

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

FINANCIAL STATEMENTS
WITH ACCOMPANYING INFORMATION

YEARS ENDED DECEMBER 31, 1998 AND 1997

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 1
State of Louisiana
Archie, Louisiana

We have audited the accompanying financial statements of St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana (the Commission), a component unit of the St. Mary Parish Council, as of December 31, 1998 and 1997 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants, Government Auditing Standards issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana, and are not intended to present fairly the financial position of the St. Mary Parish Council and the results of its operations and cash flows of its proprietary fund types and nonproprietary trust funds in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 20, 1998 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana as of December 31, 1998 and 1997 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information shown on pages 21 through 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



January 27, 1999

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

BALANCE SHEET

DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 348,818	\$ 593,108
Investments (Note 2)	865,823	839,680
Accounts receivable	52,899	50,709
Accounts receivable - other	27	3,274
Accrued interest receivable	12,306	10,345
Due from other funds	67,461	126,312
Inventories	22,700	25,253
Prepaid expenses	<u>14,304</u>	<u>14,325</u>
Total current assets	<u>1,978,808</u>	<u>2,033,056</u>
Restricted Assets (Note 3):		
Customer deposits:		
Cash and cash equivalents (Note 2)	8,176	7,356
Investments	<u>40,884</u>	<u>48,884</u>
	<u>49,060</u>	<u>56,240</u>
Unamortized debt issuance expense	<u>0</u>	<u>732</u>
Property, plant and equipment, net of accumulated depreciation (Note 3)	<u>6,525,651</u>	<u>6,685,858</u>
	<u>\$8,553,519</u>	<u>\$8,754,986</u>

The accompanying notes are an integral part of these financial statements.

	<u>1998</u>	<u>1997</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
(payable from current assets):		
Accounts payable - trade	\$ 187,015	\$ 30,800
Accrued payroll and payroll taxes	5,745	13,556
Accrued expenses and sales taxes	2,114	1,897
Retainage payable	12,595	-0-
Due to other governments	<u>60,859</u>	<u>5,272</u>
	<u>188,169</u>	<u>50,327</u>
Current liabilities (payable from restricted assets):		
Interest payable	-0-	850
Customers' money deposits	50,068	48,820
Grants payable (Note 4)	<u>-0-</u>	<u>85,000</u>
	<u>50,068</u>	<u>134,470</u>
Total current liabilities	238,237	185,397
Long-term bonds payable, less current maturities (Note 4)	<u>-0-</u>	<u>-0-</u>
Total liabilities	<u>238,237</u>	<u>185,397</u>
Fund equity:		
Contributed capital - other governments (Note 5)	<u>1,714,632</u>	<u>1,978,375</u>
Retained earnings:		
Reserved for bond indentures	-0-	85,850
Reserved for maintenance	7,252	7,252
Unreserved	<u>6,598,988</u>	<u>6,497,892</u>
Total retained earnings	<u>6,598,988</u>	<u>6,581,097</u>
Total fund equity	<u>8,313,620</u>	<u>8,569,472</u>
	<u>\$8,313,620</u>	<u>\$8,754,869</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Operating revenues:		
Water sales (Note 6)	\$ 453,831	\$ 418,998
Sewer sales (Note 6)	242,315	171,770
Delinquent charges	8,148	8,365
Reconnect charges	4,908	4,823
Transfer fees	3,840	4,840
Commissions	8,776	8,857
Miscellaneous	<u>0</u>	<u>1,226</u>
Total operating revenues	<u>724,104</u>	<u>648,581</u>
Operating expenses:		
Salaries and payroll taxes	262,893	262,335
Installations and repair of lines, hydrants, pumps and meters	45,882	19,961
Plant maintenance	36,816	51,539
Repairs and maintenance of buildings and towers	14,943	16,926
Depreciation	332,155	331,907
Commutations' fees	5,588	6,800
Utilities	57,508	55,540
Insurance	48,658	53,889
Miscellaneous	5,474	3,901
Employee medical insurance	38,755	33,378
Postage	3,433	3,818
Accounting and auditing	7,615	11,277
Engineering	1,908	2,962
Stationery, printing and office supplies	3,852	4,120
Telephone and telegraph	4,997	3,884
Vehicle	5,523	5,902
Person expenses (Note 8)	18,394	19,456
Chemicals	57,827	58,629
Plant supplies	8,792	11,289
Food testing fees	<u>5,862</u>	<u>4,420</u>
Total operating expenses	<u>968,746</u>	<u>972,151</u>
Operating (loss)	<u>\$(244,642)</u>	<u>\$(323,570)</u>

(Continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
(Continued)

YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Other revenues:		
Interest	\$ 60,258	\$ 60,779
Ad valorem tax	<u>93,345</u>	<u>149,705</u>
Total other revenues	<u>153,603</u>	<u>210,484</u>
Other expenses:		
Interest on bonds	850	4,330
Amortization of bond expenses	<u>185</u>	<u>542</u>
Total other expenses	<u>1,035</u>	<u>4,872</u>
Net income (loss)	(8,082)	(10,948)
Add depreciation on property, plant and equipment acquired by capital contributions that reduces contributed capital (Note 9)	<u>90,229</u>	<u>109,300</u>
Increase (decrease) in retained earnings	7,147	(10,648)
Retained earnings, beginning of period	<u>6,591,082</u>	<u>6,601,730</u>
Retained earnings, end of period	<u>\$6,598,249</u>	<u>\$6,591,082</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Operating (loss)	\$241,642	\$223,552
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	302,135	321,307
Amortization	505	542
Change in assets and liabilities:		
(Increase) in accounts receivable	(2,380)	(5,180)
Decrease in inventories	2,533	1,530
Decrease in prepaid expenses	291	2,755
Decrease in other receivables	3,247	2,272
Increase in accounts payable	77,009	5,393
Increase (decrease) in payroll related payables	(7,811)	2,381
Increase (decrease) in accrued expenses	217	(389)
Increase in contingent payable	12,345	-
Increase in due to other governments	488	308
Increase in customer meter deposits	1,449	3,759
Net cash provided by operating activities	<u>138,523</u>	<u>19,844</u>
Cash flows from capital and related financing activities:		
Ad valorem taxes collected for payments on bonds	152,196	133,236
Acquisition and construction of capital assets	(171,558)	(9,809)
Bond shortfall payments	(118,372)	-
Principal paid on bonds	(83,800)	(88,880)
Interest and fiscal agent fees paid on bonds	<u>(1,750)</u>	<u>(5,420)</u>
Net cash provided by (used for) capital and related financing activities	<u>(224,470)</u>	<u>(31,770)</u>

(Continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

STATEMENT OF CASH FLOWS
(CONTINUED)

YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Cash flows from investing activities:		
Proceeds from maturities of investments	\$ -0-	\$ 61,732
Interest on investments	<u>28,922</u>	<u>35,128</u>
Net cash provided by investing activities	<u>28,922</u>	<u>96,860</u>
Net increase (decrease) in cash and cash equivalents	(7,856)	156,299
Cash and cash equivalents at beginning of period (Note 2)	<u>527,868</u>	<u>801,375</u>
Cash and cash equivalents at end of period (Note 2)	<u>\$ 520,012</u>	<u>\$ 957,674</u>
Cash and cash equivalents at December 31 - consisted of:		
Current assets:		
Cash	\$ 940,818	\$ 958,308
Restricted assets:		
Cash	<u>5,178</u>	<u>7,366</u>
Total	<u>\$ 946,004</u>	<u>\$ 965,674</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to Ordinance No. 1251 adopted by the St. Mary Parish Council on October 27, 1995, the St. Mary Parish Water and Sewer Commission No. 1 (the Commission) was created on January 24, 1996 to provide water and sewerage services to the customers of the former Waterworks District No. 3 of the Parish of St. Mary, State of Louisiana, the former Sewerage District No. 4 of the Parish of St. Mary, State of Louisiana, and the area of Sewerage District No. 1 of the Parish of St. Mary, State of Louisiana, outside the corporate limits of Morgan City, Louisiana. Effective July 1, 1996, the operations of Waterworks District No. 3 and Sewerage District No. 4 have been incorporated into the St. Mary Parish Water and Sewer Commission No. 1. As further discussed in Note 11, Sewer District No. 1 of the Parish of St. Mary will be merged into the St. Mary Parish Water and Sewer Commission No. 1 on October 1, 1999. The Commission is a component unit of the Parish of St. Mary. The Commission is an integral part of the Parish of St. Mary for financial reporting purposes. The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable 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

