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**ST. MARY PUBLIC TRUST  
FINANCING AUTHORITY**

FINANCIAL REPORT

Year Ended December 31, 1995

under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-24-96

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# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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## INDEPENDENT AUDITOR'S REPORT

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 as of December 31, 1995, and for the year then ended. 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. Those 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Public Trust Financing Authority as of December 31, 1995, 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.

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.

*Darnall, Sikes, Kolder, Frederick & Rainey*

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
April 25, 1996

**GENERAL PURPOSE FINANCIAL STATEMENTS**

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Comparative Balance Sheets - Proprietary Fund Type  
December 31, 1995 and 1994

	<u>Enterprise Fund</u>	
	<u>1995</u>	<u>1994</u>
<b>ASSETS</b>		
Restricted assets:		
Debt service reserve account -		
Cash	\$ -	\$ 90
Interest-bearing deposits	139,274	173,697
Accrued interest receivable	634	753
Revenue account -		
Cash	-	54
Interest-bearing deposits	100,715	106,100
Accrued interest receivable	456	456
Collection account -		
Cash	11,107	97
Interest-bearing deposits	1,078	23,700
Accrued interest receivable	89	91
Mortgage loans receivable	1,787,925	2,047,641
Accrued interest receivable on loans	<u>4,733</u>	<u>-</u>
Total restricted assets	2,046,011	2,352,679
Deferred charges:		
Unamortized bond issue costs	<u>156,982</u>	<u>189,788</u>
Total assets	<u>\$2,202,993</u>	<u>\$2,542,467</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Payable from restricted assets -		
Long-term debt:		
Revenue bonds payable	\$1,379,879	\$1,737,871
Deferred commitment fees	<u>35,759</u>	<u>40,953</u>
Total liabilities	1,415,638	1,778,824
Fund equity:		
Retained earnings -		
Reserved for revenue bond retirement	<u>787,355</u>	<u>763,643</u>
Total liabilities and fund equity	<u>\$2,202,993</u>	<u>\$2,542,467</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, 1995 and 1994

	<u>Enterprise Fund</u>	
	<u>1995</u>	<u>1994</u>
Operating revenues:		
Interest on loans	\$173,530	\$199,874
Interest on investments	16,619	14,133
Commitment fees	<u>5,194</u>	<u>9,263</u>
Total operating revenues	<u>195,343</u>	<u>223,270</u>
Operating expenses:		
Interest on bonds	119,533	150,029
Amortization of bond issue costs	32,806	55,166
General and administrative expenses	<u>19,292</u>	<u>21,113</u>
Total operating expenses	<u>171,631</u>	<u>226,308</u>
Net income (loss)	23,712	(3,038)
Retained earnings, beginning of year	<u>763,643</u>	<u>766,681</u>
Retained earnings, end of year	<u>\$787,355</u>	<u>\$763,643</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, 1995 and 1994

	<u>Enterprise Fund</u>	
	<u>1995</u>	<u>1994</u>
Cash flows from operating activities:		
Net income (loss)	\$ 23,712	\$ (3,038)
Adjustments to reconcile net income (loss) to net cash provided by operating activities -		
Amortization of bond issue costs	32,806	55,166
Changes in assets and liabilities:		
Recognition of commitment fees	(5,194)	(9,263)
(Increase) decrease in accrued interest receivable on investments	121	(644)
Decrease in mortgage loans receivable	259,716	463,175
Increase in accrued interest receivable on loans	<u>(4,733)</u>	<u>-</u>
Total adjustments	<u>282,716</u>	<u>508,434</u>
Net cash provided by operating activities	<u>306,428</u>	<u>505,396</u>
Cash flows from noncapital financing activities:		
Principal paid on revenue bonds	<u>(357,992)</u>	<u>(568,600)</u>
Net decrease in cash and cash equivalents	(51,564)	(63,204)
Cash and cash equivalents, beginning of period	<u>303,738</u>	<u>366,942</u>
Cash and cash equivalents, end of period	\$ 252,174	\$ 303,738
	=====	=====
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash	\$ 241	\$ 209
Interest-bearing deposits	<u>303,497</u>	<u>366,733</u>
Total cash and cash equivalents, beginning of period	<u>303,738</u>	<u>366,942</u>
Cash and cash equivalents, end of period -		
Cash	11,107	241
Interest-bearing deposits	<u>241,067</u>	<u>303,497</u>
Total cash and cash equivalents, end of period	<u>252,174</u>	<u>303,738</u>
Net decrease	\$ (51,564)	\$ (63,204)
	=====	=====

The accompanying notes are an integral part of this statement.



ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements

(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 St. Mary Public Trust Financing Authority is considered to be a related organization of the City of Morgan City, 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 and to the industry audit guide, Audits of State and Local Governmental Units.

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 exclusion would cause the reporting entity's financial statements to be misleading or incomplete (related organizations, joint ventures and jointly governed organizations).

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements (Continued)

Under the standards established by GASB No. 14, 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. 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 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.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements (Continued)

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.

F. Vacation, Sick Leave and Pension Plan

The Authority had no employees during the year ended December 31, 1995; 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 collections of mortgage loans receivable.

K. Fund Equity

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

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements (Continued)

(2) Flow of Funds; Bond Restrictions

Under the terms of the \$3,305,000 1994 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 overdue bonds, payment of any installments of interest then due and payable on any bonds which are not overdue 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 10% 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 premium 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.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements (Continued)

Rebate Account -

Amounts deposited and held in this account shall not be subject to the pledge of the bond indenture. On May 1, 1996, 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.

(3) Interest-Bearing Deposits

A recap of interest-bearing deposits at December 31, 1995 by each bond restricted asset type follows:

	<u>Cost</u>
Debt service reserve account	\$139,274
Revenue account	100,715
Collection account	<u>1,078</u>
Total	<u>\$241,067</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, 1995 cost of the securities, which constitutes the interest-bearing deposits listed above, is summarized below:

	<u>Cost</u>	<u>Category</u>
Liquid Asset Treasury deposits	\$241,067	2

At December 31, 1995, the aggregate cost of the above interest-bearing deposits approximated aggregate market value.

(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, 1995 are as follows:

ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Notes to Financial Statements (Continued)

Debt service reserve	
Cash and interest-bearing deposits	\$139,274
Required balance	<u>137,988</u>
Excess over required amount	<u>\$ 1,286</u>

(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.

(6) Unamortized Bond Issue Costs

Total bond issue cost	\$ 302,868
Less: Prior years amortization	(113,080)
Amortization for the year ended December 31, 1995	<u>(32,806)</u>
Total unamortized bond issue costs at December 31, 1995	<u>\$ 156,982</u>

(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, 1995:

Mortgage revenue bonds payable, beginning of year	\$1,737,871
Add: New bonds issued	-
Less: Bonds retired	<u>(357,992)</u>
Mortgage revenue bonds payable, end of year	<u>\$1,379,879</u>

(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.

ST. MARY PUBLIC TRUST FINANCING AUTHORITY  
Notes to Financial Statements (Continued)

(9) Litigation

There was no litigation pending against the Authority as of December 31, 1995.

**SUPPLEMENTAL INFORMATION**



ST. MARY PUBLIC TRUST FINANCING AUTHORITY

Comparative Schedules of General and Administrative Expenses  
Enterprise Fund

Years Ended December 31, 1995 and 1994

	<u>1995</u>	<u>1994</u>
Investment expense	\$ 1,532	\$ 1,960
Mortgage insurance	2,730	3,211
Miscellaneous expenses	500	500
Servicing fees	6,530	7,482
Trustee fees	4,000	4,000
Professional fees	<u>4,000</u>	<u>3,960</u>
Total	<u>\$19,292</u>	<u>\$21,113</u>

**INTERNAL CONTROL AND COMPLIANCE**

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The 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, 1995, and have issued our report thereon dated April 25, 1996.

We have 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 general purpose financial statements are free of material misstatement.

The Board of Trustees of the St. Mary Public Trust Financing Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by the Trustees are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide the Trustees with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with the Trustee's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the St. Mary Public Trust Financing Authority for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

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

*Darnall, Sikes, Kolder, Frederick & Rainey*

(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
April 25, 1996

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The 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, 1995, and have issued our report thereon dated April 25, 1996.

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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the St. Mary Public Trust Financing Authority is the responsibility of the Board of Trustees of the St. Mary Public Trust Financing Authority. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. 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.

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

*Darnall, Sikes, Kolder, Frederick & Rainey*  
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
April 25, 1996