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WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 1997 and 1996

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

Release Date ~~FEB 25 1998~~

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ADAMS & JOHNSON

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MEMBERS:

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Wards 5 & 8 Joint Sewerage Commission
of the Parish of St. Mary
State of Louisiana
P.O. Box 181
Berwick, Louisiana 70342

We have audited the accompanying financial statements of the Wards 5 & 8 Joint Sewerage Commission, a joint venture of the Town of Berwick, City of Patterson, Sewerage District No. 2 and Sewerage District No. 8 of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 1997 and 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 and the standards applicable to financial audits contained in Government Auditing Standards. 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 component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wards 5 & 8 Joint Sewerage Commission as of September 30, 1997 and 1996, and the results of its operations and the cash flows for the proprietary fund 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 supplementary information as listed in the table of contents, while not considered necessary for a fair presentation of the financial statements, is presented as supplementary analytical data. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to

auditing procedures applied in the audit of the financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated November 18, 1997 on our consideration of Wards 5 & 8 Joint Sewerage Commission's internal control over financial reporting and a report dated November 18, 1997 of our tests of its compliance with certain provisions of law, regulations, and contracts.

Adams + Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
November 18, 1997

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

BALANCE SHEET - PROPRIETARY FUND TYPE
September 30, 1997 and 1996

	<u>9-30-97</u>	<u>9-30-96</u>
ASSETS		
Cash	\$ 371,787	\$ 345,699
Deposits	2,402	2,402
Due from other governmental units	101,518	53,951
Prepaid insurance	10,406	16,120
Property, plant & equipment - Net of accumulated depreciation	<u>405,151</u>	<u>372,098</u>
TOTAL ASSETS	\$ 891,264 =====	\$ 790,270 =====
 LIABILITIES, EQUITY AND OTHER CREDITS		
LIABILITIES		
Accounts payable	\$ <u>39,928</u>	\$ <u>27,908</u>
TOTAL LIABILITIES	\$ 39,928	\$ 27,908
 EQUITY AND OTHER CREDITS		
CONTRIBUTED CAPITAL		
Governmental	\$ 99,110	\$ 99,110
 RETAINED EARNINGS		
Unreserved	<u>752,226</u>	<u>663,252</u>
TOTAL EQUITY AND OTHER CREDITS	<u>851,336</u>	<u>762,362</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 891,264 =====	\$ 790,270 =====

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

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
For the Years Ended September 30, 1997 and 1996

	<u>9-30-97</u>	<u>9-30-96</u>
OPERATING REVENUES		
Charges for services -		
Sewer treatment charges	\$ 501,694	\$ 509,971
OPERATING EXPENSES		
Advertising	\$ 235	\$ 161
Seminars	---	522
Miscellaneous	70	162
Insurance	26,470	29,954
Lab fees	17,575	15,580
Salaries - maintenance	61,046	57,914
Salaries - clerical	3,900	3,900
Accounting	635	345
Audit	2,895	2,795
Utilities	133,416	126,758
Telephone	6,610	7,118
Maintenance - sewer system	69,321	47,382
Grass cutting	8,905	7,400
Retirement	4,658	3,562
Taxes	381	1,088
Office supplies	1,612	1,827
Truck expenses	4,169	5,145
Chemicals	20,768	16,341
Supplies	8,468	7,601
Board meetings	3,000	2,950
Engineering fees	7,798	15,012
Depreciation	33,602	32,283
Water surveillance	5,220	5,220
Uniforms	<u>1,417</u>	<u>1,398</u>
 Total Operating Expenses	 <u>422,171</u>	 <u>392,418</u>
 OPERATING INCOME	 \$ 79,523	 \$ 117,553

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

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
For the Years Ended September 30, 1997 and 1996

	<u>9-30-97</u>	<u>9-30-96</u>
NON-OPERATING REVENUES AND EXPENSES		
Interest income	\$ <u>9,451</u>	\$ <u>7,190</u>
Total Non-Operating Revenue and Expenses	<u>9,451</u>	<u>7,190</u>
NET INCOME	\$ 88,974	\$ 124,743
RETAINED EARNINGS		
Beginning of year	<u>663,252</u>	<u>538,509</u>
End of year	\$ 752,226 =====	\$ 663,252 =====

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

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
For the Years Ended September 30, 1997 and 1996

