

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

8- EMPLOYEE RETIREMENT PLAN (Continued)

Total pension expense recorded by the Commission for contributions to the retirement plan for the period from inception (January 24, 1996) to December 31, 1996 was \$9,293. Total gross salaries of the Commission for the period from inception (January 24, 1996) to December 31, 1996 were approximately \$125,000.

9- CHANGES IN CONTRIBUTED CAPITAL

A summary of changes in the Commission's contributed capital accounts for the period from inception (January 24, 1996) to December 31, 1996 follows:

	St. Mary Parish Council	St. Mary Parish Fire Pro- tection Dist. #5	State of La.	Federal Govern- ment	Total
Balances transferred in from former Waterworks District No. 3 and Sewerage District No. 4	\$3,871,583	\$34,333	\$131,503	\$104,718	\$4,142,137
Depreciation expense for the period from inception (January 24, 1996) to December 31, 1996 on fixed assets acquired through capital contributions	(217,881)	(1842)	(5,099)	(2,823)	(154,655)
Balances at December 31, 1996	\$3,653,692	\$33,491	\$126,404	\$101,895	\$3,915,482

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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)

FOR THE PERIOD FROM INCEPTION (JANUARY 24, 1960) TO  
DECEMBER 31, 1966

Other revenues:	
Interest	\$ 32,094
Ad valorem tax	____ 149,232
Total other revenues	____ 172,618
Other expenses:	
Interest on bonds	3,958
Amortization of bond expenses	____ 273
Total other expenses	____ 3,651
Income before operating transfers	172,049
Operating transfers in	____ 5,000
Net income	177,999
Add depreciation on property, plant and equipment acquired by capital contributions that reduces contributed capital (Note 5)	____ 54,658
Increase in retained earnings	79,658
Retained earnings, beginning of period	0
Retained earnings transferred in from Former Waterworks District No. 3	6,051,851
Retained earnings transferred in from Former Sewerage District No. 4	____ 473,226
Retained earnings, end of period	\$6,604,735

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

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

STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM INCEPTION (JANUARY 24, 1966) TO  
DECEMBER 31, 1966

Cash flows from operating activities:	
Operating (loss)	\$ (153,994)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation	150,489
Amortization	251
Change in assets and liabilities:	
Decrease in accounts receivable	3,879
(Increase) in inventories	(7,459)
(Increase) in prepaid expenses	(2,834)
Decrease in due from other governments	4,645
(Increase) in other receivables	(2,081)
(Decrease) in accounts payable	(47,326)
Increase in payroll related payables	8,621
(Decrease) in accrued expenses and sales taxes	(26,389)
(Decrease) in due to other governments	6,802
(Decrease) in customer meter deposits	(4,000)
Net cash used for operating activities	(76,102)
Cash flows from capital and related financing activities:	
Add valorem taxes received for payments on bonds	30,378
Acquisition and construction of capital assets	(214,411)
Interest and fiscal agent fees paid on bonds	(4,359)
Net cash used for capital and related financing activities	(188,392)
Cash flows from non-capital financing activities:	
Operating transfers in from other funds	1,135,963
Net cash provided by non-capital	1,135,963

(Continued)

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

STATEMENT OF CASH FLOWS  
(CONTINUED)

FOR THE PERIOD FROM INCEPTION (JANUARY 24, 1996) TO  
DECEMBER 31, 1996

Cash flows from investing activities:	
Interest on investments	\$ 28,100
Net cash provided by investing activities	28,100
Net (decrease) in cash and cash equivalents	801,575
Cash and cash equivalents at beginning of period (Note 2)	-0-
Cash and cash equivalents at end of period (Note 2)	\$ 801,575
Cash and cash equivalents at September 30 consists of:	
Current assets:	
Cash	\$ 748,781
Certificates of deposit	50,898
	799,679
Restricted assets:	
Cash	2,946
Total	\$ 802,625

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. 1281 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 that 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 upon completion of a project to extend sewerage collection lines and install necessary lift stations in the Greenwood area of St. Mary Parish. 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 operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

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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 Procedures issued on or before November 30, 1989, unless these 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 Procedures issued after November 30, 1989.

**Inventories**

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

**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 sold 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 main-

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 (Continued)

renance 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 revenues 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, 1996 are considered to be collectible.

Use of Estimates

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

ST. MARY 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

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, 1996, the Commission's cash and cash equivalents consisted of cash having a carrying value of \$750,707 and certificates of deposit (carried at cost) having a carrying value of \$210,688.

