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**ST. MARY PUBLIC TRUST
FINANCING AUTHORITY
FINANCIAL REPORT**

Year Ended December 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been distributed to the auditor, or non-profit entity and other appropriate public officials. The report is available for public inspection at the Boston Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-18-99

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**The Board of Trustees
St. Mary Public Trust Financing Authority
Morgan City, Louisiana**

We have audited the accompanying general purpose financial statements of the St. Mary Public Trust Financing Authority, a component unit of the City of Morgan City, Louisiana, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Board of Trustees of the Authority. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statements 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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The St. Mary Public Trust Financing Authority has omitted such disclosures. We do not provide assurance that the Authority is or will by year 2000 ready, that the Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority 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 St. Mary Public Trust Financing Authority as of December 31, 1998, and the results of its operations and the cash flows of its proprietary fund type 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 May 14, 1999 on our consideration of the St. Mary Public Trust Financing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed under "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 St. Mary Public Trust Financing Authority. 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 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 financial statements.

Parsons, Allen & Finkbeiner
A Corporation of Certified Public Accountants

Monroe City, Louisiana
May 14, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Comparative Balance Sheet - Proprietary Fund Type
December 31, 1998 and 1997

| ASSETS | Enterprise Fund | |
|--------------------------------------|---------------------|---------------------|
| | 1998 | 1997 |
| Restricted assets: | | |
| Debt service reserve account - | | |
| Interest-bearing deposits | \$ 80,238 | \$ 90,800 |
| Accrued interest receivable | 339 | 417 |
| Revenue account - | | |
| Interest-bearing deposits | 83,180 | 90,191 |
| Accrued interest receivable | 313 | 408 |
| Collection account - | | |
| Cash | - | 8,668 |
| Interest-bearing deposits | 27,347 | 25,415 |
| Accrued interest receivable | 181 | 140 |
| Due from trustee | 17,326 | - |
| Mortgage loans receivable | <u>245,424</u> | <u>1,289,654</u> |
| Total restricted assets | <u>1,127,337</u> | <u>1,587,123</u> |
| Deferred charges: | | |
| Unamortized bond issue costs | <u>20,691</u> | <u>87,428</u> |
| Total assets | <u>\$ 1,216,338</u> | <u>\$ 1,683,354</u> |
| LIABILITIES AND FUND EQUITY | | |
| Liabilities: | | |
| Accounts payable | \$ 2,606 | \$ 2,808 |
| Payable from restricted assets - | | |
| Due to trustee | 83,433 | - |
| Long-term debt: | | |
| Revenue bonds payable | 389,478 | 793,099 |
| Deferred commitment fees | <u>88,958</u> | <u>23,765</u> |
| Total liabilities | <u>564,475</u> | <u>820,672</u> |
| Fund equity: | | |
| Retained earnings - | | |
| Reserved for revenue bond retirement | <u>871,829</u> | <u>843,369</u> |
| Total liabilities and fund equity | <u>\$ 1,216,338</u> | <u>\$ 1,683,354</u> |

The accompanying notes are an integral part of this statement.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Comparative Statements of Revenues, Expenses, and Changes in Retained Earnings
 Proprietary Fund Type
 Years Ended December 31, 1998 and 1997

| | Enterprise Fund | |
|--------------------------------------|-------------------|-------------------|
| | 1998 | 1997 |
| Operating revenues: | | |
| Interest on loans | \$ 185,199 | \$ 127,311 |
| Interest on investments | 32,115 | 32,156 |
| Commitment fees | 6,842 | 4,375 |
| Total operating revenues | <u>124,156</u> | <u>163,842</u> |
| Operating expenses: | | |
| Interest on bonds | 38,292 | 63,115 |
| Amortization of bond issue costs | 38,628 | 26,318 |
| General and administrative expenses | 12,325 | 18,345 |
| Total operating expenses | <u>99,245</u> | <u>107,778</u> |
| Net income | 24,911 | 56,064 |
| Retained earnings, beginning of year | <u>845,363</u> | <u>812,328</u> |
| Retained earnings, end of year | <u>\$ 870,274</u> | <u>\$ 868,392</u> |

