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

Financial Report

For the Year Ended December 31, 1998

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 JUL 7 4 1999

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of St. Martin Parish Water and Sewer Commission No. 1, a component unit of the St. Martin Parish Police Jury, as of December 31, 1998 and for the year then ended as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Board of Commissioners of St. Martin Parish Water and Sewer Commission No. 1. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Commissioners, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the Year 2000 issue in order for financial statements to be prepared in accordance with generally accepted accounting principles. Such required disclosures include:

- any significant amount of resources committed to make computer systems and other electronic equipment year 2000 compliant;
- a general description of the year 2000 issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000 compliant;
- the additional stages of work necessary for making the computer systems and other electronic equipment year 2000 compliant.

St. Martin Parish Water and Sewer Commission No. 1 has omitted such disclosures. We do not provide assurance that the Commission is or will be year 2000 ready, that the Commission's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Commission business will be year 2000 ready.

In our opinion, except for the omission discussed in the previous paragraphs, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects the financial position of St. Martin Parish Water and Sewer Commission No. 1 as of December 31, 1998, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 1999 on our consideration of the Commission's compliance with laws and regulations and on its internal control over financial reporting.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of St. Martin Parish Water and Sewer Commission No. 1.

Kolder, Champagne, Slaven & Rainey, LLC
Certified Public Accountants

Morgan City, Louisiana
June 28, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Balance Sheet
December 31, 1998 and 1997

| | <u>1998</u> | <u>1997</u> |
|-----------------------------------|--------------------------------|--------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 239,479 | \$ 219,149 |
| Accounts receivable | 2,252 | 1,406 |
| Ad valorem taxes receivable | 138,591 | 171,336 |
| Due from other governmental units | 1,650 | 2,380 |
| Prepaid expenses | 8,521 | 8,612 |
| Restricted assets: | | |
| Cash | 247,783 | 235,927 |
| Ad valorem taxes receivable | 202,096 | 221,017 |
| Other receivables | <u>321</u> | <u>741</u> |
| Total current assets | <u>840,693</u> | <u>860,568</u> |
| Property, plant and equipment | <u>2,945,460</u> | <u>3,047,095</u> |
| Other assets: | | |
| Deferred bond issue costs | 17,792 | 19,680 |
| Deposits | <u>735</u> | <u>735</u> |
| Total other assets | <u>18,527</u> | <u>20,415</u> |
| Total assets | <u>\$ 3,804,680</u> | <u>\$ 3,928,078</u> |

(continued)

The accompanying notes are an integral part of this statement.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Balance Sheet (Continued)
December 31, 1998 and 1997

| | <u>1998</u> | <u>1997</u> |
|--|---------------------|---------------------|
| LIABILITIES AND FUND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 647 | \$ 6,368 |
| Accrued liabilities | 15,132 | 14,968 |
| Payable from restricted assets: | | |
| Current maturities of long term debt | 160,524 | 146,287 |
| Accrued interest | 44,897 | 43,305 |
| Deduction from ad valorem taxes | 8,994 | 9,931 |
| Refundable deposits | <u>3,425</u> | <u>3,395</u> |
| Total current liabilities | <u>233,619</u> | <u>224,254</u> |
| Long-term debt: | | |
| General obligation refunding bonds payable | 658,790 | 801,041 |
| Revenue bonds payable | <u>916,906</u> | <u>927,024</u> |
| Total long-term debt | <u>1,575,696</u> | <u>1,728,065</u> |
| Total liabilities | <u>1,809,315</u> | <u>1,952,319</u> |
| Fund equity: | | |
| Contributed capital | <u>83,338</u> | <u>100,671</u> |
| Retained earnings | | |
| Reserved for bond retirement | 276,458 | 254,767 |
| Designated | 29,713 | 16,661 |
| Unreserved and undesignated | <u>1,605,856</u> | <u>1,603,660</u> |
| Total retained earnings | <u>1,912,027</u> | <u>1,875,088</u> |
| Total fund equity | <u>1,995,365</u> | <u>1,975,759</u> |
| Total liabilities and fund equity | <u>\$ 3,804,680</u> | <u>\$ 3,928,078</u> |