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 1, the Commission is a component unit of the St. Mary Parish Council, the reporting entity (the Oversight Unit). The accompanying financial statements present information only as to the transactions of the Commission and are not intended to present fairly the financial position and results of operations of the St. Mary Parish Council.

Fund Accounting

The accounts of the Commission are organized and reported on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

The Commission is presented in the accompanying financial statements as an Enterprise Fund, which is a proprietary fund used to account for operations 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 depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Enterprise Fund is accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when incurred.

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

Inventories

Inventories consisting of parts and supplies are stated at specific cost.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed under the straight-line method based on the useful lives of the individual assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The costs of maintenance and repairs are charged to income as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments.

Intangible Assets

Costs incurred in connection with the issuance of the bonds are recorded as assets and are amortized over the period the bonds remain outstanding.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents includes all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Ad Valorem Tax

St. Mary Parish levies an ad valorem tax based on property values determined by the Parish Tax Assessor's Office. The levy is effective and becomes an enforceable lien on the property upon mailing of the tax bills to property owners (usually between November 1 and November 15). Tax payment is due by December 31 and becomes delinquent on January 1 at which time interest begins to accrue. The taxes are billed and collected by the St. Mary Parish Sheriff's Office. The Commission is a proprietary fund and recognizes the taxes as revenue in the year in which they are levied.

Bad Debts

The Commission charges any uncollectible accounts directly to current operations. All accounts at December 31, 1998 and 1997 are considered to be collectible.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Louisiana Statutes permit the Commission to invest in obligations of the U. S. Government and agencies of the U.S. Government which are federally sponsored, and certificates of deposit of state banks and national banks having their principal office in the state of Louisiana.

At December 31, 1998, the Commission's cash and cash equivalents consisted of cash having a carrying value of \$948,894.

The carrying value of the Commission's cash deposits and certificates of deposit with financial institutions at December 31, 1998 totaled \$1,855,168 and the bank balance was \$1,851,982. Cash and cash equivalents and investments are stated at cost, which approximates market. Under state law these deposits must be insured 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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
(Continued)

2- **CASH AND CASH EQUIVALENTS AND INVESTMENTS** (Continued)

The deposits at December 31, 1998 were insured as follows:

Carrying Amount on Balance Sheet	Cash and Cash Equivalents	Certificates of Deposit	Total
	<u>\$255,473</u>	<u>\$200,509</u>	<u>\$1,861,982</u>
Bank Balances:			
1. Insured (FDIC) or collateralized with securities held by the entity or its agent <i>(in the entity's name)</i>	\$255,473	\$200,509	\$1,861,982
2. Collateralized with securities held by pledging financial institution's trust department or agent <i>(in the entity's name)</i>	-0-	-0-	-0-
3. Uncollateralized, including any securities held for the entity but not in the entity's name	-0-	-0-	-0-
TOTAL Bank Balances	<u>\$255,473</u>	<u>\$200,509</u>	<u>\$1,861,982</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31:

	<u>1998</u>	<u>1997</u>	<u>Depreciation Annual Percentages</u>
Land	\$ 383,736	\$ 303,736	
Building and improvements	4,041,890	4,041,890	2 to 10%
Distribution system	7,966,039	7,906,879	2 to 10%
Equipment	<u>137,387</u>	<u>121,125</u>	30 to 53.3%
	11,649,052	11,673,630	
Construction in progress	<u>155,378</u>	<u>-</u>	
	11,804,430	11,673,630	
Less: accumulated depreciation	<u>5,420,217</u>	<u>4,888,652</u>	
	<u>\$ 6,384,213</u>	<u>\$ 6,784,978</u>	

Depreciation charged to income was \$512,150 and \$531,907 for the years ended December 31, 1998 and 1997, respectively. During the years ended December 31, 1998 and 1997, new equipment and improvements costing \$16,172 and \$8,806, respectively, were purchased.

