

**SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA**

Financial Report

Year Ended September 30, 2003

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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

The Board of Supervisors
Sewerage District No. 9
of the Parish of St. Mary,
State of Louisiana

We have audited the accompanying financial statements of the Sewerage District No. 9 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, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Sewerage District No. 9 of the Parish of St. Mary, State of Louisiana, as of September 30, 2003, and the results of its operations and cash flows for the year then ended, in conformity with accounting principals generally accepted in the United States of America.

The Sewerage District No. 9 of the Parish of St. Mary, State of Louisiana, adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments; Statement No. 37, Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments: Omnibus; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, as of October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 16, 2004, 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.

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American Institute of
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Society of Louisiana
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The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
January 16, 2004

FINANCIAL SECTION

Management's Discussion and Analysis

As management of the St. Mary Parish Sewerage District No. 9, we offer readers of the St. Mary Parish Sewerage District No. 9's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2003. Please read it in conjunction with the District's Financial Statements and Notes to the Financial Statements.

The MD & A is a new element of the Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2002-2003) and the prior year (2001-2002) is required to be presented in the MD & A. However, since this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare comparative data and that Statement No. 34 permits the omission of prior year data in the year of implementation, the District's management has elected not to prepare comparative data due to the cost of adjusting prior year's financial statements to the new reporting model. Prior year comparative data will be available in the future to provide a more meaningful comparative analysis of the government-wide data.

Financial Highlights

- The District's assets exceeded its liabilities at the close of the fiscal year ended September 30, 2003 by \$3,617,161 (*net assets*). Of this amount, \$87,743 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to creditors. The restricted portion, \$11,731 is for the payment of bond principal and interest.
- The District's total net assets decreased by \$9,038.
- The District's total debt decreased by \$11,136 during the current fiscal year. The key factor in this decrease was the payment of principal on long-term debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the St. Mary Parish Sewerage District No. 9's financial statements. The District's financial statements are comprised of four components: 1) *Management's Discussion and Analysis* (this section), 2) the *Basic Financial Statements*, 3) *Notes to the Financial Statements* and 4) *Supplemental Information*.

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principals. These financial statements provide overall information about the District's financial activities on both short-term and long-term basis. The statement of net assets presents information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statement of revenues, expenses, and changes in net assets presents information about the current year's revenues and expenses. This statement can be used to measure operating improvements or deterioration for the current year. This statement also provides useful information for determining whether the District's service revenue and other revenue sources were sufficient to allow the District to recover all of its costs. The final financial statement in this report is the statement of cash flows which provides information about the District's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where cash came from, what cash was used for, and what was the change in the cash balance during the reporting period. The statements are followed by a section of notes to the financial

statements and other supplemental information that further explains and supports the information in the financial statements.

Financial Analysis of the District

The following table reflects the condensed Statement of Net Assets for 2003. Prior year data is not presented in the implementation year but will be included in future years for comparison purposes:

St. Mary Parish Sewerage District No. 9
Condensed Statement of Net Assets
September 30, 2003

Current and other assets	\$	111,693
Capital assets, net of accumulated depreciation		<u>4,598,763</u>
Total assets	\$	<u><u>4,710,456</u></u>
Current liabilities		23,700
Long-term liabilities		<u>1,069,595</u>
Total liabilities		<u><u>1,093,295</u></u>
Net assets:		
Invested in capital assets net of related debt		3,517,687
Restricted for debt service		11,731
Unrestricted		<u>87,743</u>
Total net assets	\$	<u><u>3,617,161</u></u>

The largest portion of the District's net assets \$3,517,687 or 97% reflects its capital assets (sewerage system and equipment) less any related outstanding debt used to acquire those assets that is still outstanding. The District uses these assets to provide services to citizens; consequently, these assets are not available for future spending. The District provides sewerage treatment services to the citizens residing within the Sewerage District No. 9.

Another .32% or \$11,731 of the District's net assets is restricted for the payment of debt service payments and the remaining 2.68% or \$87,743 of net assets, referred to as unrestricted, may be used to meet the ongoing obligations of the District to citizens and creditors.

At the end of the current fiscal year, the District is able to report a positive balance in net assets.