The accompanying notes are an integral part of this statement.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Statement of Revenues, Expenses and Changes in Retained Earnings
For Year Ended December 31, 1998 and 1997

| | 1998 | 1997 |
|---|---------------------|---------------------|
| Operating revenues: | | |
| Ad valorem taxes | \$ 135,548 | \$ 170,924 |
| Sewer User fees | 90,828 | 73,912 |
| Water maintenance fees | 10,101 | 9,937 |
| Total operating revenues | 236,477 | 254,773 |
| Operating expenses: | | |
| Salaries and related benefits | 68,826 | 62,297 |
| Supplies and materials | 5,756 | 5,579 |
| Other services and charges | 53,561 | 52,790 |
| Plant operation | 46,938 | 45,304 |
| Depreciation | 120,432 | 124,163 |
| Total operating expenses | 295,513 | 290,133 |
| Operating loss | (59,036) | (35,360) |
| Non-operating revenues (expenses) | | |
| Ad valorem taxes | 198,955 | 216,962 |
| Bond interest and fiscal charges | (132,023) | (133,339) |
| Bond issue costs | (1,988) | (1,888) |
| Interest income | 13,698 | 14,118 |
| Miscellaneous | - | 778 |
| Total non-operating revenues (expenses) | 78,642 | 96,631 |
| Net income (loss) | 19,606 | 61,271 |
| Depreciation on fixed assets acquired by contributed capital | 17,333 | 17,333 |
| Increase (decrease) in retained earnings | 36,939 | 78,604 |
| Retained earnings, beginning | 1,875,088 | 1,796,484 |
| Retained earnings, ending | \$ 1,912,027 | \$ 1,875,088 |

The accompanying notes are an integral part of this statement.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Statement of Cash Flows
For Year Ended December 31, 1998 and 1997

| | <u>1998</u> | <u>1997</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from fees | \$ 100,714 | \$ 82,945 |
| Cash received from taxes | 168,293 | 153,450 |
| Cash paid for goods and services | (117,089) | (108,467) |
| Cash paid to employees | <u>(63,428)</u> | <u>(55,755)</u> |
| Net cash provided by operating activities | <u>88,490</u> | <u>72,173</u> |
| CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES: | | |
| Cash received from taxes | 217,876 | 202,877 |
| Cash purchases of equipment | (10,145) | (6,982) |
| Principle paid on bonds | (149,989) | (133,969) |
| Interest paid on bonds | (127,682) | (132,347) |
| Fiscal charges paid | <u>(581)</u> | <u>(571)</u> |
| Net cash used for capital and financing activities | <u>(70,521)</u> | <u>(70,992)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received on cash and cash equivalents | <u>14,217</u> | <u>12,965</u> |
| Net increase in cash | 32,186 | 14,146 |
| Cash and cash equivalents, beginning of period | <u>455,076</u> | <u>440,930</u> |
| Cash and cash equivalents, end of period | <u>\$ 487,262</u> | <u>\$ 455,076</u> |

(continued)

The accompanying notes are an integral part of this statement.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Statement of Cash Flows (Continued)
For Year Ended December 31, 1998 and 1997

| | 1998 | 1997 |
|--|------------------|------------------|
| Reconciliation of operating loss to net cash provided by operating activities: | | |
| Operating loss | \$ (59,036) | \$ (35,360) |
| Adjustment to reconcile operating loss to net cash provided by operating activities - | | |
| Depreciation | 120,432 | 124,163 |
| Allowances for uncollectibles | (943) | (3,438) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (945) | 693 |
| (Increase) decrease in ad valorem taxes receivable | 33,688 | (14,036) |
| (Increase) decrease in due from other governmental units | 730 | (1,597) |
| (Increase) decrease in prepaid expenses | 91 | 37 |
| Increase (decrease) in accounts payable | (5,721) | 2,170 |
| Increase (decrease) in accrued liabilities | 164 | (609) |
| Increase (decrease) in refundable sewer deposits | 30 | 150 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 88,490 | \$ 72,173 |

The accompanying notes are an integral part of this statement.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

St. Martin Parish Water and Sewer Commission No. 1, State of Louisiana (hereinafter the Commission) was created under the provisions of Louisiana Revised Statutes 33:7831 by ordinance issued by the St. Martin Parish Police Jury on March 2, 1993. The provisions of the ordinance, for audit purposes, were effective January 1, 1993.

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

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

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

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

A. Reporting Entity

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

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

Appointing a voting majority of an organization's governing body, and

The ability of the police jury to impose its will on that organization and/or

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.

Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

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

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Revenues

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

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

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

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

Substantially all other revenues are recorded when received.

