

SUPPLEMENTARY INFORMATION

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

Compensated Absences

Employees of the commission earn from seven and one-half to thirteen and one-half days of vacation and seven and one-half to thirteen and one-half days of sick leave each year, depending on length of service with the commission. All unused vacation and sick leave shall be carried forward to the succeeding fiscal year.

At December 31, 1995, employees of the commission have accumulated 37,217 of vacation and sick leave benefits. This amount is included as a component of accrued liabilities on the balance sheet.

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 1995, the commission has cash and cash equivalents and restricted cash (bank balances) totaling \$440,930, as follows:

petty Cash	\$ 100
Demand Deposits	60,765
Time deposits	<u>377,063</u>
	<u>\$ 440,930</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits for the resulting bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1995, the Commission has \$441,588 in deposits (bank balances). These deposits are insured from risk by \$250,408 of federal deposit insurance and \$181,183 of pledged securities held by the custodial bank in the name of the fiscal agent bank, GABS Gregory II.

Even though the pledged securities are considered uncollateralized under the provisions of GABS Statement 3, Louisiana Revised Statute 38:1228 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Commission that the depositing bank has failed to pay deposited funds upon demand.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

The following provides certain disclosures for the Commission and the retirement system that are required by GASB Codification Section P20.150:

Year Ended December 31, 1998

	<u>PLAMA</u>	
Total Current-year payroll	\$ 56,821	
Total current-year covered payroll	\$ 81,141	
Contributions:		
Required by Statute:		
Employees	9.50%	\$ 4,958
Employer	<u>7.25%</u>	<u>3,708</u>
Total	<u>16.75%</u>	<u>\$ 8,666</u>
Actual:		
Employees	9.50%	\$ 4,958
Employer	<u>7.25%</u>	<u>3,708</u>
Total	<u>16.75%</u>	<u>\$ 8,666</u>

Year Ended December 31, 1995

Retirement System	
Net Assets	\$ 627,648,108
Pension benefit obligation	<u>(782,893,530)</u>
Unfunded pension benefit obligation	<u>\$ 155,245,422</u>

The pension benefit obligation is presented as of December 31, 1995 because the December 31, 1998 information is not available. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PGRS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employees.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1990, comprehensive annual financial report. The Commission does not guarantee the benefits granted by the System.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased. Under state law, the Commission may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Prepaid Expenses

The Commission records prepayments, such as insurance, as an asset on the balance sheet and systematically recognizes an expense ratably over the term of the prepayment.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Fixed Assets

Fixed assets are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Infrastructure fixed assets consisting of the water distribution and sewerage system are capitalized along with other fixed assets. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation of all exhaustible fixed assets used by enterprise funds is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30 years
Office Equipment	5 years
Machinery and Equipment	3-7 years
Improvements Other than Buildings	10 years
Sewerage Treatment Plant	40 years
Water Distribution System	40 years

The recognition of depreciation begins upon placement of the asset into useful operation.

Capitalized Interest

The Commission capitalizes net interest costs and interest earned as part of the cost of constructing water and sewer projects when material.

Bad Debts

Uncollectible amounts due from all various taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available indicating the uncollectibility of the receivable.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

NOTE 3 - AD VALOREM TAXES

The following is a summary of authorized and levied ad valorem tax millages:

	<u>Authorized/ Levied Millage</u>
Districts:	
Maintenance-	
St. Martin Parish Sewerage District No. 1	4.87
St. Martin Parish Waterworks District No. 2	4.88
Special Assessment-	
St. Martin Parish Sewerage District No. 1	0.24
Bond and Interest-	
St. Martin Parish Sewerage District No. 1	15.50
St. Martin Parish Waterworks District No. 2	7.50

Levied millages for bond and interest taxes are restricted in payment of principal and interest on general obligations refunding bonds and reported as non-operating revenue on the statement of revenues, expenses and changes in retained earnings.

Ad valorem taxes for the maintenance and special assessment millages are reported as operating revenue on the statement of revenues, expenses and changes in retained earnings.