	<u>9-30-97</u>	<u>9-30-96</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from service users	\$ 454,127	\$ 516,585
Cash payments to employees	< 61,046 >	< 57,914 >
Cash payments for operating services	<u>< 309,789 ></u>	<u>< 316,223 ></u>
Net cash provided by operating activities	\$ 83,292	\$ 142,448
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:		
Deposit refund	\$ ---	\$ 2,201
Acquisition of capital assets	<u>< 66,655 ></u>	<u>< 47,061 ></u>
Net cash <used> for capital and related financing activities	< 66,655 >	< 44,860 >
CASH FLOWS FROM NON-OPERATING REVENUES AND EXPENSES:		
Interest income	<u>\$ 9,451</u>	<u>\$ 7,190</u>
Net cash provided by nonoperating revenues and expenses	<u>9,451</u>	<u>7,190</u>
Net increase in cash equivalents	\$ 26,088	\$ 104,778
Cash and cash equivalents at beginning of year	<u>345,699</u>	<u>240,921</u>
Cash and cash equivalents at end of year	\$ 371,787 =====	\$ 345,699 =====

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

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
For the Years Ended September 30, 1997 and 1996

	<u>9-30-97</u>	<u>9-30-96</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 79,523	\$ 117,553
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	33,602	32,283
CHANGE IN ASSETS AND LIABILITIES:		
<Increase> decrease due from governmental units	<47,567>	6,614
<Increase> decrease in prepaid expenses	5,714	< 2,719>
Increase <decrease> in accounts payable	<u>12,020</u>	<u>11,283</u>
Net cash provided by operating activities	\$ 83,292 =====	\$ 142,448 =====

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

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 and 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wards 5 & 8 Joint Sewerage Commission was established in May, 1984, by intergovernmental agreement joint venture between the participants, the Town of Berwick, the City of Patterson, the Parish of St. Mary, and Sewerage District No. 2 of the Parish of St. Mary, State of Louisiana. The Commission's sole responsibility and duty is to maintain, operate, and administer the sewerage treatment facility that is jointly owned by the participants.

During the year ended September 30, 1995, the St. Mary Parish Council entered into an agreement to transfer their ownership interest in the sewerage treatment facility to two of the Parish Council's component units, Sewerage District No. 2 and Sewerage District No. 8. Both of these component units of the Parish of St. Mary are currently participants in the funding of the operations of Wards 5 & 8 Joint Sewerage Commission.

The following participants funded the operations of Wards 5 & 8 Joint Sewerage Commission as of September 30, 1997 & 1996:

1. Town of Berwick
2. City of Patterson
3. Sewerage District No. 2
4. Sewerage District No. 8

The accounting and reporting policies of the Commission conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidelines set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A) Fund Structure:

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 & 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

accounts is maintained for the purpose of carrying on specific activities, or attaining certain objectives in accordance with special regulations, restrictions or limitations.

PROPRIETARY FUND TYPE

Internal Service Fund - An Internal Service Fund is used to account for the financing of special activities and services performed by a designated organizational unit within governmental jurisdictions for other organizational units within the same governmental jurisdictions.

B) Basis of Accounting:

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. The Commission's accounting system uses the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C) Investments:

Investments are carried at the lower of cost or market.

D) Accumulated Vacation, Compensatory Time, and Sick Leave:

Accumulated vacation, compensatory time, and sick leave are recorded as an expenditure of the period in which earned. At September 30, 1997 and 1996, unrecorded liabilities for the above are an immaterial amount, and therefore are not reflected in the financial statements.

E) Property, Plant, and Equipment:

Property, plant, and equipment are stated at cost. Additions, improvements, and expenditures that add materially to productive capacity, or extend the life of an asset, are capitalized.

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 & 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is charged as an expense against operations. Depreciation has been provided over the estimated economic lives of the assets by the straight-line method. The estimated useful lives are as follows:

Equipment	10 - 15 years
Building & Improvements	10 - 40 years

F) Statement of Cash Flows:

For purposes of the statement of cash flows, Wards 5 & 8 Joint Sewerage Commission considers all cash or investments (certificates of deposits) with a maturity of twelve months or less when purchased to be cash equivalents.

NOTE 2 - CASH AND INTEREST-BEARING DEPOSITS

Statutes authorize the Commission to invest in certificates of deposit, repurchase agreements, passbook savings, bankers acceptances and other available bank investments provided that approved securities are pledged to secure those funds in deposit, as required. Cash and interest-bearing deposits as of September 30, 1997 and 1996 were \$371,787 and \$345,699.

Respectively, the carrying amount (cost) and bank balance were the same amount and the total cash and interest-bearing deposits were covered by insurance provided by the Federal Deposit Insurance Corporation or the Federal Savings & Loan Insurance Corporation as well as pledged securities owned by the banks.

The Commission's investments are categorized to give an indication of level of risk assumed by the Commission at year end. All of the Commission's investments are considered Category 1 which includes investments that are insured or registered or for which the securities are held by the Commission or its agent in the Commission's name.