The carrying value of the Commission's cash deposits and certificates of deposit with financial institutions at December 31, 1996 totaled \$1,718,851 and the bank balance was \$1,718,688. Cash and cash equivalents and investments are stated at cost, which approximates market. Under state law these deposits 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. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of authenticating receipts held by the state treasurer. The deposits at December 31, 1996 were secured as follows:

Carrying Amount on Balance Sheet	Cash and Cash Equivalents	Certificates of Deposit	Total
<b>Bank Balances:</b>			
1. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	\$802,432	\$820,673	\$1,623,105
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	0-	0-	0-
3. Uncollateralized, including any securities held for the entity but not in the entity's name	0-	56,583	56,583
<b>TOTAL Bank Balances</b>	<b>\$802,432</b>	<b>\$820,673</b>	<b>\$1,718,688</b>



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 PERIOD FROM INCEPTION (JANUARY 24, 1958) TO  
DECEMBER 31, 1996

Operating revenues:	
Water sales (Note 6)	\$ 218,092
Sewer sales (Note 6)	79,541
Delinquent charges	4,547
Reconnect charges	2,000
Transfer fees	1,990
Commissions	3,425
Miscellaneous	<u>2,029</u>
Total operating revenues	<u>395,529</u>
Operating expenses:	
Salaries and payroll taxes	130,060
Installation and repair of filters, hydrants, pumps and motors	18,480
Plant maintenance	20,805
Repairs and maintenance of buildings and towers	6,648
Depreciation	190,489
Commissioned fees	5,340
Utilities	30,174
Insurance	29,215
Miscellaneous	1,036
Employee medical insurance	13,068
Unemployment insurance	5,284
Postage	1,438
Accounting and auditing	8,865
Engineering	2,172
Computer consulting	3,346
Stationery, printing and office supplies	2,579
Telephones and telegraph	2,827
Vehicle	3,957
Permit expenses (Note 6)	8,299
Chemicals	15,325
Plant supplies	5,879
Ford testing fees	<u>2,535</u>
Total operating expenses	<u>861,525</u>
Operating (loss)	<u>\$(459,996)</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)

Bonds payable as of December 31, 1996 are comprised of the following:

\$1,140,000 of Public Improvement Bonds, dated April 1, 1973, 6%, due in annual installments of \$80,000 to \$85,000 through April 1, 1998	\$185,000
Current maturities	\$ 80,000
Long-term	___85,000
	\$100,000

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

The annual requirements to amortize all debt outstanding as of December 31, 1996 including interest payments of \$6,700 are as follows:

Year ending December 31,	
1997	\$ 85,000
1998	___88,700
	\$173,700

The amount of interest cost incurred was \$1,180 for the period from inception (January 24, 1996) to December 31, 1996, all of which was charged to operations.

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

NOTES TO FINANCIAL STATEMENTS  
 (Continued)

7 - CONSTRUCTION IN PROGRESS

During the nine month period ended June 30, 1986, the former Waterworks District No. 2 entered into a contract to clean and paint certain ground and elevated water storage tanks. The total cost of the contract is \$354,400, plus related engineering cost. The project was completed December 31, 1986.

A summary of construction in progress is as follows:

Balance, June 30, 1986 (transferred in from former Waterworks District No. 2)	\$348,520
Project cost incurred	250,593
Engineering cost incurred	18,717
Amount capitalized to distribution system	(658,810)
Balance, December 31, 1986	\$.....-0-

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, 1981. The Commission chose to establish a simplified employee retirement plan (SEP) whereby the Commission deposits an amount equal to 3.75% of FICA wages and each employee has 3.75% of FICA wages withheld. 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 employee's benefits vest 100% upon meeting the above requirements.

## ACCOMPANYING INFORMATION

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

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1996

Description	Year Acquired	Interest Rate	Maturity Date	Cost
<b>Current Assets</b>				
<i>Time certificates of deposit:</i>				
Morgan City Bank & Trust	1996	4.500%	01/27/97	\$201,454
Morgan City Bank & Trust	1996	4.500%	04/27/97	136,799
Meritrust Fed. Savings Bank	1996	4.500%	06/10/97	97,133
Clearway Bank & Trust	1996	5.800%	12/12/97	28,998
Clearway Bank & Trust	1996	5.800%	04/22/98	23,714
Trchs Federal Savings Bank	1996	5.810%	04/11/98	73,850
Meritrust Federal Savings Bank	1996	5.210%	12/28/96	48,580
Patterson State Bank	1996	5.015%	05/02/97	62,713
Herita Savings Bank	1996	5.100%	09/30/97	182,000
				<u>876,373</u>
<b>Restricted Assets</b>				
<i>Current water deposits</i>				
<i>Time certificates of deposit:</i>				
Guaranty Bank and Trust	1996	3.000%	06/23/97	80,884
				<u>\$917,257</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, 1995