Total taxes of \$372,006 were levied on property having assessed taxable valuations totaling \$2,145,000. As December 31, 1988, ad valorem taxes receivable consisted of the following:

	<u>Non-</u> <u>Excluded</u>	<u>Excluded</u>	<u>Total</u>
Ad Valorem Taxes Receivable	\$ 142,888	\$ 215,127	\$ 358,015
Allowance for Uncollectible	<u> 7,737</u>	<u> 8,097</u>	<u> 15,834</u>
	<u>\$ 135,151</u>	<u>\$ 207,030</u>	<u>\$ 342,181</u>

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

NOTE 4 - COMPONENTS OF RESTRICTED ASSETS

At December 31, 1998, the following comprise restricted assets:

	Exp.	All values Taxes Receivable	Total
St. Martin Parish Sewerage District No. 2			
General Obligation Refunding Bonds	4 20,147	170,480	189,627
Revenue Bond & Interest Sinking Fund	47,814		47,814
Revenue Bond Reserve Fund	17,000		17,000
Depreciation and Contingency Fund	19,888		19,888
Special Assessment	20,873		20,873
Refundable Deposits	<u>2,000</u>		<u>2,000</u>
	<u>137,722</u>	<u>170,480</u>	<u>308,202</u>
St. Martin Parish Waterworks District No. 2			
General Obligation Refunding Bonds	60,571	60,484	60,666
Refundable Deposits	<u>428</u>		<u>428</u>
	<u>60,999</u>	<u>60,484</u>	<u>61,483</u>
	<u>4 218,721</u>	<u>2 230,964</u>	<u>4 449,685</u>

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the Commission's fixed assets at December 31, 1998:

Land	4 91,117
Buildings	63,897
Office Equipment	58,308
Machinery and Equipment	43,833
Sewerage Treatment Plant	3,206,918
Water Distribution System	<u>1,138,726</u>
	4,602,499
Less: Accumulated Depreciation	<u>(1,428,220)</u>
	<u>3 174,279</u>

Depreciation expense for the year ended December 31, 1998 totaled \$129,521.

NOTE 6 - DEFERRED BOND ISSUE COSTS

As described in Note 8, the Commission issued general obligation refunding bonds, series 1991 and revenue bonds in previous years. Expenses, primarily legal fees, were incurred in connection with the issuance of the bonds. Accounting Principle Board Statement 21 requires such costs to be reported as deferred charges on the balance sheet and amortized from the date of sale until the maturity of the obligation.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

At December 31, 1998, the Commission has unamortized deferred bond issue costs as follows:

Bond Issue Costs:	
General Obligation Refunding Bonds, Series 1991	\$ 15,359
Revenue Bonds	<u>15,371</u>
	\$ 30,730
Amortization Recognized	<u>19,162</u>
	\$ <u>11,568</u>

For the year ended December 31, 1998, amortization recognized for the general obligation refunding bonds, series 1991 and the revenue bonds totaled \$1,375 and \$513, respectively.

NOTE 7 - PENSION PLAN

Substantially all employees of the Commission are members of the Parishial Employees Retirement System of Louisiana (System), a multiple-employer (cost-sharing), public employees retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the Commission are members of Plan A.

All permanent employees working at least twenty-eight hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age sixty with at least ten years of creditable service, at or after age fifty-five with at least twenty-five years of creditable service, or at any age with at least thirty years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1990, the benefit is equal to one per cent of final average salary plus twenty-four dollars for each year of supplemental-plan-only service earned before January 1, 1985. Final average salary is the employee's average salary over the thirty-six consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Contributions to the System include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

NOTE B - LONG TERM DEBT

On April 23, 1987, St. Martin Parish Waterworks District No. 2 issued \$558,000 in General Obligation Refunding Bonds, Series 1987 to defease 1945,000 of 1983 General Obligation Bonds.

On September 26, 1991, St. Martin Parish Sewerage District No. 1 issued \$950,000 in General Obligation Refunding Bonds, Series 1991 to defease 1990,000 of 1983 General Obligation Bonds.

On July 18, 1992, St. Martin Parish Sewerage District No. 1 issued \$1,000,000 of Sewer Revenue Bonds to the United States Department of Agriculture's Farmers Home Administration (FmHA).