E. Expenses

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

F. Cash and Cash Equivalents

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

G. Prepaid Expenses

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

H. Restricted Assets

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

I. Fixed Assets

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

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

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

| | |
|-----------------------------------|-----------|
| Buildings | 20 years |
| Office Equipment | 5 years |
| Machinery and Equipment | 5-7 years |
| Improvements Other than Buildings | 10 years |
| Sewerage Treatment Plant | 40 years |
| Water Distribution System | 40 years |

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

J. Capitalized Interest

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

K. Bad Debts

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

L. Compensated Absences

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

At December 31, 1998 employees of the commission have accumulated \$8,907 of vacation and sick leave benefits. This amount is included as a component of accrued liabilities on the balance sheet.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

(2) Cash and cash equivalents

At December 31, 1998, the commission has cash and cash equivalents and restricted cash (book balances) totaling \$487,262, as follows:

| | |
|-----------------|------------------|
| Petty Cash | \$ 100 |
| Demand Deposits | 83,205 |
| Time Deposits | <u>403,957</u> |
| | <u>\$487,262</u> |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 1998, the Commission has \$487,155 in deposits (bank balances). These deposits are secured from risk by \$283,198 of federal deposit insurance and \$203,957 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Commission that the depositing bank has failed to pay deposited funds upon demand.

(3) Ad valorem taxes

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

| | <u>Authorized Levied Millage</u> |
|---|--|
| District taxes: | |
| Maintenance- | |
| St. Martin Parish Sewerage District No. 1 | 4.97 |
| St. Martin Parish Waterworks District No. 2 | 4.86 |
| Special Assessment- | |
| St. Martin Parish Sewerage District No. 1 | 8.00 |
| Bond and Interest- | |
| St. Martin Parish Sewerage District No. 1 | 17.25 |
| St. Martin Parish Waterworks District No. 2 | 8.75 |

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

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

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

Total taxes of \$359,524 were levied on property having assessed taxable valuations totaling \$8,202,687. At December 31, 1998, ad valorem taxes receivable consisted of the following:

| | Restricted | Non- Restricted | Total |
|-----------------------------|------------|--------------------|-----------|
| Ad Valorem Taxes Receivable | \$142,947 | \$208,448 | \$351,395 |
| Allowance for Uncollectible | (4,356) | (6,352) | (10,708) |
| | \$138,591 | \$202,096 | \$340,687 |

(4) Components of restricted assets

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

| | Cash | Ad Valorem Taxes Receivable | Total |
|--|-----------|-----------------------------------|-----------|
| <u>St. Martin Parish Sewerage District No. 1</u> | | | |
| General Obligation Refunding Bonds | \$103,670 | \$134,082 | \$237,752 |
| Revenue Bond and Interest Sinking Fund | 43,266 | - | 43,266 |
| Revenue Bond Reserve Fund | 25,852 | - | 25,852 |
| Depreciation and Contingency Fund | 29,315 | - | 29,315 |
| | 202,103 | 134,082 | 336,185 |
| <u>St. Martin Parish Waterworks District No. 2</u> | | | |
| General Obligation Refunding Bonds | 45,680 | 68,335 | 114,015 |
| | \$247,783 | \$202,417 | \$450,200 |

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

(5) Property, Plant and Equipment

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

| | |
|--------------------------------|--------------------|
| Land | \$ 91,117 |
| Buildings | 65,697 |
| Office Equipment | 22,075 |
| Machinery and Equipment | 45,530 |
| Sewerage Treatment Plant | 3,206,918 |
| Water Distribution System | <u>1,194,617</u> |
| | 4,625,954 |
| Less: Accumulated Depreciation | <u>(1,680,494)</u> |
| | <u>\$2,945,460</u> |

(6) Deferred Bond Issue Costs

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

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

| | |
|---|------------------|
| Bond Issue Costs- | |
| General Obligation Refunding Bonds, Series 1991 | \$ 15,359 |
| Revenue Bonds | <u>15,371</u> |
| | 30,730 |
| Amortization Recognized | <u>(12,938)</u> |
| | <u>\$ 17,792</u> |

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

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

(7) Pension Plan

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

All permanent employees working at least twenty-eight hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age sixty with at least ten years of creditable service, at or after age fifty-five with at least twenty-five years of creditable service, or at any age with at least thirty years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to one per cent of final average salary plus twenty-four dollars for each year of supplemental-plan-only service earned before January 1, 1980. Final average salary is the employee's average salary over the thirty-six consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 5.5% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Commission are established and may be amended by state statute. As provided by R.S. 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. The district's contributions to the System under Plan A for the years ending December 31, 1998, 1997, and 1996, were \$2,475, \$4,598, and \$3,708, respectively, equal to the required contributions for each year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

(8) Long-Term Debt

On April 23, 1987, St. Martin Parish Waterworks District No. 2 issued \$555,000 in General Obligation Refunding Bonds, Series 1987 to defease \$945,000 of 1983 General Obligation bonds.

On September 26, 1991, St. Martin Parish Sewerage District No. 1 issued \$990,000 in General Obligation Refunding Bonds, Series 1991 to defease \$980,000 of 1983 General Obligation Bonds.