4 - PUBLIC IMPROVEMENT BONDS

The following is a summary of bond transactions for the years ended December 31, 1998 and 1997:

Bonds payable, December 31, 1996	\$165,000
Bonds retired	<u>85,000</u>
Bonds payable, December 31, 1997	85,000
Bonds retired	<u>85,000</u>
Bonds payable, December 31, 1998	<u>\$ -</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - PUBLIC IMPROVEMENT BONDS (Continued)

These bonds were secured by a special ad valorem tax on property subject to taxation within the territorial limits of the Commission.

The amount of interest cost incurred was \$850 and \$4,134 for the years ended December 31, 1998 and 1997, respectively, all of which was charged to operations.

5 - RESTRICTED ASSETS

The Commission's restricted cash and investments consisted of the following at December 31:

	<u>1998</u>	<u>1997</u>
Customers' meter deposits:		
Cash	\$ 0,136	\$ 7,796
Investments	40,884	40,884
	<u>\$50,060</u>	<u>\$48,680</u>

6 - BILLING RATES AND SALES

Effective April 30, 1999, a water rate increase went into effect whereby water is sold within the Commission's district to approximately 1,150 customers at the following rates for monthly quantities:

<u> Cubic Feet </u>	<u>Rate Per Thousand</u>	<u>Flat Fee Amount</u>
0 - 2,000		\$ 0.00
2,000 - and over	\$ 1.50	

**ST. MARY PARISH WATER AND SEWER COMMISSION
PARISH OF ST. MARY, STATE OF LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

6 - BILLING RATES AND SALES (Continued)

The maximum monthly water sales during the year ended December 31, 1998 occurred in the 31 days ended May 31, 1998 when 24,899,720 metered gallons were billed. The maximum monthly water sales during the year ended December 31, 1997 occurred in the 31 days ended September 30, 1997 when 27,185,828 metered gallons were billed. Water sales for the year ended December 31, 1998 totaled 233,688,280, an average of 19,648,319 metered gallons per month. Water sales for the year ended December 31, 1997 totaled 228,843,410 metered gallons, an average of 19,070,617 metered gallons per month. Some customers use more than one meter, in which case each meter is billed separately using the regular rates.

Effective August 31, 1997, a sewer rate increase went into effect whereby sewerage services provided within the Commission's district to approximately 1,125 customers at the following rates for monthly quantities:

	<u>Gallons of Water Used</u>	<u>Rate per Thousand</u>	<u>Flat Fee Amount</u>
Residential	0 - 5,000		\$ 8.00
	5,000 - and over	\$ 1.00	
Commercial	0 - 8,000		\$ 15.00
	8,000 - and over	\$ 1.25	

Previously, residential rates for sewerage services were \$8.00 per month. Commercial rates for sewerage services ranged from \$8.00 to \$48.00 per month plus \$0.80 per gallon of metered water usage in excess of 10,000 gallons per month.

The maximum monthly sewerage sales during the year ended December 31, 1998 occurred in the 31 days ended May 31, 1998 when \$24,498 in sewerage services was billed. The maximum monthly sewerage sales during the year ended December 31, 1997, occurred in the 30 days ended September 30, 1997 when \$18,978 in sewerage services was billed.

ST. MARY WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. CONSTRUCTION IN PROGRESS

During the year ended December 31, 1998, the Commission entered into a contract to clean and paint certain ground and elevated water storage tanks. The total cost of the contract awarded is \$252,040, plus related engineering cost. The project is approximately 50% complete at December 31, 1998.

A summary of construction in progress is as follows:

Balance, December 30, 1997	\$ -0-
Project cost incurred	126,130
Engineering cost incurred	29,248
Balance, December 31, 1998	<u>\$155,378</u>

8. EMPLOYEE RETIREMENT PLAN

Federal regulations require that all state and local government employees not covered by FICA be covered by some alternate retirement plan after June 30, 1991. The Commission chose to establish a simplified employee retirement plan (SEP) whereby the Commission deposits an amount equal to 7.50% of FICA wages. Under a SEP, an individual retirement account (IRA) is set up for each participating employee and contributions are made directly into that IRA.