The accompanying notes are an integral part of this statement.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Comparative Statements of Cash Flows - Proprietary Fund Type
 Years Ended December 31, 1998 and 1997

| | Enterprise Fund | |
|--|---------------------|---------------------|
| | 1998 | 1997 |
| Cash flows from operating activities: | | |
| Net income | \$ 35,714 | \$ 33,281 |
| Adjustments to reconcile net income to net cash provided by operating activities - | | |
| Amortization of bond issue costs | 38,628 | 36,318 |
| Recognition of commitment fees | (6,845) | (4,777) |
| Changes in assets and liabilities: | | |
| Decrease in accrued interest receivable on investments | 154 | 164 |
| Decrease in mortgage loans receivable | 140,130 | 208,840 |
| Increase in due from trustee | (17,304) | - |
| Increase in accounts payable | - | 2,809 |
| Increase in due to trustee | 13,632 | - |
| Total adjustments | 178,337 | 242,354 |
| Net cash provided by operating activities | 214,051 | 275,635 |
| Cash flows from noncapital financing activities: | | |
| Principal paid on revenue bonds | (321,577) | (282,182) |
| Net decrease in cash and cash equivalents | (107,526) | (106,547) |
| Cash and cash equivalents, beginning of period | 217,121 | 323,180 |
| Cash and cash equivalents, end of period | <u>\$ 109,595</u> | <u>\$ 216,633</u> |
| Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet: | | |
| Cash and cash equivalents, beginning of period - | | |
| Cash | \$ 8,656 | \$ - |
| Interest-bearing deposits | 208,465 | 323,180 |
| Total cash and cash equivalents, beginning of period | 217,121 | 323,180 |
| Cash and cash equivalents, end of period - | | |
| Cash | - | 8,656 |
| Interest-bearing deposits | 109,595 | 207,977 |
| Total cash and cash equivalents, end of period | 109,595 | 216,633 |
| Net decrease | <u>\$ (107,526)</u> | <u>\$ (106,547)</u> |

The accompanying notes are an integral part of this statement.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Public Trust Financing Authority (Authority) is a political subdivision of the State of Louisiana. The Authority was formed as a public trust on May 20, 1980 pursuant to Chapter 2-A of Title 9 of the Louisiana Revised Statutes of 1950. The beneficiary of the trust is the citizens of the municipal corporation officially styled "Mayor and Councilmen of Morgan City", State of Louisiana, and the Parish of St. Mary, State of Louisiana. The Authority was created for the purpose of financing residential facilities to low and moderate income families within the Parish of St. Mary. The Authority's governing body is comprised of a board of seven trustees.

The accounting and reporting policies of the Authority 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, Louisiana Governmental Audit Guide and to the industry wide guide, *Guide of State and Local Governmental Unity*.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

In June of 1991, the Governmental Accounting Standards Board issued GASB Statement No. 14 - the Financial Reporting Entity. GASB No. 14 establishes standards for defining and reporting on the financial reporting entity. The financial reporting entity should consist of (a) the primary government (state government, general purpose local government, or special-purpose government meeting certain criteria), (b) organizations for which the primary government is financially accountable (component unit), and (c) other organizations for which the nature and significance of their relationship with the primary government are such that inclusion would cause the reporting entity's financial statements to be misleading or incomplete (related organizations, joint ventures and jointly governed organizations).

Because the City of Morgan City, Louisiana appoints the members of the Board of Trustees of the St. Mary Public Trust Financing Authority and is the creator and beneficiary of the trust, the St. Mary Public Trust Financing Authority was determined to be a component unit of the City of Morgan City, Louisiana, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Authority and do not present information of the City of Morgan City, Louisiana, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under the standards established by GASB No. 34, the St. Mary Public Trust Financing Authority has no relationships with other organizations whereby the other organization would be a component unit of the St. Mary Public Trust Financing Authority.

B. Fund Accounting

The accounts of the Authority are organized on the basis of funds, 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, retained earnings/fund equity, revenues, and expenses. Revenues 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 is to be controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type as follows:

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 amortization of bond issue costs) of providing 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.

C. Basis of Accounting

The proprietary fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. Interest-Bearing Deposits and Investments

Statutes authorize the St. Mary Public Trust Financing Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in amounts equal to those funds. In addition, the St. Mary Public Trust Financing Authority can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. Interest-bearing deposits are stated at cost.