The following is a summary of bond transactions of the Commission for the year ended December 31, 1990:

	General Obligation Refunding	Revenue	Total
Bond payable at January 1, 1989	\$ 1,748,388	\$ 974,325	\$ 2,722,713
Less:			
Bond payments	(110,000)	(70,840)	(180,840)
Plus			
Amortization of Bond Premium	_____4,000	_____	_____4,000
Bonds Payable at December 31, 1990	<u>\$ 1,528,388</u>	<u>\$ 903,485</u>	<u>\$ 2,431,873</u>

Current maturities of long term debt are as follows:

General Obligation Refunding Bonds-	
Series 1987	\$ 35,000
Series 1991	85,000
Revenue Bonds	<u>15,250</u>
	<u>\$ 135,250</u>

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

General obligation refunding bonds outstanding at December 31, 1998 consists of the following individual issues:

District Bonds:

St. Martin Parish Sewerage District No. 1 -
\$990,000 serial bonds, Series 1991, due in annual
principal installments ranging from \$18,000 to
\$120,000 through March 2003, interest rate is
variable from 7.5% to 12.0% per annum \$728,000

St. Martin Parish Waterworks District No. 2 -
\$528,000 serial bonds, Series 1987, due in annual
principal installments ranging from \$15,000 to
\$80,000 through June 2003, interest rate is
variable from 5.0% to 8.25% per annum 350,000
1,078,000

Less: Unamortized Discount

(26,308)
\$ 1,051,692

The general obligation refunding bonds constitute general obligations of St. Martin Parish Sewerage District No. 1 and St. Martin Parish Waterworks District No. 2. The Commission is bound under the terms of its creating ordinance to comply with all provisions of law and the resolutions adopted April 20, 1987 and September 9, 1991 authorizing the issuance of the general obligation refunding bonds of St. Martin Parish Sewerage District No. 1 and St. Martin Parish Waterworks District No. 2, respectively. The resolutions and provisions of law require the Commission to impose and collect annually a tax on all the property subject to taxation within the territorial limits of the respective districts, sufficient to pay the principal of and interest on the bonds falling due each year.

In accordance with Louisiana Revised Statute 39:562 the Commission is legally restricted from incurring long-term bonded debt in excess of 25% of the assessed value of taxable property. At December 31, 1998, the statutory limit is \$2,288,272 and the outstanding bonded debt funded by ad valorem taxes total \$1,078,000.

Revenue bonds payable at December 31, 1998 consists of the following individual issue:

District Bonds:

St. Martin Parish Sewerage District No. 1 -
\$1,000,000 serial bond payable to FFWA due in annual
installments of \$78,000 through July 2023, interest
rate at 6.375% per annum \$ 882,880

The Revenue Bonds constitute a special obligation of the St. Martin Parish Sewerage District No. and are secured and payable in principal and interest to the Farmers Home Administration exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

The bond resolution adopted May 6, 1991 authorizing the issuance of the Sewer Revenue Bonds provide that the revenue of the system are to be used first to pay all reasonable and necessary expenses of operating and maintaining the system and second to establish and maintain certain sinking and reserve funds. These funds include a Revenue Bond and Interest Sinking Fund to which one-twelfth of the total amount of principal and interest falling due in the ensuing year is transferred; a Revenue Bond Reserve Fund to which five percent of the amount paid into the Revenue and Interest Sinking Fund is transferred until such time as there has been accumulated a sum equal to the largest principal and interest falling due in any year; and a Depreciation and Contingency Fund to which a fixed amount is transferred to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the system.

Transfers to the sinking and reserve funds are required on a monthly basis. No amounts may be withdrawn or transferred, with the exception of bond principal and interest payments, without the prior written consent of the Parish's Home Administration.

The resolution also contains certain provisions requiring the commission to fix and maintain such rates and collect such fees which will provide revenues, after paying off reasonable and necessary expenses of operating and maintaining the system, at least equal to 120 percent of the largest amount of principal and interest requiring on the bonds. For the year ended December 31, 1998, revenues generated by the system, including ad valorem tax revenue totaled 4225,458; operating and maintenance expenses totaled 985,972. The calculated revenue bond coverage based upon the largest amount of principal and interest maturing on the bonds being 874,500 was 181 percent.

The annual requirements to amortize all debt outstanding as of December 31, 1998, including interest payable of 4283,108 for the general obligation refunding bonds and 91,031,720 for the revenue bonds are as follows:

Year Ending December 31	General Obligation Refunding	Revenue	Total
1997	159,815	78,500	238,315
1998	191,588	78,500	270,088
1999	197,399	78,500	275,899
2000	197,216	78,500	275,716
2001	198,193	78,500	276,693
2002-2006	385,000	382,500	767,500
2007-2011	-	382,500	382,500
2012-2016	-	382,500	382,500
2017-2021	-	382,500	382,500
Thereafter	-	78,500	78,500
	<u>\$ 1,359,108</u>	<u>\$ 1,989,000</u>	<u>\$ 3,347,108</u>

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the Commission's governing body, the Commission was determined to be a component unit of the St. Martin Parish Police Jury, the financial reporting entity. The accompanying component unit financial statements present information only on the funds maintained by the Commission and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Fund Accounting

The Commission is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the intent of the governing body is that the cost (expense, including depreciation of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

REVENUES

All valorem taxes are recorded in the year the taxes are due and payable. Ad Valorem taxes are assessed on a calendar year basis, become due in November of each year, and become delinquent on December 31. The taxes are generally collected in December, January, and February of the fiscal year.