All employees 21 years of age or older who have been employed one year or more are covered under the plan, and eligible employees' benefits vest 100% upon meeting the above requirements.

Total pension expense recorded by the Commission for contributions to the retirement plan for the years ended December 31, 1998 and 1997 was \$18,194 and \$19,454, respectively. Total gross salaries of the Commission for the years ended December 31, 1998 and 1997 were approximately \$200,380 and \$200,800, respectively.

ST. MARY WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - CHANGES IN CONTRIBUTED CAPITAL

A summary of changes in the Commission's contributed capital accounts for the years ended December 31, 1998 and 1997 follows:

	St. Mary Parish Council	St. Mary Parish Fire Protection Dist. #3	State of LA.	Federal Govern- ment	Total
Balances at					
December 31, 1996	\$1,823,692	\$33,489	\$128,404	\$181,893	\$2,067,478
Depreciation expense for the year ended December 31, 1997 on fixed assets acquired through capital contributions	(195,282)	(1,680)	(8,193)	(5,643)	(210,798)
Balances at					
December 31, 1997	1,727,910	31,809	120,211	96,250	1,976,179
Reduction of contributed capital due to payment of St. Mary Parish Council bond interest (Note 11)	(133,298)	-	-	-	(133,298)
Depreciation expense for the year ended December 31, 1998 on fixed assets acquired through capital contributions	(135,693)	(1,680)	(8,193)	(5,643)	(151,209)
Balances at					
December 31, 1998	\$1,457,019	\$30,129	\$112,018	\$90,607	\$1,779,873

ST. MARY WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - RETAINED EARNINGS RESERVED FOR MAINTENANCE

Funds collected in excess of special assessment debt have been reserved for maintenance of the sewerage systems of the properties assessed.

11 - COMMITMENTS AND CONTINGENCIES

Mandates by the Environmental Protection Agency and the Louisiana Department of Environmental Quality require that the Commission upgrade its treatment facility to comply with stricter discharge requirements. The Commission currently has a contract with Louisiana State University to monitor and prepare a Use Attainability Analysis of Long-term Wastewater Discharge on the Ramon Forested Wetland at Amelia, Louisiana. The analysis was issued in January, 1987, and conclusions regarding uses, criteria and regulatory issues will be supplied by the Louisiana Department of Environmental Quality after review of the analysis. The Commission estimates that to achieve compliance with the new mandates will cost approximately \$100,000 to \$250,000.

The Commission and Sewer District No. 1 of the Parish of St. Mary have entered into a Local Services Agreement with the City of Morgan City whereby, upon completion of a project to extend sewerage collection lines and install necessary lift stations in the Greenwood Area of St. Mary Parish, Sewer District No. 1 will transfer ownership of all of its sewerage facilities lying within the corporate limits of the City of Morgan City in consideration of the City providing future sewerage collection and treatment services to that area. Effective October 1, 1990, Sewer District No. 1 will transfer all of its sewerage collection and treatment facilities lying within the jurisdiction of the Commission to the Commission. Sewer District No. 1 also agreed to retain 25% of ad valorem taxes levied in 1990 through 1998, and remit the remaining 75% to the Commission and the City of Morgan City in the proportion to which the total assessed valuation of that portion of Sewer District No. 1 being transferred to the City of Morgan City and that portion being transferred to the Commission bears to the total assessed valuation within Sewer District No. 1. This amount is estimated to be \$12,100 and \$13,233 as of December 31, 1998 and 1997, respectively, which has been accrued in the financial statements.

ST. MARY WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - COMMITMENTS AND CONTINGENCIES (Continued)

The Commission and the St. Mary Parish Council have entered into an agreement between the Commission and the Council to provide full ownership of the regional sewage treatment facilities in the Amelia area, Ward 9 and a portion of Ward 6, which is currently being operated by the Commission. The Commission has agreed to acquire the sewage treatment facilities at a price equal to the difference between the yearly principal and interest bond payments allocable to the sewer area and the amount of the 3/4 cent sales tax allocated to the Amelia and Vicinity Sewer area for the period December 2, 1987-2004. Obligations for the bond shortfall for the years ended December 31, 1998 and 1999 have been met as follows:

1997 Bond payment	\$247,629
Less: Sales tax collections	<u>(183,402)</u>
Difference	64,227
1998 Bond payment	245,712
Less: Sales tax collections	<u>(139,648)</u>
Difference	106,064
Total difference for 1998 and 1999	170,291
Amount paid during 1998	<u>(18,132)</u>
Amount accrued at December 31, 1998	<u>\$152,159</u>

Future principal and interest bond payments are as follows:

1998 Bond payment	\$ 246,780
2000 Bond payment	245,508
2001 Bond payment	246,545
2002 Bond payment	246,860
2003 Bond payment	246,868
2004 Bond payment	<u>246,705</u>
	<u>\$1,478,266</u>

Upon payment annually of the net bond payment, contributed capital will be reduced by the amount of the payment.

ACCOMPANYING INFORMATION

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

Description	Year Acquired	Interest Rate	Maturity Date	Cost
Current Assets				
Time certificates of deposit:				
M C Bank & Trust	1998	4.900%	01/15/99	\$313,992
M C Bank & Trust	1998	4.900%	01/15/99	149,487
M C Bank & Trust	1998	4.470%	01/13/99	97,062
M C Bank & Trust	1997	4.450%	12/12/99	28,245
M C Bank & Trust	1998	4.470%	04/22/99	21,587
Truist Federal Savings Bank	1998	5.070%	10/01/99	82,632
Whitney National Bank	1997	5.210%	01/04/99	89,580
Iberia Savings Bank	1998	4.110%	06/16/99	<u>390,069</u>
				<u>1,663,655</u>
Restricted Assets				
Customer repair deposits				
Time certificates of deposit:				
M C Bank & Trust	1998	4.640%	06/08/99	<u>40,584</u>
				<u>2096,509</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

LIST OF INSURANCE POLICIES IN FORCE

DECEMBER 31, 1998

	<u>Expiration Date</u>	<u>Coverage</u>
Property and office building:		
Four water storage towers (80% co-insurance clause)	July 3, 1999	\$1,400,000
Water treatment facilities (80% co-insurance clause)		
Buildings (combined)	April 11, 1999	\$2,451,000
Contents	April 11, 1999	\$ 65,000
Steel Generator	April 11, 1999	\$ 50,000
Public officials' and employees'		
liability	June 30, 1999	\$2,000,000
Public employee dishonesty	September 14, 1999	\$ 50,000
Public employee dishonesty	May 1, 1999	\$ 10,000
Liability:		
General Liability		
Each occurrence limit	June 30, 1999	\$2,000,000
General aggregate limit	June 30, 1999	\$2,000,000
Commercial Umbrella		
Each occurrence limit	June 30, 1999	\$2,000,000
General aggregate limit	June 30, 1999	\$2,000,000
Auto - combined single limit	April 4, 1999	\$9,000,000

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

SCHEDULE OF COMPENSATION PAID TO THE
BOARD OF COMMISSIONERS

FOR THE YEAR ENDED DECEMBER 31, 1998

	Number of Meetings Attended	Total Compensation
Harold H. Verrit, President	13	\$ 780
Donald Paterson, Vice President	14	840
Sandra Wilkerson, Secretary/Treasurer	14	840
Errol Tabor, Commissioner	14	840
Shirley Bailey, Commissioner	14	840
John Richard, Commissioner	12	720
Jeff Reed, Commissioner	12	<u>720</u>
	<u>83</u>	<u>\$5,580</u>

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ACCOUNTING CORPORATION

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

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 1
Parish of St. Mary
State of Louisiana
Archie, Louisiana

We have audited the financial statements of St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana (the Commission), a component unit of the St. Mary Parish Council, as of December 31, 1998 and 1997 and for the years then ended, and have issued our report thereon dated January 30, 1999. We conducted our audit in accordance with generally accepted auditing standards established by the American Institute of Certified Public Accountants, Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

