certificate of deposit - Patterson State Bank	6 months	12/22/1999	4.625%	320,252
Patterson State Bank	6 months	3/18/2000	4.565%	102,470
Iberia Savings Bank	6 months	11/22/1999	4.75%	49,361
Iberia Savings Bank	9 months	5/2/2000	4.56%	110,566
Insured money market	N/A	N/A	various	75,472
Priority Savings Account - Teche Federal Savings Bank	N/A	N/A	2.47%	<u>37,820</u>
Total utility fund				<u>695,941</u>
Total - all funds				<u>\$864,507</u>

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
September 30, 1999

98-1 Finding: Inadequate Segregation of Accounting Functions

Status: This finding is unresolved. See current year finding 99-1.

98-2 Finding: Lack of Fidelity Bond Coverage

Status: This finding is resolved. Bonds were obtained for all persons authorized to handle District funds.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Findings and Questioned Costs
September 30, 1999

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

A qualified opinion has been issued on Sewerage District No. 8's financial statements as of and for the year ended September 30, 1999.

Reportable Conditions – Financial Statements

One reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 99-1 in Part 2 and is considered a material weakness.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

Part 2: Findings Relating to an Audit in Accordance with Governmental Auditing Standards

99-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of accounting personnel, the District did not have adequate segregation of functions within the accounting systems.

Recommendation:

Based upon the size of the operation and the cost benefit of additional personnel it may not be feasible to achieve complete segregation of duties.

SEWERAGE DISTRICT NO. 8
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings
September 30, 1999

Response to Finding 99-1:

No response is considered necessary.