Sewer User fees are recorded in the month the charges are due and payable. Sewer user fees are generally billed within the first week of the month and become delinquent on the last day of the month.

Interest earnings are susceptible to accrual and are recorded when earned.

Substantially all other revenues are recorded when received.

EXPENSES

Expenditures are recorded at the time the related liabilities are incurred.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

NOTE 12 - CONTINGENCIES

The Commission operates a sewerage plant which is regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of the Board of Commissioners, all applicable regulations have received full compliance. However, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

The commission currently has a class action lawsuit pending in district court. The lawsuit is seeking unspecified awards for damages sustained by plaintiffs in connection with the Belle River sewer expansion project. In the opinion of the Commission's legal council, the impact of the lawsuit is currently undeterminable.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

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ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Schedule of Compensation Paid to Board Members For the Year Ended December 31, 1994

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:1803 limits compensation paid to board members, with the approval of the board, for per diem and travel allowances to an amount not to exceed \$300 per month.

Erny Accetta	60,000
Ervin Bailey, President	3,000
Stanley Balglo	3,000
John Dilavert	3,000
Bred Ratajoff	1,800
Edward Scully	1,800
Edwin Smith	3,000
	<u>78,600</u>

Subject to appropriate auditor's report.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

**Schedule of Operating Expenses
For Year Ended December 31, 1998 and 1999**

	1998	1999
SALARIES AND RELATED BENEFITS		
Salaries	\$ 50,927	\$ 50,541
Payroll Taxes	4,253	4,760
	<u>55,180</u>	<u>55,301</u>
 SUPPLIES AND MATERIALS		
Office Supplies	1,787	1,045
Postage	1,868	1,580
Equipment Rental	1,635	1,750
	<u>5,300</u>	<u>4,375</u>
 OTHER SERVICES AND CHARGES		
Maintenance and Repair	4,431	4,380
Legal and Professional Fees	9,187	9,183
Commission	884	787
Public Notices	378	375
Bank Charges	128	244
Insurance	12,999	12,999
Dues	955	959
Travel	2,779	2,899
Telephone	1,370	2,051
Utilities	16,080	15,000
Commissioner's Per Diem	387	184
Remitters	<u>80,821</u>	<u>47,968</u>
 PLANT OPERATIONS		
Maintenance	18,471	19,999
Supplies	8,194	7,821
Utilities	28,284	27,887
	<u>54,949</u>	<u>55,707</u>
 DEPRECIATION	<u>129,921</u>	<u>130,921</u>
	\$ <u>240,050</u>	\$ <u>244,036</u>

Supplemental Information available upon request.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

NOTE 9 - CONTRIBUTED CAPITAL

Contributed capital represents power lines and two lift stations in the Bayou Lafourche Subdivision that were donated on March 31, 1998. These capital acquisitions are being depreciated based upon the remaining useful lives of the capital assets. This depreciation is credited to (deducted from) the contributed capital account and is reflected as an adjustment to net income on the statement of revenues, expenses and changes in retained earnings.

The following is a summary of contributed capital at December 31, 1998:

Contributed Capital at January 1, 1998	\$ 135,337
Less: Depreciation	<u>117,333</u>
Net Contributed Capital at December 31, 1998	\$ <u>18,004</u>

NOTE 10 - RESERVE FOR BOND RETIREMENT

The amount of retained earnings reserved for bond retirement at December 31, 1998 is detailed as follows:

Restricted Assets	\$ 486,556
Less: Items Payable from Restricted Assets:	
Current Maturities of Long Term Debt	136,266
Accrued Interest	45,633
Deduction from Ad Valorem Taxes	8,884
Sewer Deposits	<u>3,245</u>
Total Payable from Restricted Assets	<u>193,988</u>
	\$ <u>292,568</u>

NOTE 11 - DESIGNATIONS OF RETAINED EARNINGS

Designations of retained earnings indicate tentative plans for financial resources in a future period and are subject to change at the discretion of the Board of Commissioners.