E. Statement of Cash Flows

For purposes of the statement of cash flows, the Authority considers all highly liquid interest-bearing deposits with a maturity of three months or less when purchased to be cash equivalents.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Vacation, Sick Leave, and Pension Plan

The Authority had no employees during the year ended December 31, 1998, therefore, it did not have a policy on vacation and sick leave, nor did it have a pension plan.

G. Amortization

The amortization of bond issue costs is based on the percentage of bonds paid during the current year in relation to the total of bonds originally issued. This method does not materially differ from methods required by generally accepted accounting principles.

H. Loans Receivable

Loans are carried at amounts advanced less payments collected. Interest on loans is accrued monthly as earned.

I. Bonds Payable

Bonds payable are stated at maturity value less unaccrued discount.

J. Commitment Fees

The deferred commitment fees received in connection with mortgage loans are amortized to income based on the collection of mortgage loans receivable.

K. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

L. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

NOTE 2 FLOW OF FUNDS: BOND RESTRICTIONS

Under the terms of the \$3,025,000, 1991 Series A Single Family Mortgage Revenue Bonds Indenture dated May 1, 1991, all income, revenues and receipts from the Authority are pledged and dedicated to the retirement of said bonds.

The funds and accounts to be held by the trustee are: collection account, revenue account, debt service reserve account and rebate account.

Collection Account -

The trustee shall deposit into this account all pledged revenues. On each payment date, the trustee shall pay the following amounts in the following priority: to the rebate account, an amount equal to the excess nonmortgage earnings; payment of all principal and interest due and payable with respect to any revenue bonds; payment of any installments of interest then due and payable on any bonds which are not revenue bonds; to the revenue account, an amount equal to one-twelfth of .30% per annum of the aggregate principal amount of mortgage loans outstanding; and the debt service reserve account, the amount, if any, necessary to maintain the amount on deposit therein at the reserve requirement. Any remaining monies shall be applied to pay the principal of the bonds.

Debt Service Reserve Account -

This account shall be maintained at a reserve requirement amount equal to 18% of the outstanding principal amount of the bonds. The trustee shall transfer amounts from the collection account in order to maintain this account at the reserve requirement. Amounts in this account shall be transferred to the collection account to the extent necessary to pay the principal and interest payable on the bonds.

Revenue Account -

The trustee shall deposit into this account the amounts required to be transferred from the collection account. The following fees and expenses are to be paid from this account: Trustee fees and expenses, amounts payable as premiums on the pool and the special hazard insurance policy, amounts payable for the fees and expenses of the rebate analyst and other program expenses. In the event that amounts on deposit in the collection account are insufficient to pay principal and interest on bonds, the trustee shall transfer the amount of such insufficiency to the collection account.

Rebate Account -

Amounts deposited and held in this account shall not be subject to the pledge of the bond indenture. On May 1, 1994, and every five years thereafter, 90% of the entire balance in this account, including investment earnings, shall be paid to the United States of America. Not later than 60 days after the redemption of the last obligation of the bonds, 100% of the entire balance, including investment earnings, shall be rebated to the United States.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

NOTE 3 CASH AND INTEREST-BEARING DEPOSITS

A group of cash and interest-bearing deposits at December 31, 1998 by each local restricted asset type follows:

| | <u>Cost</u> |
|------------------------------|-------------------|
| Debt service reserve account | \$ 81,208 |
| Revenue account | 83,180 |
| Collection account | 22,342 |
| Total | <u>\$ 186,730</u> |

The Authority's interest-bearing deposits are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Authority's name.

The December 31, 1998 cost of the securities, which constitutes the interest-bearing deposits listed above, is summarized below:

| | <u>Cost</u> | Category |
|---------------------------------|------------------|----------|
| Liquid Asset: Treasury deposits | <u>\$186,730</u> | 1 |

At December 31, 1998, the aggregate cost of the above interest-bearing deposits approximated aggregate market value.