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 & 1996

NOTE 3 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units are amounts due from each participant for unpaid user fees of the sewerage system. Amounts due from other governmental units consisted of the following:

	September 30 1997	September 30 1996
Sewerage District No. 2 - Sewerage Treatment Fees	\$ 22,460	\$ 8,431
Sewerage District No. 8 - Sewerage Treatment Fees	10,554	6,500
Town of Berwick - Sewerage Treatment Fees	31,851	15,082
City of Patterson - Sewerage Treatment Fees	36,653	23,938
Total	\$ 101,518 =====	\$ 53,951 =====

NOTE 4 - CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Depreciation was \$33,602 and \$32,283 for the years ended September 30, 1997 and 1996, and there were no disposals for these years.

Property	Balance 9-30-96	Additions	Disposals	Balance 9-30-97
Equipment	\$ 143,447	\$ 66,655	\$ ---	\$210,102
Vehicles	29,263	---	---	29,263
Buildings & Improvements	353,854	---	---	353,854
Total	\$ 526,564	\$ 66,655	\$ ---	\$593,219
Accumulated Depreciation	<154,466>	<33,602>	---	<188,068>
Property, Plant & Equipment Net of Accum. Depreciation	\$ 372,098 =====			\$405,151 =====

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
FOR THE PARISH OF ST. AMRY
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 & 1996

NOTE 5 - BOARD OF COMMISSIONERS

The Board of Commissioners consists of five members, one each appointed by the Town of Berwick, the City of Patterson, Sewerage District No. 2, and two appointed by the Parish Council.

NOTE 6 - CONTRIBUTED CAPITAL

The following is a list of the total contributions received from the following governmental units as of September 30, 1997 and 1996.

	<u>September 30</u> 1997	<u>September 30</u> 1996
Sewerage District No. 8	\$ 4,518	\$ 4,518
Town of Berwick	27,993	27,993
City of Patterson	31,292	31,292
St. Mary Parish Council	15,820	15,820
Sewerage District No. 2	<u>19,487</u>	<u>19,487</u>
 Total Contributed Capital	 \$ 99,110 =====	 \$ 99,110 =====

NOTE 7 - REPORTING ENTITY

Wards 5 & 8 Joint Sewerage Commission was established by a joint venture between the Town of Berwick, City of Patterson, Parish of St. Mary and Sewerage District No. 2 of the Parish of St. Mary, State of Louisiana. The Commission's sole purpose is to maintain and operate the Sewerage System. Each participant accounts for their equity interest in Wards 5 & 8 Joint Sewerage Commission on their own financial statement.

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 & 1996

NOTE 8 - PENSION PLAN (Continued)

The following reflects the entire Parochial Employees Retirement System of Louisiana (Plan A) estimated benefit obligations. The pension benefit obligation is presented as of December 31, 1996 because the December 31, 1997 information is not available:

Year Ended December 31, 1996

	<u>Plan A</u>
Retirement System	
Net assets	\$ 701,060,019
Pension benefit obligation	<u><815,248,050></u>
Unfunded pension benefit obligation	\$ <114,188,031> =====

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.

Covered employees are required by the State Legislature to contribute 9.50% of their gross salary to the plan. The Commission was required by the same statute to contribute 7.75% in 1997 and 7.25% in 1996 of each employee's gross salary to the plan.

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 & 1996

NOTE 8 - PENSION PLAN (Continued)

The following reflects the contributions by Wards 5 & 8 Joint Sewerage Commission and its employees into Plan A for the year ended September 30, 1997 and the disclosures that are required by GASB Codification Section P20.129:

	<u>10/01/96</u> <u>to 12/31/96</u>	<u>01/01/97</u> <u>to 09/30/97</u>	<u>Total</u>
Contribution Rates:			
Employees	9.50%	9.50%	
Employer	7.25%	7.75%	
Total current-year covered payroll	\$ 14,632	\$ 46,414	\$ 61,046
Total current-year payroll	\$ 14,632	\$ 46,414	\$ 61,046
Contributions:			
Required by Statute:			
Employees	\$ 1,390	\$ 4,409	\$ 5,799
Employer	<u>1,061</u>	<u>3,597</u>	<u>4,658</u>
Total	\$ <u>2,451</u> =====	\$ <u>8,006</u> =====	\$ <u>10,457</u> =====
Actuarially required contribution dollar amount			\$ 9,297
Per cent of total actuarially required contribution of all participating employers and employees			.00002%

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
September 30, 1997 & 1996

NOTE 8 - PENSION PLAN (Continued)

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 credited 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 PERS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

The ten year 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, 1996 comprehensive annual financial report. Wards 5 & 8 Joint Sewerage Commission does not guarantee the benefits granted by the System.

NOTE 9 - SEWERAGE FEES

In order to defray the cost of maintaining the system, Wards 5 & 8 Joint Sewerage Commission charges each participant a \$1 fee per one thousand gallons of water consumed by each participant's water customers. The Commission has set aside 15 cents on each dollar collected in a money market account specifically for any repairs paid by the Commission. The other 85 cents goes toward the other operating expenses such as utilities, salaries, etc. As of September 30, 1997 & 1996, the balance in the repair & maintenance account was \$12,773 and \$ 60,226.