On July 16, 1992, St. Martin Parish Sewerage District No. 1 issued \$1,000,000 of Sewer Revenue Bonds to the United States Department of Agriculture's Farmers Home Administration (FmHA).

The following is a summary of bond transactions of the Commission for the year ended December 31, 1998:

| | <u>Refunding</u> | <u>General Obligation Revenue</u> | <u>Total</u> |
|---------------------------------------|-----------------------|---|------------------------|
| Bond payable at January 1, 1998 | \$ 931,041 | \$943,311 | \$1,874,352 |
| Less - | | | |
| Bond payments | (130,000) | (19,989) | (149,989) |
| Add - | | | |
| Amortization of Bond Discount | <u>2,749</u> | <u>-</u> | <u>2,749</u> |
| Bond Payable at December 31, 1997 | <u>\$ 803,790</u> | <u>\$923,322</u> | <u>\$1,727,112</u> |

Current maturities of long term debt are as follows:

| | |
|-------------------------------------|------------------|
| General Obligation Refunding Bonds- | |
| Series 1987 | \$ 45,000 |
| Series 1991 | 100,000 |
| Revenue Bonds | <u>15,524</u> |
| | <u>\$160,524</u> |

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

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

District Bonds:

| | |
|---|-------------------------------------|
| <p><i>St. Martin Parish Sewerage District No. 1 -</i> <i>\$990,000 serial bonds, Series 1991, due in annual</i> <i>principal installments ranging from \$15,000 to</i> <i>\$120,000 through March 2003, interest rate is</i> <i>variable from 7.5% to 12.0% per annum</i></p> | <p>\$ 550,000</p> |
| <p><i>St. Martin Parish Waterworks District No. 2 -</i> <i>\$535,000 serial bonds, Series 1987, due in annual</i> <i>principal installments ranging from \$15,000 to</i> <i>\$60,000 through June 2003, interest rate is</i> <i>variable from 5.5% to 8.25% per annum</i></p> | <p><u>275,000</u></p> |
| <p>Less: Unamortized Discount</p> | <p>825,000 <u>(21,210)</u></p> |
| | <p><u>\$ 803,790</u></p> |

The general obligation refunding bonds constitute general obligations of St. Martin Parish Sewerage District No. 1 and St. Martin Parish Waterworks District No. 2. The Commission is bound under the terms of its creating ordinance to comply with all provisions of law and the resolutions adopted April 23, 1987 and September 9, 1991 authorizing the issuance of the general obligation refunding bonds of St. Martin Parish Sewerage District No. 1 and St. Martin Parish Waterworks District No. 2, respectively. The resolutions and provisions of law require the Commission to impose and collect annually a tax on all the property subject to taxation within the territorial limits of the respective districts, sufficient to pay the principal of and interest on the bonds falling due each year.

In accordance with Louisiana Revised Statute 39:562 the Commission is legally restricted from incurring long-term bonded debt in excess of 25% of the assessed value of taxable property. At December 31, 1997, the statutory limit is \$2,050,672 and the outstanding bonded debt funded by ad valorem taxes total \$825,000.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

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

District Bonds:

St. Martin Parish Sewerage District No. 1 -
\$1,000,000 serial bond payable to FmHA due in annual
installments of \$76,500 through July 2022, interest
rate at 6.375% per annum \$ 923,322

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

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

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

The resolution also contains certain provisions requiring the commission to fix and maintain such rates and collect such fees which will provide revenues, after paying all reasonable and necessary expenses of operating and maintaining the system, at least equal to 120 percent of the largest amount of principal and interest maturing on the bonds. For the year ended December 31, 1998, revenues generated by the system, including ad valorem tax revenue totaled \$236,477; operating and maintenance expenses totaled \$89,707. The calculated revenue bond coverage based upon the largest amount of principal and interest maturing on the bonds being \$76,500 was 192 percent.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 1998, including interest payable of \$154,704 for the general obligation refunding bonds and \$989,178 for the revenue bonds are as follows:

| <u>Year Ending December 31,</u> | <u>General Obligation Refunding</u> | <u>Revenue</u> | <u>Total</u> |
|-------------------------------------|---|--------------------|--------------------|
| 1999 | \$ 197,395 | \$ 76,500 | \$ 273,895 |
| 2000 | 197,218 | 76,500 | 273,718 |
| 20001 | 196,193 | 76,500 | 272,693 |
| 2002 | 194,318 | 76,500 | 270,818 |
| 2003 | 191,580 | 382,500 | 574,081 |
| 2004-2008 | - | 382,500 | 382,500 |
| 2009-2013 | - | 382,500 | 382,500 |
| 2014-2017 | - | 382,500 | 382,500 |
| | <u>\$ 976,704</u> | <u>\$1,836,000</u> | <u>\$2,812,705</u> |

(9) Contributed Capital

Contributed capital represents sewer lines and two lift stations in the Bayou Estates Subdivision that were donated on March 31, 1986. These capital acquisitions are being depreciated based upon the remaining useful lives of the capital assets. This depreciation is closed to (deducted from) the contributed capital account and is reflected as an adjustment to net income on the statement of revenues, expenses and changes in retained earnings.