	Expiration Date	Coverage
<b>Property and office building:</b>		
Four water storage towers (80% co-insurance clause)	July 5, 1997	\$1,000,000
Water treatment facilities (80% co-insurance clause)		
Buildings (combined)	April 11, 1999	\$2,431,000
Contents	April 11, 1999	\$ 65,000
Steel Concrete	April 11, 1999	\$ 50,000
<b>Public officials' and employees'</b>		
liability	June 30, 1997	\$1,000,000
Public employee dishonesty	September 14, 1997	\$ 50,000
Public employee dishonesty	May 1, 1997	\$ 50,000
<b>Liability:</b>		
<b>General Liability</b>		
Each occurrence limit	June 30, 1997	\$2,000,000
General aggregate limit	June 30, 1997	\$2,000,000
<b>Commercial Umbrella</b>		
Each occurrence limit	June 30, 1997	\$2,000,000
General aggregate limit	June 30, 1997	\$2,000,000
Auto - combined single limit	April 4, 1997	\$1,000,000

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, 1996

	<u>Number of Meetings Attended.</u>	<u>Total Compensation</u>
Richard H. Vetter, President	12	\$ 720
Donald Parsons, Vice President	12	720
Sandra Wilkinson, Secretary/Treasurer	13	780
Rood Tubot, Commissioner	14	840
Shirley Bailey, Commissioner	12	720
John Richard, Commissioner	13	780
Jeff Reed, Commissioner	13	780
	89	\$5,240

# DERBES & COMPANY

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FRANK J. PERRELLI, C.P.A.  
— MEMBERS—  
SOCIETY OF CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE 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

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 and for the period from inception (January 24, 1996) to December 31, 1996, and have issued our report thereon dated February 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards, **Government Auditing Standards**, issued by the Comptroller General of the United States, and the **Louisiana Governmental Audit Guide**. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Commission 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 management 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 management'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 nonetheless 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 financial statements of the Commission for the period from inception (January 24, 1995) to December 31, 1996, 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 financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain conditions involving the internal control structure and its operation that we consider to be a reportable condition 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 Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition noted includes an inadequate control internal control structure design and the absence of appropriate segregation of duties consistent with appropriate control objectives.

#### Management Response:

Because of the small size of the Commission, limited number of personnel, cost and other considerations, the management of the Commission does not consider that improvements to the internal control structure design or operation are warranted.

This report is intended for the information of management, the St. Mary Parish Council, and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



February 18, 1997

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\* A PROFESSIONAL  
ACCOUNTING CORPORATION

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS 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

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 and for the period from inception (January 24, 1996) to December 31, 1996, and have issued our report thereon dated February 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to the Commission is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the 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 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 the following material instances of noncompliance that is required to be reported under *Government Auditing Standards*.

### Collateralization of Cash Deposits

As disclosed in Note 2 of the financial statements, at December 31, 1996 deposits held by Meritex Federal Savings Bank were undercollateralized by \$96,583. We also noted several instances during the period from inception (January 24, 1995) to December 31, 1996 where bank balances were undercollateralized. 12 C.F.R. 30.1205 requires that "the amount of the security shall at all times be equal to 100% of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States."

### Recommendation

We recommend that the Commission enter into collateral agreements with its depository banks to ensure adequate security for its deposits. We also recommend that the Commission develop a system to monitor the amount of collateral pledged against deposits (bank balances as well as book balances) on a regular basis.

### Management Response

Due to the merger of the former Waterworks District No. 3 of the Parish of St. Mary and the former Sewerage District No. 4 of the Parish of St. Mary, investments held at the same bank exceeded federal depository insurance coverage. When the Commission became aware of this, the Commission requested that Meritex Federal Savings Bank provide securities collateralizing the assets. The bank would not provide such collateralization. The Commission has since moved one certificate of deposit to another bank upon maturity. The Commission has resolved to leave the remaining deposits at Meritex Federal Savings Bank until maturity, in order to avoid the imposition of any penalties upon early withdrawal, at which time the deposits will be moved to financial institutions providing adequate security.