NOTE 4 BOND INDENTURE REQUIREMENTS

The bond indenture requires a certain balance in the debt service reserve account. The required amount and actual amount at December 31, 1998 are as follows:

| | |
|------------------------------------|------------------|
| Debt service reserve | |
| Cash and interest-bearing deposits | \$ 81,208 |
| Required balance | <u>31,688</u> |
| Excess over required amount | <u>\$ 49,520</u> |

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

NOTE 5: LOANS RECEIVABLE

Loans receivable consist of single family residential first mortgages. All first mortgages are pledged as security for the payment of principal and interest on the bonds payable. The loans are also covered by a mortgage trust insurance covering losses resulting from a borrower's default up to 80% of the fair market value of all insured mortgage agreements.

All loans are serviced by outside banks and financial institutions, and all payments are remitted to the Authority's trustee at the end of each month.

NOTE 6: UNAMORTIZED BOND ISSUE COSTS

| | |
|--|------------------|
| Total bond issue cost | \$ 300,868 |
| Less: Price premium amortization | (309,239) |
| Amortization for the year ended (December 31, 1998) | <u>(18,631)</u> |
| Total unamortized bond issue costs at December 31, 1998 | <u>\$ 18,631</u> |

NOTE 7: CHANGES IN BONDS PAYABLE

The following is a summary of bond transactions of the St. Mary Public Trust Financing Authority for the year ended December 31, 1998:

| | |
|---|-------------------|
| Mortgage revenue bonds payable, beginning of year | \$ 132,185 |
| Add: New bonds issued | " |
| Less: Bonds retired | <u>(413,517)</u> |
| Mortgage revenue bonds payable, end of year | <u>\$ 318,631</u> |

NOTE 8: COMPENSATION OF BOARD OF TRUSTEES

The Board of Trustees of the Authority receives no compensation and are only reimbursed for their expenses incurred relating to the Authority's business, which must have appropriate supporting documentation.

NOTE 9: LITIGATION

There was no litigation pending against the Authority as of December 31, 1998.

SUPPLEMENTAL INFORMATION

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Comparative Schedule of General and Administrative Expenses
Enterprise Fund
Years Ended December 31, 1998 and 1997

| | <u>1998</u> | <u>1997</u> |
|------------------------|----------------------|----------------------|
| Investment expenses | \$ 1,238 | \$ 1,321 |
| Mortgage insurance | 1,550 | 1,841 |
| Miscellaneous expenses | 380 | 500 |
| Servicing fees | 3,837 | 4,097 |
| Trustee fees | 4,080 | 3,835 |
| Professional fees | <u>4,490</u> | <u>4,358</u> |
| Total | <u>\$ 15,173</u> | <u>\$ 16,352</u> |

INTERNAL CONTROL AND COMPLIANCE



**Darnall, Sikes
& Frederick**

MEMBERSHIP AND LICENSES: MISSISSIPPI

**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 Government Auditing Standards**

**Board of Trustees
St. Mary Public Trust Financing Authority
Morgan City, Louisiana**

We have audited the general purpose financial statements of the St. Mary Public Trust Financing Authority, as of and for the year-ended December 31, 1998, and have issued our report thereon dated May 14, 1999, which was qualified due to the restatement of year 2000 disclosures that are required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about New 2000 Issues*. We have 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 St. Mary Public Trust Financing Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with these 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 St. Mary Public Trust Financing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 over financial reporting 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

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

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

Skensath, Allen & Fendrick

A Corporation of Certified Public Accountants

Morgan City, Louisiana

May 14, 1999

OTHER SUPPLEMENTARY INFORMATION

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

**Summary of Prior Year Findings
Year Ended December 31, 1998**

There were no findings reported in the financial report for the year ended December 31, 1998.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

**Schedule of Findings and Questioned Costs
Year Ended December 31, 1998**

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

A qualified opinion has been issued on the St. Mary Public Trust Financing Authority's financial statements as of and for the year ended December 31, 1998.

Reportable Condition – Financial Reporting

There were no reportable conditions noted during the audit.

Material Noncompliance – Financial Reporting

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

FEDERAL AWARDS

This section is not applicable for the fiscal year ended December 31, 1998.

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

There were no findings noted during the audit.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At December 31, 1998, the St. Mary Public Trust Financing Authority, did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY
Management's Corrective Action Plan For Current Year Findings
Year Ended December 31, 1998

There were no findings reported for the year ended December 31, 1998.