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

| | |
|--|-------------------|
| Contributed Capital at January 1, 1998 | <u>\$ 100,671</u> |
| Less: Depreciation | <u>(17,333)</u> |
| Net Contributed Capital at December 31, 1997 | <u>\$ 83,338</u> |

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

(10) Reserve for Bond Retirement

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

| | |
|---|-------------------|
| Restricted Assets | <u>\$ 450,200</u> |
| Less: Items Payable from Restricted Assets- | |
| Current Maturities of Long Term Debt | 116,426 |
| Accrued Interest | 44,897 |
| Deduction from Ad Valorem Taxes | 8,994 |
| Sewer Deposits | <u>3,425</u> |
| | <u>173,742</u> |
| Total Payable from Restricted Assets | <u>\$ 276,458</u> |

(11) Designations of Retained Earnings

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

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

| | |
|--------------------|------------------|
| Future Occurrences | <u>\$ 29,713</u> |
|--------------------|------------------|

(12) Contingencies

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

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
Stephensville, Louisiana

Notes to Financial Statements (Continued)

(13) Compensation Paid to Board Members

The schedule of compensation paid to the Board of Commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits the compensation paid to board members, with the approval of the board, for per diem and travel allowances to an amount not to exceed \$300 per month.

| | |
|-------------------------|------------------|
| Eroy Acosta | \$ 3,000 |
| Ervin Bailey, President | 3,000 |
| Stanley Daigle | 3,000 |
| John Dilsaver | 3,000 |
| Brad Ratcliff | 3,000 |
| Elwood Scully | 3,000 |
| Esten Smith | <u>3,000</u> |
| | <u>\$ 21,000</u> |

**COMPLIANCE, INTERNAL CONTROL
AND OTHER INFORMATION**

KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

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

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

We have audited the general purpose unit financial statements of the St. Martin Parish Water and Sewer Commission No. 1 for the year ended December 31, 1998, and have issued our report thereon dated June 28, 1999, which was qualified due to the omission of disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Martin Parish Water and Sewer Commission No. 1's general purpose financial statements are free of material misstatement, we performed tests of its 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 statement 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Martin Parish Water and Sewer Commission No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. *Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the St. Martin Parish Water and Sewer Commission No. 1's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.*

Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of employees, the Commission did not have adequate segregation of functions within the accounting system.

Recommendation:

Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Response:

No response is considered necessary.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness.

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

Kolder, Champagne, Slaven & Rainey, LLC
Certified Public Accountants

Morgan City, Louisiana
June 28, 1999

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO.1
 Stephenville, Louisiana

Summary Schedule of Prior Audit Findings
 Year Ended Decemebr 31, 1998

| Fiscal Year Finding Initially Occurred | Description of Finding | Corrective Action Taken (Yes, No, Partially) | Planned Corrective | |
|---|------------------------|--|------------------------------|--------------|
| | | | Action/Partial Corrective | Action Taken |

Section I - Internal control and compliance material to the financial statements.

| | | | |
|---|----------------------------------|----|---|
| - | Inadequate segregation of duties | No | Cost to acheive control does not exceed benefit |
|---|----------------------------------|----|---|

Section II - Management letter

No management letter items reported.

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 1
 Stephenville, Louisiana

Corrective Action Plan for Current Year Findings
 Year Ended Decemebr 31, 1998

| <u>Ref. No.</u> | <u>Description of Finding</u> | <u>Corrective Action Planned</u> | <u>Name(s) of Contact Person(s)</u> | <u>Anticipated Completion Date</u> |
|-----------------|-------------------------------|----------------------------------|-------------------------------------|------------------------------------|
|-----------------|-------------------------------|----------------------------------|-------------------------------------|------------------------------------|

Section I - Internal control and compliance material to the financial statements.

| | | | | |
|---|----------------------------------|---|-----------------|-----|
| - | Inadequate segregation of duties | Cost to achieve control does not exceed benefit | Barbara Vickair | N/A |
|---|----------------------------------|---|-----------------|-----|

Section II - Management letter

No management letter items reported.