This report is intended for the information of management, the St. Mary Parish Council, and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Osborne Humphreys*

February 18, 1997

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:

	<u>1996</u>	Depreciation Annual Percentage
Land	\$ 283,726	
Building and improvements	4,079,820	2 to 10%
Distribution system	7,246,579	3 to 10%
Equipment	<u>112,288</u>	10 to 33.3%
	11,661,913	
Less: accumulated depreciation	<u>4,656,556</u>	
	\$ 7,005,357	

Depreciation charged to income was \$150,489 for the period from inception (January 24, 1994) to December 31, 1996. During the period from inception (January 24, 1994) to December 31, 1996, new equipment and improvements costing \$312,411 were purchased.

4 - PUBLIC IMPROVEMENT BONDS

The following is a summary of bond transactions for the period from inception (January 24, 1994) to December 31, 1996:

Bonds payable, transferred in from former Waterworks District No. 3	\$165,800
Bonds retired	<u>0-</u>
Bonds payable, end of period	\$165,800

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

BALANCE SHEET

December 31, 1996

ASSETS

Current assets:

Cash and cash equivalents (Note 2)	\$ 797,629
Investments (Note 2)	836,372
Accounts receivable	45,529
Accounts receivable - other	5,546
Accrued interest receivable	11,744
Due from other funds	189,843
Inventories	26,743
Prepaid expenses	17,130

Total current assets 1,890,536

Restricted Assets (Note 5):

Customer deposits:

Cash and cash equivalents (Note 2)	1,046
Investments	63,889
	<u>64,935</u>

Unamortized debt insurance expense 821

Property, plant and equipment, net of  
accumulated depreciation (Note 3) 7,003,351

\$8,944,643

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

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 Ramos Forested Wetland at Arcaea, Louisiana. The analysis was issued in January, 1997, 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. Furthermore, upon completion of the aforementioned project, 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 all valorem taxes levied in 1996, 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 \$7,000, which has been accrued in the financial statements.

## LIABILITIES AND FUND EQUITY

<b>Current liabilities:</b>	
(payable from current assets)	
Accounts payable - trade	\$ 24,409
Accrued payroll and payroll taxes	11,168
Accrued expenses and sales taxes	2,204
Due to other governments	<u>4,967</u>
	<u>42,747</u>
<b>Current liabilities:</b>	
(payable from restricted assets):	
Interest payable	1,699
Customers' water deposits	44,879
Bonds payable (Note 4)	<u>80,000</u>
	<u>126,578</u>
Total current liabilities	169,325
Long-term bonds payable, less current maturities (Note 4)	<u>85,000</u>
Total liabilities	<u>254,325</u>
<b>Fund equity:</b>	
Contributed capital - other governments (Note 7)	<u>2,067,482</u>
<b>Retained earnings:</b>	
Reserved for bond indentures	81,680
Reserved for maintenance	7,252
Unreserved	<u>6,512,828</u>
Total retained earnings	<u>6,601,760</u>
Total fund equity	<u>8,669,242</u>
	<b>\$8,943,440</b>

In accordance with Government Auditing Standards, we have also issued a report dated February 18, 1997 on our consideration of the Commission's internal control structure and a report dated February 18, 1997 on its compliance with laws and regulations.

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, 1996 and the results of its operations and its cash flows for the period from inception (January 30, 1996) to December 31, 1996, 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 18 through 20 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.

*Dwight H. Grayson*

February 18, 1997



# DERBES & COMPANY

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C. PROFESSIONALS  
MEMBERSHIP: 0000000000000000

## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
St. Mary Parish Water and Sewer  
Commission No. 1  
State of 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 and for the period from inception (January 24, 1996) to December 31, 1996, 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 audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 nonresponsible trust funds in conformity with generally accepted accounting principles.

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

FINANCIAL STATEMENTS  
WITH ACCOMPANYING INFORMATION

FOR THE PERIOD FROM INCEPTION (JANUARY 24, 1996) TO  
DECEMBER 31, 1996

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

**FINANCIAL STATEMENTS  
 WITH ACCOMPANYING INFORMATION**

**FOR THE PERIOD FROM INCEPTION (JANUARY 24, 1966) TO  
 DECEMBER 31, 1966**

and

**INDEPENDENT AUDITOR'S REPORT**

Under provisions of state law, this report is a public document. A copy of this report has been made available to the public and is available, without charge, to any interested citizen. The accuracy and reliability of the financial statements of this Parish are the responsibility of the Parish Board of Commissioners and the Parish Clerk of Court. The Auditor is not responsible for the accuracy of the financial statements of this Parish.

Respectfully,  
 Date: 4-2-97