At December 31, 1998, the Commission has designated a portion of retained earnings as follows:

Future Occurrences	\$ <u>38,321</u>
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT ACCOUNTING STANDARDS**

Members of the Board of Commissioners
St. Martin Parish Water and Sewer Commission No. 1
Bogalusa, Louisiana

We have audited the component unit financial statements of St. Martin Parish Water and Sewer Commission No. 1 as of and for the year ended December 31, 1988, and have issued our report thereon dated February 17, 1989.

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 component unit financial statements are free of material misstatement.

The board of commissioners of St. Martin Parish Water and Sewer Commission No. 1 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management 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 board 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 board of commissioners' authorization and recorded properly to permit the preparation of component unit 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 the 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 component unit financial statements of St. Martin Parish Water and Sewer Commission No. 1 for the year ended December 31, 1988, 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 component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express an opinion.

**REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

St. Martin Parish Water and Sewer Commission No. 1
Management Letter

In conclusion, we would like to express our appreciation to you and your staff for the courtesy and assistance rendered during the audit.

Should you have any questions or need additional assistance in implementing any of our suggestions, please feel free to contact us.

Sincerely,

Robert Thibodeau, CPA

Ducharme & Thibodeau CPAs (APC)

February 17, 1987

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Management Letter

Members of the Board of Commissioners
St. Martin Parish Water and Sewer Commission No. 1
Stephanville, Louisiana

During our audit of the financial statements of the St. Martin Parish Water and Sewer Commission No. 1 as of and for the year ended December 31, 1986, we observed certain instances of noncompliance with laws, regulations and constitutional provisions.

Our comments are not intended to reflect upon the integrity or ability of any employee.

RETROACTIVE PAY INCREASES

Finding: Certain provisions of Article 7, Section 14 of the 1874 Louisiana Constitution, were violated.

Recommendation: Constitutional provisions prohibit retroactive compensation to public employees. We recommend the obtaining of an understanding of and compliance with Article 7, Section 14 of the 1874 Louisiana Constitution.

SLIKING FUND TRANSFERS

Finding: Transfers to slinking funds as required by resolution adopted May 8, 1991 were not completed on a timely basis.

Recommendation: We recommend that the commission transfer funds, as required by resolution, on a timely basis.

Under the provisions of state law, LSA-RS 24:518, you are required to report to the Legislative Audit Advisory Council, within thirty days, any remedial action taken or to be taken as a result of our comments.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Schedule of Reportable Conditions and Material Weaknesses
For the Year Ended December 31, 1998

MATERIAL WEAKNESS

Separation of Duties

Condition: The number of individuals in the commission's financial and accounting department preclude adequate segregation of duties.

Criteria: Internal control structures are designed and implemented to provide for proper recording of transactions, the timely detection of errors, and the preparation of financial statements in accordance with generally accepted accounting principles.

Cause: The cause of the condition is a failure in the design of the internal control structure.

Effect: The effect of the condition is that errors and/or irregularities, which may be material to the component unit financial statements taken as a whole, may occur and not be timely detected.

Recommendation: We recommend that the commission consider implementing procedures, such as secondary controls, which may provide for the timely detection of errors and/or irregularities.

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

Members of the Board of Commissioners
St. Martin Parish Water and Sewer Commission No. 1
Stephensville, Louisiana

We have audited the component unit financial statements of St. Martin Parish Water and Sewer Commission No. 1 as of and for the year ended December 31, 1986, and have issued our report thereon dated February 17, 1987.

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 component unit financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts, applicable to St. Martin Parish Water and Sewer Commission No. 1 is the responsibility of the board of commissioners of St. Martin Parish Water and Sewer Commission No. 1. As part of obtaining reasonable assurance about whether the component unit financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the component unit 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.

We noted certain immaterial instances of noncompliance that we have reported to the Board of Commissioners of St. Martin Parish Water and Sewer Commission No. 1 in a separate letter dated February 17, 1987.

This report is intended for the information of the Board of Commissioners, the St. Martin Parish Police Jury, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Ducharme & Thibodeaux, CPAs

February 17, 1987

Our audits were made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the component unit financial statements of St. Martin Parish Water and Sewer Commission No. 1. Such information has been subjected to the auditing procedures applied in the audits of the component unit financial statements and, in our opinion, are fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Attestation & Auditor's Signature, CPA

February 17, 1997

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of the board of commissioners in the component unit financial statements.

