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**SEWERAGE DISTRICT NO. 7
OF THE PARISH OF ST. MARY**

Franklin, Louisiana

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 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.

APR 12 2000

Release Date _____

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Sewerage District No. 7 of the Parish of St. Mary, a component unit of the Parish of St. Mary, State of Louisiana as of and for the year ended September 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the board of supervisors of Sewerage District No. 7 of the Parish of St. Mary. 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 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 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, as of September 30, 1999, 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 15, 1999 on our consideration of the District's compliance with laws and regulations and on its internal control over financial reporting.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The year 2000 supplemental information on page 16 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information.

However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Sewerage District No. 7 of the Parish of St. Mary, is or will become year 2000 compliant, that the Sewerage District No. 7 of the Parish of St. Mary's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Sewerage District No. 7 of the Parish of St. Mary does business are or will become year 2000 compliant.

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

Morgan City, Louisiana
December 15, 1999

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, 1999

	General Fund Types		Fuduciary	Account Groups		Totals (Memorandum Only)
	General	Capital	Fund Type	General	General	
	Fund	Projects	Agency Fund	Fixed Assets	Long-Term Debt	
ASSETS AND OTHER DEBITS						
Assets:						
Cash	\$30,380	\$3,624	\$ 9,572	\$ -	\$ -	\$ 43,576
Receivables	2,873	-	115,270	-	-	118,143
Due from other funds	12,510	-	12,039	-	-	24,549
Sewerage system facility	-	-	-	2,527,576	-	2,527,576
Amount to be provided for payment of other long term obligations	-	-	-	-	12,039	12,039
Total assets and other debits	<u>\$45,763</u>	<u>\$3,624</u>	<u>\$136,881</u>	<u>\$2,527,576</u>	<u>\$12,039</u>	<u>\$ 2,725,883</u>
LIABILITIES, EQUITY AND OTHER CREDITS						
Liabilities:						
Due to other funds	-	12,039	12,510	-	-	24,549
Due to holders of special assessment notes	-	-	124,371	-	-	124,371
Special assessment debt payable	-	-	-	-	12,039	12,039
Total liabilities	<u>-</u>	<u>12,039</u>	<u>136,881</u>	<u>-</u>	<u>12,039</u>	<u>160,959</u>
Equity and other credits:						
Investment in general fixed assets	-	-	-	2,527,576	-	2,527,576
Fund balance-						
Unreserved and undesignated	<u>45,763</u>	<u>(8,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,348</u>
Total equity and other credits	<u>45,763</u>	<u>(8,415)</u>	<u>-</u>	<u>2,527,576</u>	<u>-</u>	<u>2,564,924</u>
Total liabilities, equity and other credits	<u>\$45,763</u>	<u>\$3,624</u>	<u>\$136,881</u>	<u>\$2,527,576</u>	<u>\$12,039</u>	<u>\$ 2,725,883</u>

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 Balances
All Governmental Fund Types
For the Year Ended September 30, 1999

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Local Source-			
Intragovernmental	\$ -	\$ 21,864	\$ 21,864
Sewer user fees	96,786	-	96,786
Total revenues	<u>96,786</u>	<u>21,864</u>	<u>118,650</u>
Expenditures:			
Current -			
General government	64,857	-	64,857
Repairs and maintenance	3,443	-	3,443
Professional Fees	7,662	-	7,662
Utilities	7,521	-	7,521
Capital outlay	9,605	21,864	31,469
Total expenditures	<u>93,088</u>	<u>21,864</u>	<u>114,952</u>
Excess of revenues over (under) expenditures	3,698	-	3,698
Fund balances (deficit), beginning	<u>42,065</u>	<u>(8,415)</u>	<u>33,650</u>
Fund balances (deficit), ending	<u>\$ 45,763</u>	<u>\$ (8,415)</u>	<u>\$ 37,348</u>

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 Balances
Budget and Actual
General Fund
For the Year Ended September 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:			
Local Source-			
Sewer user fees	\$ 96,000	\$ 96,786	\$ 786
Total revenues	<u>96,000</u>	<u>96,786</u>	<u>786</u>
 Expenditures:			
Current -			
General government	105,744	64,857	40,887
Repairs and maintenance	-	3,443	(3,443)
Professional Fees	10,775	7,662	3,113
Utilities	7,200	7,521	(321)
Capital outlay	-	9,605	(9,605)
Total expenditures	<u>123,719</u>	<u>93,088</u>	<u>30,631</u>
 Excess of revenues over (under) expenditures	 (27,719)	 3,698	 31,417
 Fund balances (deficit), beginning	 <u>24,385</u>	 <u>42,065</u>	 <u>17,680</u>
 Fund balances (deficit), ending	 <u>\$ (3,334)</u>	 <u>\$ 45,763</u>	 <u>\$ 49,097</u>

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.

(1) Summary of Significant Accounting Policies

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

A. 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.

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. 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:

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.

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)

C. 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.

D. 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.

E. 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:

F. Revenues

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

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

Substantially all other revenues are recorded when received.

G. 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.

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

Notes to Financial Statements (Continued)

H. 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.

I. 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.

J. 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, 1999.

K. 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.

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

Notes to Financial Statements (Continued)

(2) Cash

At September 30, 1999, the district has cash (book balances) totaling \$43,576, as follows:

Demand deposits	\$ 34,004
Interest Bearing demand deposits	<u>9,572</u>
Total	<u>\$ 43,576</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. At September 30, 1997, the district has \$42,858 in 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, 1999:

Sewer User Fees	\$ 2,873
Special Assessment	<u>115,270</u>
Total	<u>\$ 118,143</u>

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:

	Balance 10/1/98	Additions	Deductions	Balance 9/30/99
Sewerage System	\$ 2,488,660	\$ 30,101	\$ -	\$ 2,518,761
Improvements Other Than Buildings	7,448	1,367	-	8,815
Total	\$ 2,496,108	\$ 31,468	\$ -	\$ 2,527,576

(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, 1999, 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, 1996, the district passed a resolution providing for the issuance, execution, sale and delivery of \$126,276 of Sewerage Certificates, Series 1997 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 1996.

Except as discussed in Note 5 the District is not obligated in any manner for the repayment of the Sewerage Certificates, Series 1990 or 1997 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, 1999 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 12,510	\$ -
Capital Project Fund	-	12,039
Agency Fund	<u>12,039</u>	<u>12,510</u>
Total	<u>\$ 24,549</u>	<u>\$ 24,549</u>

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	\$ 650
Tommy Ducote	250
Beverly Epps	600
Clark Lee	650
Stan Pipes	<u>600</u>
Total	<u>\$2,750</u>

SUPPLEMENTAL INFORMATION

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

Year 2000 Issue
(Unaudited)
September 30, 1999

Impact of Year 2000 on Computer Programs (Unaudited)

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of Sewerage District No. 7 of the Parish of St. Mary's computer programs that have time sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions or engage in similar normal business activities.

The Sewerage District No. 7 of the Parish of St. Mary has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting operations and have identified such system as being financial reporting.

- The application has been assessed, remediated, tested, and validated.

Contracted amounts of are not committed to this project at September 30, 1999.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Sewerage District No. 7 of the Parish of St. Mary is or will be Year 2000 ready, that the Sewerage District No. 7 of the Parish of St. Mary's remediation efforts will be successful in whole or in part, or that parties with whom the Sewerage District No. 7 of the Parish of St. Mary does business will be Year 2000 ready. The Sewerage District No. 7 of the Parish of St. Mary is utilizing external resources to identify and test the systems for Year 2000 compliance.

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 financial statements of the Sewerage District No. 7 of the Parish of St. Mary for the year ended September 30, 1999, and have issued our report thereon dated December 15, 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 Sewerage District No. 7 of the Parish of St. Mary'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. 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 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 15, 1999