SUPPLEMENTARY INFORMATION

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

SCHEDULE OF INSURANCE IN FORCE
For the Years Ended September 30, 1997 and 1996
(Unaudited)

September 30, 1997

<u>Insurer</u>	<u>Type of Insurance</u>	<u>Coverage</u>	<u>Exp. Date</u>
CNA Ins Co.	Public Officials Errors & Omissions	Aggregate \$ 1,000,000	10-21-97
All State Co.	Commercial Property	Building & Contents \$ 264,050 1,418,750	7-2-98
CNA Ins. Co.	Auto	Combined \$ 1,000,000	7-2-98
CNA Ins. Co.	Worker's Compensation	Ea. Accident Aggregate \$ 1,000,000 \$ 1,000,000	7-2-98 7-2-98
CNA Ins. Co.	Comprehensive General Liability	Aggregate Ea. Occurrence \$ 2,000,000 1,000,000	7-2-98

September 30, 1996

<u>Insurer</u>	<u>Type of Insurance</u>	<u>Coverage</u>	<u>Exp. Date</u>
Reliance Ins. Co.	Commercial Property	Aggregate Building Contents \$ 1,734,150	7-2-97
CNA Ins. Co.	Auto	Combined \$ 1,000,000	7-2-97
CNA Ins. Co.	Worker's Compensation	Ea. Accident Aggregate \$ 1,000,000 \$ 1,000,000	7-2-97
Twin City Fire	Public Officials Errors & Omissions	Ea. Occurance Aggregate \$ 1,000,000 \$ 1,000,000	10-21-96
CNA Ins. Co.	General Liability	Aggregate Ea. Occurance \$ 2,000,000 \$ 1,000,000	7-2-97

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

SCHEDULE OF PAYMENTS FOR BOARD OF COMMISSIONERS
For the Years Ended September 30, 1997 and 1996

September 30, 1997

<u>Board Members</u>	<u>Number of Meetings Attended</u>	<u>Total Amount Received</u>
Blaine St. Romain	3	\$ 150
Dave Lowery	10	600
Dave Thomas	11	600
Travis Domangue	6	450
Tony Hensgens	11	600
Mike Thibodeaux	11	<u>600</u>
Total		\$ 3,000 =====

September 30, 1996

<u>Board Members</u>	<u>Number of Meetings Attended</u>	<u>Total Amount Received</u>
Henry LaGrange	3	\$ 150
Dave Lowery	12	600
Dave Thomas	9	600
Travis Domangue	10	600
Tony Hensgens	10	600
Mike Thibodeaux	7	<u>400</u>
Total		\$ 2,950 =====

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

FOR THE YEARS ENDED SEPTEMBER 30, 1997 AND 1996

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Wards 5 & 8 Joint Sewerage Commission
of the Parish of St. Mary
State of Louisiana
P.O. Box 181
Berwick, Louisiana 70342

We have audited the financial statements of the Wards 5 & 8 Joint Sewerage Commission as of and for the years ended September 30, 1997 and 1996, and have issued our report thereon dated November 18, 1997.

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 financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Wards 5 & 8 Joint Sewerage Commission for the years ended September 30, 1997 and 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 general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of the Wards 5 & 8 Joint Sewerage 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 nevertheless occur and not be detected.

Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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 management in the financial statements.

Our examination disclosed that there is not any segregation of duties within the Commission's accounting function, (especially in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries.) This weakness is due to the fact that the Commission employs only one person in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the Commission is well aware of the loss of internal control that results due to its limited staff and is constantly on watch for any problems that would occur.

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 financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function.

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. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the use of management, the participants, and the Louisiana Legislative Auditor, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Wards 5 & 8 Joint Sewerage Commission is a matter of public record.

Adams + Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
November 18, 1997

WARDS 5 & 8 JOINT SEWERAGE COMMISSION
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

FOR THE YEARS ENDED SEPTEMBER 30, 1997 AND 1996

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Wards 5 & 8 Joint Sewerage Commission
of the Parish of St. Mary
State of Louisiana
P.O. Box 181
Berwick, Louisiana 70342

We have audited the financial statements of the Wards 5 & 8 Joint Sewerage Commission as of and for the years ended September 30, 1997 and 1996, and have issued our report thereon dated November 18, 1997.

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 financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Wards 5 & 8 Joint Sewerage Commission is the responsibility of Wards 5 & 8 Joint Sewerage Commission's management. As part of obtaining reasonable assurance as to whether the financial statements are free of material misstatements, we performed tests of Wards 5 & 8 Joint Sewerage Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the use of management, the participants, and the Louisiana Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Wards 5 & 8 Joint Sewerage Commission is a matter of public record.

Adams & Johnson
ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
November 18, 1997