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 component unit 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 structure would not necessarily disclose all matters in the internal control structure 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. Reportable conditions and material weaknesses are presented in the reportable conditions and material weaknesses section of this financial report. A reportable condition involving the internal control structure and its operation, which we also consider to be a material weakness as defined above, is presented in the reportable conditions and material weaknesses section of this financial report. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the component unit financial statements of St. Martin Parish Water and Sewer Commission No. 1 for the year ended December 31, 1998.

In the prior audit, as of and for the year ended December 31, 1995, a reportable condition relating to segregation of duties was reported. This finding has been reiterated as noted in the preceding paragraph.

This report is intended for the information of the Board of Commissioners, the St. Martin Parish Police Jury and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Attestation & Signature, CPA

February 17, 1999

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Martin Parish Water and Sewer Commission No. 1, State of Louisiana (hereinafter the Commission) was created under the provisions of Louisiana Revised Statutes 33:2831 by ordinance issued by the St. Martin Parish Police Jury on March 2, 1993. The provisions of this ordinance, for audit purposes, were effective January 1, 1993.

The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sludge treatment or disposal facilities and systems within the boundaries of Police Jury Ward 6 of St. Martin Parish.

The Commission is governed by a board of five to seven commissioners appointed by the St. Martin Parish Police Jury.

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Martin Parish Police Jury is the financial reporting entity for St. Martin Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Martin Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- Appointing a voting majority of an organization's governing body, and
 - The ability of the police jury to impose its will on that organization and/or
 - The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
- Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

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**ST. MARTIN PARISH
WATER AND SEWER COMMISSION NO. 1**

Financial Report

For the Years Ended December 31, 1955 and 1956

under provisions of state law, this report is a public document. A copy of the report shall be submitted to the auditor, to be reviewed, and to the qualified, to reviewed, and other appropriate public officials. The report is available for public inspection at the State Board of Audit of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.
Release Date: JUN 25 1957

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
St. Martin Parish Water and Sewer Commission No. 1
Stephensville, Louisiana

We have audited the accompanying component unit financial statements of St. Martin Parish Water and Sewer Commission No. 1, a component unit of the St. Martin Parish Police Jury, as of December 31, 1995 and 1996 and for the years then ended as listed in the foregoing table of contents. These component unit financial statements are the responsibility of the Board of Commissioners of St. Martin Parish Water and Sewer Commission No. 1. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audits 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Commissioners, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to in the first paragraph present fairly, in all material respects the financial position of St. Martin Parish Water and Sewer Commission No. 1 as of December 31, 1995 and 1996, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 17, 1997 on our consideration of the internal control structure of St. Martin Parish Water and Sewer Commission No. 1 and a report dated February 17, 1997 on its compliance with laws and regulations.

COMPONENT UNIT FINANCIAL STATEMENTS

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

Balance Sheet
December 31, 1998 and 1999

ASSETS

	1998	1999
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 282,887	\$ 224,783
Accounts Receivable	1,807	1,514
Ad Valorem Taxes Receivable (Note 2)	154,952	160,556
Due from Other Governmental Units	783	743
Prepaid Expenses	9,648	9,328
Restricted Assets (Note 4):		
Cash (Note 2)	210,773	181,808
Ad Valorem Taxes Receivable (Note 2)	201,200	208,817
Other Receivables	655	-
Total Current Assets	<u>658,598</u>	<u>617,732</u>
PROPERTY, PLANT, AND EQUIPMENT (Note 5)	3,154,078	3,267,422
OTHER ASSETS		
Deferred Bond Issue Costs (Note 6)	21,588	22,458
Deposits	738	738
Total Other Assets	<u>22,326</u>	<u>23,196</u>
Total Assets	<u>\$ 3,895,072</u>	<u>\$ 4,128,348</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	\$ 4,798	\$ 3,885
Accrued Liabilities	15,577	12,880
Payable from Restricted Assets:		
Current Maturities of Long Term Debt (Note 6):		
Accrued Interest	128,258	128,877
Discount from Ad Valorem Taxes	45,832	41,584
Deposits from Ad Valorem Taxes	6,884	7,888
Refundable Deposits	3,248	3,185
Total Current Liabilities	<u>184,222</u>	<u>183,334</u>
LONG TERM DEBT (Note 6)		
General Obligation Refunding Bonds Payable	628,782	1,844,288
Revenue Bonds Payable	840,000	858,878
Total Long Term Debt	<u>1,468,782</u>	<u>2,703,166</u>
Total Liabilities	<u>2,095,188</u>	<u>2,930,648</u>
FUND EQUITY		
Contributed Capital (Note 2)	118,084	128,337
Retained Earnings:		
Reserved for Bond Retirement (Note 10)	378,488	326,576
Designated (Note 11)	20,231	24,842
Unreserved and Undesignated (Note 12)	1,648,884	1,524,843
Total Retained Earnings	<u>1,747,603</u>	<u>1,782,261</u>
Total Fund Equity	<u>1,865,687</u>	<u>1,910,608</u>
Total Liabilities and Fund Equity	<u>\$ 3,895,875</u>	<u>\$ 4,128,256</u>