The table below provides a summary of the changes in net assets for the year ended September 30, 2003:

St. Mary Parish Sewerage District No. 9
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended September 30, 2003

Revenues:	
Operating revenues	\$ 64,278
Operating expenses	<u>281,775</u>
Operating loss	<u>(217,497)</u>
Nonoperating revenues (expenses)	
Grant revenue	256,040
Rental income	1,106
Interest expense	<u>(48,687)</u>
Total nonoperating revenues	<u>208,459</u>
Increase (decrease) in net assets	(9,038)
Net assets - beginning	<u>3,626,199</u>
Net assets - ending	<u><u>\$ 3,617,161</u></u>

The District's net assets decreased by \$9,038 during the current fiscal year. A main contributor to this decrease is that the sewerage treatment system started operations in December 2002 and generated \$64,278 in operating revenues for the partial year of operations, which are offset by \$281,321 of operating expenses. Another contributor to the decrease in net assets is the approximately \$49,000 of interest expense due to bond interest payments.

Capital Asset and Debt Administration

Capital Assets. The St. Mary Parish Sewerage District No. 9's investment in capital assets as of September 30, 2003 amounts to \$4,598,763 (net of accumulated depreciation). This investment in capital assets includes the sewer treatment system, and equipment. The total percentage increase in the District's investment in capital assets for the current fiscal year was 1.5 percent.

Major capital asset events during the current fiscal year included the following:

- The completion of the Sewer Treatment Facility Phase I.

Additional information on the St. Mary Parish Sewerage District No. 9's capital assets can be found in Note 4 on page 15 of this report.

Long-Term Debt. At the end of the current fiscal year, the District had outstanding revenue bonds in the amount of \$1,081,109. The entire amount is secured by and payable solely from operating revenues of the sewerage treatment facility.

Additional information on the District's long-term debt can be found in footnote 7 on pages 16 and 17 of this report.

Economic Factors

The St. Mary Parish Sewerage District No. 9 is continuing to expand, and as such, operating revenues will continue to increase. Bond payments will be made by use of operating revenues.

Requests for Information

This financial report is designed to provide a general overview of the St. Mary Parish Sewerage District No. 9's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Toby Darden, Board member, St. Mary Parish Waterworks District, P.O. Box 9, Charenton, La. 70523-0009.

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Statement of Net Assets
September 30, 2003

ASSETS

Current assets:

Cash	\$ 76,950
Sewer user fees receivable	5,220
Prepaid expenses	<u>6,504</u>
Total current assets	<u>88,674</u>

Restricted assets:

Revenue bond sinking fund - Cash	7,355
Revenue bond reserve fund - Cash	2,188
Contingencies fund - Cash	<u>2,188</u>
Total restricted assets	<u>11,731</u>

Bond issue cost, net of accumulated amortization	<u>11,288</u>
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Noncurrent assets:

Capital assets, net of accumulated depreciation	<u>4,598,763</u>
Total assets	<u>\$ 4,710,456</u>

LIABILITIES

Current Liabilities

Accounts payable	\$ 11,606
Due to Waterworks District # 6	580
Current portion of revenue bonds payable	<u>11,514</u>
Total current liabilities	<u>23,700</u>

Noncurrent liabilities:

Revenue bonds payable	<u>1,069,595</u>
Total liabilities	<u>1,093,295</u>

NET ASSETS

Invested in capital assets, net of related debt	3,517,687
Restricted for debt service	11,731
Unrestricted	<u>87,743</u>
Total net assets	<u>\$ 3,617,161</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended September 30, 2003

Operating revenues:	
Sewer user fees	\$ 64,146
Inspection fees	<u>132</u>
Total operating revenues	<u>64,278</u>
Operating expenses	
Advertising	1,139
Amortization	3,225
Collection fees	5,324
Depreciation	191,997
Inspection expense	1,080
Insurance	5,020
Maintenance expense	26,706
Meeting expense	2,205
Professional fees	18,500
Office supplies	1,178
Miscellaneous	1,923
Utilities	<u>23,478</u>
Total operating expenses	<u>281,775</u>
Operating loss	(217,497)
Nonoperating revenues (expenses)	
Grant revenue	44,851
Intergovernmental	211,189
Rental income	1,106
Interest income	105
Interest expense	<u>(48,792)</u>
Total nonoperating revenues	<u>208,459</u>
Change in net assets	(9,038)
Net assets, beginning	<u>3,626,199</u>
Net assets, ending	<u>\$ 3,617,161</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Statement of Cash Flows
Year Ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 59,058
Payments to suppliers for goods and services	<u>(128,206)</u>
Net cash provided by operating activities	<u>(69,148)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grant revenues	63,767
Intergovernmental revenues	<u>222,063</u>
Net cash provided by noncapital financing activities	<u>285,830</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on capital debt	(11,136)
Interest paid on capital debt	(48,792)
Acquisition and construction of capital assets	<u>(75,286)</u>
Net cash used by capital and related financing activities	<u>(135,214)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Rent received	1,106
Interest received	<u>105</u>
Net cash used by investing activities	<u>1,211</u>

Net increase in cash and cash equivalents	82,679
Cash and restricted cash - October 1, 2002	<u>6,002</u>
Cash and restricted cash - September 30, 2003	<u>\$ 88,681</u>

Reconciliation of operating income to net cash provided (used) by operating activities:

Operating loss	\$ <u>(217,497)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	191,997
Amortization	3,225
Increase in sewer fees receivable	(5,220)
Increase in prepaid expenses	(2,667)
Increase (decrease) in accounts payable and accrued liabilities	(39,566)
Increase in due to other governments	580
Total adjustments	<u>148,349</u>
Net cash provided by operating activities	<u>\$ (69,148)</u>

Reconciliation of total cash:

Current Assets - cash	76,950
Restricted Assets - cash	<u>11,731</u>
Total cash	<u>\$ 88,681</u>

The accompanying notes are an integral part of this statement.

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sewerage District No. 9 of the Parish of St. Mary, State of Louisiana (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. 9.

The accounting and reporting policies of the District conform to generally accepted accounting principals as applicable to governments. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations) 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:

Financial Reporting Entity

This report includes all funds, which are controlled by or dependent on the District's 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.

Fund Accounting

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or regulations. The District is presented in the accompanying financial statements as follows:

PROPRIETARY FUND –

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. 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. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

District are sewer user fees and inspection fees. The operating cost of the proprietary fund is all costs associated with the operation of the sewerage system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principals Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principals Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989.

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Sewer Treatment System:

System	50 years
Equipment	20 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations.

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. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results may differ from these estimates.

Advertising Cost

Advertising costs are expensed as they are incurred. For the year ended September 30, 2003, advertising costs charged to operations totaled \$1,139.

NOTE 2 COMPENSATION OF BOARD MEMBERS

Meetings expense paid to the Board of Supervisors for the year ended September 30, 2003, is as follows:

Toby Darden, (President expires 2/26/04)	\$ 441
Clifton Charpentier, (Board Member, expires 2/26/04)	490
Bobbie J. Wiley, (Board Member, expires 2/26/04)	294
Willie Scott, (Vice President expires 2/26/04)	539
Frances Gonsoulin, (Board Member expires 1/25/08)	<u>441</u>
	<u>\$ 2,205</u>

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

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, 2003, the District has cash (book balances) totaling \$88,681, as follows:

Demand deposits	<u>\$ 88,681</u>
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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, 2003, are secured as follows:

Bank balances	<u>\$ 110,001</u>
Federal deposit insurance	100,000
Pledged securities (Category 2)	<u>31,564</u>
Total	<u>131,564</u>
Excess of federal deposit insurance and securities pledged	<u>\$ 21,563</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. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2003 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 29,835	\$ -	\$ 29,835
Other capital assets				
System	3,157,165	45,450	-	3,202,615
Equipment	1,621,741	-	-	1,621,741
Total other capital assets	<u>4,778,906</u>	<u>45,450</u>	<u>-</u>	<u>4,824,356</u>
Less accumulated depreciation for:				
System	52,619	159,562	-	212,181
Equipment	10,812	32,435	-	43,247
Total accumulated depreciation	<u>63,431</u>	<u>191,997</u>	<u>-</u>	<u>255,428</u>
Other capital assets, net	<u>4,715,475</u>	<u>(146,547)</u>	<u>-</u>	<u>4,568,928</u>
Capital assets, net	<u>\$ 4,715,475</u>	<u>\$ (71,262)</u>	<u>\$ -</u>	<u>\$ 4,598,763</u>

NOTE 5 PENDING LITIGATION

The District is presently not involved in any litigation.

NOTE 6 INTERGOVERNMENTAL AGREEMENT

On March 1, 1995, the District entered into an agreement with the Sovereign Nation of the Chitimacha (Chitimacha Tribe of Louisiana) for the construction, operation and maintenance of sanitary sewerage collection and treatment facilities. The agreement shall be binding on the District and Tribe for a period of 40 years unless renewed upon mutual consent or terminated by agreement between the parties. The agreement provides for the designation of the components of the proposed sewerage works as joint-service components and non joint-service components. Non joint-service components service either the District or the Tribe, but not both parties. Joint-service components service both the District and the Tribe. The agreement provides that the District and the Tribe will each be responsible for the construction, maintenance and operation of the non joint-service components that service their customers only. The District is responsible for the construction, administration, operation and maintenance of the joint service components. The costs associated with the construction of the sewer treatment facility shall be shared equally by the District and the Tribe up to \$425,000 each. If actual construction costs exceed 10 percent of the projected cost to construct the facility, the parties shall have the right to renegotiate the cost sharing arrangements. The Tribe shall contribute a lump sum amount of \$35,000 as its share of costs related to the construction of other joint service components such as regional pump

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 6 INTERGOVERNMENTAL AGREEMENT (CONTINUED)

stations and regional force mains to be constructed under the agreement and that may be constructed in the future over an anticipated 20 year period. For the treatment facility and the other joint service components, ownership shall vest to the District and the Tribe in relation of their cost contribution in proportion to the total costs of the construction.

Subject to the direction of the Management Committee, made up of one representative from the District and one from the Tribe, the District shall be responsible for the proper physical operation and maintenance of all joint service components constructed under the agreement. The District shall determine, establish and institute an equitable system of user charges for the users of the facilities for the payment of the necessary costs of operation and maintenance of the joint service components. The Tribe shall, on a monthly basis, pay to the District their pro-rata share of the costs of operating and maintaining the joint service components. The pro-rata share of the costs shall be determined based on the proportionate burden placed on the facility by the sewer customers of each of the parties as indicated by flow measurements. The District shall pay all costs of operation and maintenance of the facility as they become due and payable and shall submit to the Tribe, monthly, following such payment, an itemized statement showing such costs.

NOTE 7 BONDS PAYABLE

	<u>Balance</u> 9/30/2002	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 9/30/2003	<u>Due Within</u> <u>One Year</u>
\$1,000,000 revenue bonds	\$ 992,950	\$ -	\$ 10,123	\$ 982,827	\$ 10,467
\$100,000 revenue bonds	<u>99,295</u>	<u>-</u>	<u>1,013</u>	<u>98,282</u>	<u>1,047</u>
	<u>\$1,092,245</u>	<u>\$ -</u>	<u>\$ 11,136</u>	<u>\$1,081,109</u>	<u>\$ 11,514</u>

\$1,000,000 Sewerage Revenue Bonds; due in monthly installments of \$4,540 beginning January 5, 2002; one payment of interest of \$45,000 due December 5, 2001; bond is payable over 40 years; interest rate of 4.50% per annum

\$ 982,827

\$100,000 Sewerage Revenue Bonds; due in monthly installments of \$454 beginning January 5, 2002; one payment of interest of \$4,500 due December 5, 2001; bond is payable over 40 years; interest rate of 4.50% per annum

\$ 98,282

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Notes to Financial Statements

NOTE 7 BONDS PAYABLE (CONTINUED)

The annual requirements to amortize all debt outstanding at September 30, 2003, are as follows:

<u>Year Ending September 30,</u>	Revenue Bonds			
	\$1,000,000		\$100,000	
	Principal	Interest	Principal	Interest
2004	\$ 10,467	\$ 44,013	\$ 1,047	\$ 4,401
2005	10,948	43,532	1,095	4,353
2006	11,451	43,029	1,145	4,303
2007	11,977	42,503	1,198	4,250
2008	12,527	41,953	1,253	4,195
2009 - 2013	71,814	200,586	7,181	20,314
2014 - 2018	89,897	182,503	8,990	18,206
2019 - 2023	112,532	159,869	11,253	15,932
2024 - 2028	140,274	131,532	14,087	13,084
2029 - 2033	176,337	96,063	17,634	9,520
2034 - 2038	220,738	51,661	22,074	5,166
2039 - 2041	113,865	5,875	11,325	585
	<u>\$ 982,827</u>	<u>\$ 1,043,119</u>	<u>\$ 98,282</u>	<u>\$ 104,309</u>

**SUPPLEMENTAL
INFORMATION**

INTERNAL CONTROL, COMPLIANCE

AND

OTHER GRANT INFORMATION



**Darnall, Sikes
& Frederick**

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Retired 1990
Paula D. Bihm, CPA Deceased 2002

E. Larry Sikes, CPA, CVA, CFP™
Danny P. Frederick, CPA
Clayton E. Darnall, CPA, CVA
Eugene H. Darnall, III, CPA
Stephanie M. HigginBotham, CPA
John P. Armato, CPA
Jennifer S. Ziegler, CPA, CFP™
Chris A. Miller, CPA, CVA
Stephen R. Dischler, MBA, CPA
Steven G. Moosa, CPA

Erich G. Loewer, Jr. CPA

Kathleen T. Darnall, CPA
Erich G. Loewer, III, MTX CPA
Tamera T. Landry, CPA
Raegan D. Maggio, CPA
Barbara A. Clark, CPA
Monica F. Laverne, CPA
Lauren F. Verrett, CPA
Michelle B. Borrello, CPA
Jeremy C. Meaux, CPA
Kevin S. Young, CPA
Barbara Ann Watts, CPA
Adam J. Curry, 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. 9
of the Parish of St. Mary,
State of Louisiana

We have audited the financial statements of Sewerage District No. 9 of the Parish of St. Mary, State of Louisiana as of and for the year ended September 30, 2003, and have issued our report thereon dated January 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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. 9 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 instances of noncompliance that were required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2003-2 through 2003-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal controls 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 2003-1.

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 as 2003-1 is a material weakness.

This report is intended solely for the information and use of management and others within the organization. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, therefore its distribution is not limited.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Morgan City, Louisiana

January 16, 2004

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Summary Schedule of Prior Year Findings
Year Ended September 30, 2003

2002-1	Finding:	<u>Inadequate Segregation of Accounting Functions</u>
	Status:	This finding is unresolved. See current year finding 2003-1.
2002-2	Finding:	<u>Funding of the Reserve for Bonds Payable</u>
	Status:	This finding has been resolved.
2002-3	Finding:	<u>Monthly Bond Payments</u>
	Status:	This finding is unresolved. See current year finding 2003-3.

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on the District's financial statements as of and for the year ended September 30, 2003.

Reportable Condition – Financial Reporting

There was one reportable condition in internal control over financial reporting disclosed during the audit of the financial statements and is shown as item 2003-1 in Part 2 and is considered a material weakness.

Material Noncompliance – Financial Reporting

The results of our tests disclosed instances of noncompliance which are required to be reported under *Government Auditing Standards* which are shown as items 2003-2 through 2003-4.

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

2003-1 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 system.

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.

2003-2 Sinking Fund, Reserve Fund, and Contingency Fund Transfers Not Done Timely

Finding:

Sinking fund, reserve fund, and contingency fund transfers were not made on or before the twentieth of the month.

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2003

Recommendation:

The District should transfer sinking fund, reserve fund, and contingency fund payments on or before the twentieth of the month.

2003-3 Monthly Bond Payments

Finding:

The District did not pay its monthly installments for the bonds payable in a timely manner.

Recommendation:

The District should set up a schedule to insure that the notes are paid in a timely manner.

2003-4 Formal Adoption of Louisiana Compliance Questionnaire

Finding:

The District did not adopt the Louisiana Compliance Questionnaire by means of a formal resolution in an open meeting as required by the Louisiana Legislative Auditor.

Recommendation:

The Louisiana Compliance Questionnaire upon completion should be presented to and adopted by the Board of Commissioners and this action evidenced by inclusion in the minutes of Board meetings.

Part 3: Findings and Questioned Costs Relating to Federal Programs

Sewerage District No. 9 did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore this section is not applicable.

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Management's Corrective Action Plan For Current Year Findings
Year Ended September 30, 2003

Response to Finding 2003-1:

No response is considered necessary.

Response to Finding 2003-2:

Sinking fund, reserve fund, and contingency fund transfers will be made timely.

Response to Finding 2003-3:

The District will ensure that in the future they make the monthly installments in a timely manner.

Response to Finding 2003-4:

The District will formally adopt the Louisiana Compliance Questionnaire by means of a formal resolution in an open meeting.

OTHER SUPPLEMENTARY INFORMATION

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA

Schedule of Number of Utility Customers
(Unaudited)
September 30, 2003

Records maintained by the District indicate the following number of residential and non-residential sewerage customers were being served during the month of September 2003:

Residential	369
Non-residential	7

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Schedule of Insurance in Force
(Unaudited)
September 30, 2003

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
General liability, bodily injury and property damage/combined single limit	7/31/2004	\$ 3,000,000
Surety bonds-- Blanket coverage of Board of Directors and Raymond Harris	9/19/2004	180,000
Personal injury and advertising injury	7/31/2004	3,000,000
Public officials and employees errors and omissions	7/31/2004	2,000,000
Professional liability	7/31/2004	3,000,000
Employment practices liability	7/31/2004	3,000,000
Building and equipment	8/11/2004	369,630

SEWERAGE DISTRICT NO. 9
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Schedule of Aged Receivables
(Unaudited)
September 30, 2003

<u>Under 30 days</u>	<u>30 to 60 days</u>	<u>60 to 90 days</u>	<u>Over 90 days</u>	<u>Total Receivables</u>
<u>\$ 5,220</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,220</u>