The accompanying notes are an integral part of these statements.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

**Statement of Revenues, Expenses, and Changes in Retained Earnings
For Year Ended December 31, 1995 and 1994**

	1995	1994
OPERATING REVENUES		
Ad Valorem Taxes	\$ 148,435	\$ 152,978
Sewer User Fees	73,120	68,709
Water Maintenance Fees	5,824	5,445
Total Operating Revenues	<u>227,379</u>	<u>227,132</u>
OPERATING EXPENSES		
Salaries and Related Benefits	81,174	81,304
Supplies and Materials	5,300	4,355
Other Services and Charges	50,621	47,858
Rent Operations	48,879	48,801
Depreciation	129,521	128,521
Total Operating Expenses	<u>285,495</u>	<u>289,039</u>
Operating Loss	(\$5,116)	(\$2,907)
NON-OPERATING REVENUES (EXPENSES)		
Ad Valorem Taxes	760,519	217,803
Bad Debts	(7,440)	-
Bond Interest and Fiscal Charge	(180,583)	(149,731)
Bond Issue Costs	(1,858)	(1,858)
Interest Income	13,059	74,161
Miscellaneous	3,846	-
Total Non-Operating Revenues (Expenses)	<u>583,343</u>	<u>139,525</u>
Net Income (Loss)	(\$2,110)	26,289
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>17,333</u>	<u>17,333</u>
Increase (Decrease) in Retained Earnings	11,123	43,621
Retained Earnings, Beginning	<u>1,785,361</u>	<u>1,741,740</u>
Retained Earnings, Ending	<u>\$ 1,796,484</u>	<u>\$ 1,785,361</u>

The accompanying notes are an integral part of this statement.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1

**Statement of Cash Flows
For Year Ended December 31, 1996 and 1995**

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Fees	\$ 82,871	\$ 82,413
Cash Received from Taxes	182,978	134,730
Cash Paid for Goods and Services	(165,328)	(160,502)
Cash Paid to Employees	(54,803)	(54,703)
Net Cash Provided by Operating Activities	<u>74,818</u>	<u>82,468</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Cash Received from Taxes	211,420	161,311
Cash Purchase of Equipment	(8,776)	599
Principal Paid on Bonds	(121,845)	(117,873)
Interest Paid on Bonds	(138,844)	(148,747)
Fiscal Charges Paid	(573)	(566)
Net Cash Used for Capital and Financing Activities	<u>(54,815)</u>	<u>(34,878)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Cash and Cash Equivalents	14,458	13,798
Net Increase in Cash	<u>24,208</u>	<u>1,388</u>
Cash and Cash Equivalents and Restricted Cash, Beginning	<u>418,802</u>	<u>418,274</u>
Cash and Cash Equivalents and Restricted Cash, Ending	\$ <u>448,950</u>	\$ <u>418,802</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (64,876)	\$ (63,607)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	128,821	128,821
Allowances for Uncollectibles	2,832	1,099
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(235)	1,850
(Increase) Decrease in Cellulose Taxes Receivable	2,811	(10,317)
(Increase) Decrease in Due from Other Governmental Units	(38)	1,389
(Increase) Decrease in Prepaid Expenses	679	(173)
Increase (Decrease) in Accounts Payable	385	1,064
Increase (Decrease) in Accrued Liabilities	2,708	2,970
Increase (Decrease) in Refundable Sewer Deposits	65	(215)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>74,818</u>	\$ <u>82,468</u>

The accompanying notes are an integral part of this statement.

REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES