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

Bogalusa, Louisiana

Financial Report

For the Year Ended December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 7-28-04

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activity and the major fund of the St. Martin Parish Water and Sewer Commission No. 1 ("Commission"), a component unit of the St. Martin Parish Government, Louisiana, as of and for the year ended December 31, 2003, which collectively comprise the Commission's basic financial statements 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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. 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 statements 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 respective financial position of the business-type activity and the major fund of the St. Martin Parish Water and Sewer Commission No. 1 as of December 31, 2003, and the respective changes in financial position and cash flows thereof for the year then-ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note (1), the St. Martin Parish Water and Sewer Commission No. 1 has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2004, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The St. Martin Parish Water and Sewer Commission No. 1 has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 financial statements of St. Martin Parish Water and Sewer Commission No. 1.

Keller, Champagne, Simon & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 11, 2004

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (G/WS)**

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

Statement of Net Assets
 December 31, 2003

	<u>Business Type Activity</u>
ASSETS	
Cash and cash equivalents	\$ 72,445
Receivables:	
Accounts	2,879
Ad valorem taxes, net	178,063
Other	1,837
Prepaid expenses and other assets	28,586
Restricted assets	247,188
Capital assets, net	<u>3,855,334</u>
TOTAL ASSETS	<u>4,384,332</u>
LIABILITIES	
Accounts, salaries, and other payables	27,344
Long term liabilities:	
Due within one year	65,189
Due in more than one year	<u>1,296,339</u>
TOTAL LIABILITIES	<u>1,388,872</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,563,396
Restricted	140,776
Unrestricted	<u>260,899</u>
TOTAL NET ASSETS	<u>\$ 3,065,271</u>

The accompanying notes are an integral part of this financial statement.

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

Statement of Activities
 For the Year Ended December 31, 2003

Business Type Activity	Functional Programs		Expenses	Program Revenues Change for Services	Net (Expense) Revenue and Changes in Net Assets
	Capital Programs	Operating Programs			
Business type activity:					
Sewer and water			\$ 189,327	134,999	\$ (212,355)
Interest on long-term debt			81,847		(81,847)
			<u>471,274</u>	<u>134,999</u>	<u>(334,275)</u>
Taxes:					
Property taxes -					
General purposes					168,793
Debt retirement					68,291
Interest and investment earnings					2,156
Total general revenues					<u>239,240</u>
Change in net assets					99,015
Net assets - beginning					<u>2,162,464</u>
Net assets - ending					<u>\$ 2,261,479</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS (FFS)

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

Balance Sheet
 December 31, 2003
 With Comparative Totals for December 31, 2002

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 71,443	\$ 95,136
Receivables:		
Accounts	2,976	1,678
Ad valorem taxes, net	176,863	182,103
Due from other governmental units	1,837	2,933
Prepaid expenses	9,858	306
Restricted assets:		
Cash	173,394	280,464
Ad valorem taxes receivable	71,214	183,899
Total current assets	516,273	647,702
Property, plant and equipment, net	3,855,314	3,189,880
Other assets:		
Deferred bond issue costs	18,811	20,812
Deposits	715	715
Total other assets	19,526	21,527
Total assets	\$1,504,373	\$1,859,242

The accompanying notes are an integral part of this statement.

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

Balance Sheet (Continued)
 December 31, 2003
 With Comparative Totals for December 31, 2002

	2003	2002
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 18,549	\$ 3,113
Accrued liabilities	3,682	3,783
Payable from restricted assets:		
Current maturities of long-term debt	71,080	184,808
Accrued interest	24,199	28,214
Deduction from ad valorem taxes	7,183	10,877
Refundable deposits	3,990	1,265
Total current liabilities	132,541	331,158
Long-term debt:		
General obligation bonds payable	682,339	688,789
Revenue bonds payable	734,608	775,000
Total long-term debt	1,386,947	1,444,789
Total liabilities	1,519,488	1,697,947
Fund equity:		
Retained earnings		
Reserved for bond retirement	140,776	142,682
Designated	49,869	38,178
Unreserved and undesignated	1,871,438	1,879,524
Total retained earnings	2,062,083	2,060,384
Total liabilities and fund equity	\$1,584,351	\$1,818,331

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses and Changes in Retained Earnings
For the Year Ended December 31, 2003
With Comparative Totals for the Year Ended December 31, 2002

	2003	2002
Operating revenues		
Ad valorem taxes	\$ 146,793	\$ 151,835
Sewer User fees	119,643	119,835
FEMA grant	-	6,181
Water maintenance fees	11,321	11,321
Total operating revenues	277,757	289,172
Operating expenses		
Salaries and related benefits	71,618	66,698
Supplies and materials	1,623	1,679
Other services and charges	70,800	96,515
Plant operation	182,390	215,540
Depreciation	121,852	132,424
Total operating expenses	348,123	372,856
Operating loss	(70,366)	(83,684)
Non-operating revenues/(expenses)		
Ad valorem taxes	66,291	161,328
Bond interest and fiscal charges	(79,836)	(100,574)
Bond issue costs	(2,917)	(1,443)
Interest income	2,156	6,700
Miscellaneous	-	875
Total non-operating revenues/(expenses)	(11,296)	66,886
Net income/(loss)	(81,662)	(16,798)
Retained earnings, beginning	2,150,794	2,167,431
Retained earnings, ending	\$ 2,069,132	\$ 2,150,633

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
 For the Year Ended December 31, 2003
 With Comparative Totals for the Year Ended December 31, 2002

	<u>2003</u>	<u>2002</u>
OPERATING ACTIVITIES:		
Revenue collected	\$ 126,195	\$ 121,289
Receipts from operating taxes	173,839	161,702
Grant proceeds	-	4,385
Payments for goods and services	(181,289)	(126,879)
Payments to employees	(72,616)	(87,618)
Net cash provided by operating activities	<u>69,129</u>	<u>81,889</u>
NON-CAPITAL FINANCING ACTIVITIES:		
Proceeds from deposits	585	-
Receipts from non-operating taxes	<u>115,721</u>	<u>238,763</u>
Net cash provided by non-capital financing activities	<u>116,306</u>	<u>238,763</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(2,187)	(15,815)
Interest and fiscal charges paid	(83,183)	(118,884)
Principals paid on bonds	(141,250)	(1,807,969)
Proceeds from bonds	<u>-</u>	<u>814,882</u>
Net cash used for capital and related financing activities	<u>(226,600)</u>	<u>(1,117,706)</u>
INVESTING ACTIVITIES		
Interest received	<u>2,158</u>	<u>6,798</u>
Net increase (decrease) in cash	(47,961)	(8,819)
Cash and cash equivalents, beginning of period	<u>285,808</u>	<u>294,627</u>
Cash and cash equivalents, end of period	<u>\$ 247,847</u>	<u>\$ 285,808</u>

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows (Continued)
 For the Year Ended December 31, 2003
 With Comparative Totals for the Year Ended December 31, 2002

	<u>2003</u>	<u>2002</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (81,513)	\$ (20,029)
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	179,833	132,494
Allowances for uncollectibles	(1,231)	(5,698)
Changes in assets and liabilities:		
Receivables	8,567	(18,110)
Prepaid expenses and other assets	(8,744)	13,648
Accounts payable	3,606	(15,823)
Accrued liabilities	<u>1,887</u>	<u>(5,333)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 68,125</u>	<u>\$ 81,458</u>

The accompanying notes are an integral part of this statement.

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

Notes to Basic Financial Statements

INTRODUCTION

The St. Martin Parish Water and Sewer Commission No. 1 ("Commission") was created under the provisions of Louisiana Revised Statute 33:7631 by ordinance issued by the St. Martin Parish Police Jury on March 2, 1893. 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 Ward 8 of St. Martin Parish. The Commission is governed by five to seven board members appointed by the St. Martin Parish Government Council.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Martin Parish Government is the financial reporting entity for St. Martin Parish. The financial reporting entity consists of (a) the primary government (parish council), (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 Government 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.

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

Notes to Basic Financial Statements (Continued)

This criteria includes:

- 1) Appointing a voting majority of an organization's governing body, and
- 2) The ability of the City to impose its will on that organization and/or
- 3) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City,
- 4) Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City,
- 5) 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 Parish Government Council appoints the Commission's governing body, the Commission was determined to be a component unit of the St. Martin Parish Government, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basis of Presentation

The accompanying basic financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis—For State and Local Governments*, issued in June 1998. As a result, an entirely new financial presentation format has been implemented.

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

Notes to Basic Financial Statements (Continued)

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the Commission as a whole. These statements include all the financial activities of the Commission. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges for services offered by the Commission, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements (FFS)

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

Proprietary Funds -

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an enterprise fund.

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

Notes to Basic Financial Statements (Continued)

Enterprise funds

Enterprise funds are used to account for operations (a) 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; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Commission applies all applicable FASB pronouncements issued after November 30, 1989 in accounting and reporting for its enterprise fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Business-type activities are presented using the economic resources measurement focus as defined below.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
Bossierville, Louisiana

Notes to Basic Financial Statements (Continued)

D. **Assets, Liabilities and Equity**

Cash and interest-bearing deposits

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits. For the purpose of the cash flow, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The Commission uses the direct write-off method for customers' utility receivables. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Prepaid items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items.

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.

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the statement of net assets. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$1,000 for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
Saginawville, Louisiana

Notes to Basic Financial Statements (Continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is 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

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.

Bad Debt

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.

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, 2002 accumulated vacation and sick leave benefits were immaterial.

Restricted Assets

Restricted assets include cash and interest-bearing deposits and ad valorem taxes receivable of the proprietary fund that are legally restricted as to their use. The restricted assets are related to the revenue bond accounts.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of the revenue bonds payable.

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

Notes to Basic Financial Statements (Continued)

Bond Discount

Bond discount and bond issue costs are being amortized by the straight-line method over the life of the related bond issue.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenses

Expenses are classified by function for business-type activities. Expenses are further classified as operating and nonoperating.

Proprietary funds report expenses relating to use of economic resources.

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
Bogalusa, Louisiana

Notes to Basic Financial Statements (Continued)

F. Deferred Revenue

Deferred revenues arise when resources are received before the Commission has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures.

In subsequent periods, when the Commission has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

G. Budgets and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 38:1301 et seq to adopt a budget and St. Martin Parish Water and Sewer Commission has elected to not formally adopt a budget. Accordingly, budgeted figures are not presented in this financial report.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Report Classification

Certain previously reported amounts for the year ended December 31, 2002 have been reclassified to conform to the December 31, 2003 classifications.

(2) Changes in Accounting Principles

For the year ended December 31, 2003, the Commission has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis...* for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued financial statements. The City also implemented GASB Statement No. 37, *Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments*; *Quintus*, No. 38, *Certain Financial Statement Item Disclosures*, and Interpretation No. 4, *Recognition and Measurement of Certain Liabilities and Encumbrances in Governmental Fund Financial Statements*.

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

Notes to Basic Financial Statements (Continued)

The implementation of GASB Statement No. 34 caused the opening retained earnings at December 31, 2002 to be restated as follows:

Total retained earnings, December 31, 2002	\$ 2,164,500
Add: Contributed capital	<u>95,800</u>
Net assets, December 31, 2002	<u>\$ 2,160,500</u>

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2003, the Commission has cash and interest-bearing deposits (bank balances) totaling \$267,879 as follows:

Cash on hand	\$ 180
Demand deposits	72,045
Time deposits	<u>179,594</u>
Total	<u>\$ 267,879</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. Deposit balances (bank balances) at December 31, 2003, are as follows:

Bank balances	\$ 267,879
At December 31, 2003 the deposits are secured as follows:	
Federal deposit insurance	179,047
Pledged securities (Category D)	<u>77,585</u>
Total	<u>\$ 267,879</u>

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

Notes to Basic Financial Statements (Continued)

Pledged securities in Category 3 includes unsecured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revised Statute 19:1219 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

(4) Ad Valorem Taxes

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

	<u>Authorized Levied Millage</u>
Commission taxes:	
Special Assessment	7.92
District taxes:	
Maintenance-	
St. Martin Parish Sewerage District No. 1	5.00
St. Martin Parish Waterworks District No. 2	5.00
Bond and Interest-	
St. Martin Parish Waterworks District No. 2	7.25

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 \$233,671 were levied on property having assessed taxable valuations totaling \$16,879,487. As December 31, 2003, ad valorem taxes receivable consisted of the following:

	<u>Net Restricted</u>	<u>Reprinted</u>	<u>Total</u>
Ad valorem taxes receivable	\$ 180,460	\$ 73,091	\$ 253,551
Allowance for uncollectible receivables	<u>(14,387)</u>	<u>(11,287)</u>	<u>(25,674)</u>
Ad valorem taxes receivable, net	<u>\$ 176,073</u>	<u>\$ 61,804</u>	<u>\$ 237,877</u>

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

Notes to Basic Financial Statements (Continued)

(C) Restricted Assets - Proprietary Fund Type (Enterprise Utility Fund)

Restricted assets consisted of the following at December 31, 2003:

	At Valuation Times		
	<u>Cash</u>	<u>Receivable</u>	<u>Total</u>
<u>St. Martin Parish Sewerage District No. 1</u>			
General Obligation Refunding Bonds	<u>\$ 41,686</u>	<u>\$ -</u>	<u>\$ 41,686</u>
<u>St. Martin Parish Water and Sewer Commission No. 1</u>			
Revenue Bond and Interest Sinking Fund	4,842	-	4,842
Depreciation and Contingency Fund	47,616	-	47,616
CD - Pre-owned notes	<u>34,993</u>	<u>-</u>	<u>34,993</u>
	<u>77,451</u>	<u>-</u>	<u>77,451</u>
<u>St. Martin Parish Waterworks District No. 2</u>			
General Obligation Refunding Bonds	<u>96,339</u>	<u>71,704</u>	<u>168,043</u>
Total	<u>\$ 175,294</u>	<u>\$ 71,704</u>	<u>\$ 247,008</u>

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
Bossierville, Louisiana

Notes to Basic Financial Statements (Continued)

95 Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance 8/30/10	Additions	Deletions	Balance 12/31/13
Capital assets not being depreciated:				
Land	\$ 81,117	\$ -	\$ -	\$ 81,117
Other capital assets:				
Buildings	30,671	-	-	30,671
Sewerage plant	3,883,148	-	-	3,883,148
Water system	1,134,876	-	-	1,134,876
Office equipment	18,313	-	-	18,313
Machinery and equipment	57,638	2,386	-	59,816
Total capital assets	<u>5,158,853</u>	<u>2,386</u>	<u>-</u>	<u>5,160,241</u>
Less accumulated depreciation				
Buildings	27,151	2,648	-	29,799
Sewerage plant	1,199,846	99,694	-	1,499,540
Water system	687,404	27,792	-	715,196
Office equipment	14,694	1,231	-	15,925
Machinery and equipment	75,888	4,438	-	80,326
Total accumulated depreciation	<u>2,169,973</u>	<u>135,813</u>	<u>-</u>	<u>2,304,987</u>
Capital assets, net	<u>\$ 3,188,880</u>	<u>\$ (133,447)</u>	<u>\$ -</u>	<u>\$ 3,055,334</u>

Depreciation expense was charged to business-type activities as follows:

Sewerage	\$ 99,694
Water	27,792
Unallocated	8,345
Total depreciation expense	<u>\$ 135,831</u>

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
 Sulphurville, Louisiana

Notes to Basic Financial Statements (Continued)

(7) **Deferred Bond Issue Costs**

As described in Note 8, the Commission issued general obligation bonds, series 1999, general obligation refunding bonds, series 1991 in previous years and revenue refunding bonds in the current year. 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, 2003, the Commission has unamortized deferred bond issue costs as follows:

General Obligation Bonds, Series 1999	\$ 13,426
General Obligation Refunding Bonds, Series 1991	13,339
Revenue Refunding Bonds, Series 2002	<u>11,830</u>
	48,595
Amortization recognized	<u>(32,784)</u>
	<u>\$ 15,811</u>

For the year ended December 31, 2003, amortization recognized for the general obligation bonds, series 1999, the general obligation refunding bonds, series 1991 and the revenue refunding bonds totaled, \$671, \$1,315 and \$714, respectively.

(8) **Changes in Long-Term Debt**

The following is a summary of bond transactions of the Commission for the year ended December 31, 2003:

	General Obligation Bonds	General Obligation Refunding Bonds	Revenue Refunding Bonds	Total
Long-term debt, January 1, 2003	\$ 729,000	\$ 109,189	\$ 814,000	\$ 1,645,189
Additions	-	-	-	-
Retirements	<u>(21,000)</u>	<u>(109,189)</u>	<u>(79,000)</u>	<u>(309,189)</u>
Long-term debt, December 31, 2003	<u>\$ 708,000</u>	<u>\$ -</u>	<u>\$ 735,000</u>	<u>\$ 1,443,000</u>

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
Stephanville, Louisiana

Notes to Basic Financial Statements (Continued)

Bonds payable at December 31, 2009 are comprised of the following individual issues:

Sewer revenue refunding bonds:

\$514,000 Sewer Revenue Refunding Bonds, Series 2002, dated 9/21/02, due in annual installments of \$57,750 - \$79,900 through September 1, 2007; interest at 5.0 percent; secured by system revenues \$ 775,000

General obligation bonds:

\$400,000 General Obligation Bonds, Series 1998, dated 3/01/99, due in annual installments of \$25,000 - \$65,000 through March 1, 2019; interest at 4.75 - 5.50 percent; secured by ad valorem revenues 700,000

Less unamortized discount (7,481)

Total bonds payable \$1,467,519

The bonds are due as follows:

Year ending December 31,	Principal	Interest	Totals
2004	\$ 71,000	\$ 71,000	\$ 142,000
2005	51,000	68,400	119,400
2006	75,000	63,800	138,800
2007	82,000	61,825	143,825
2008	84,000	57,825	141,825
2009 - 2013	481,000	328,925	809,925
2014 - 2018	534,000	83,580	617,580
2019	<u>65,000</u>	<u>1,625</u>	<u>66,625</u>
Totals	<u>\$1,475,000</u>	<u>\$454,000</u>	<u>\$1,929,000</u>

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
Bossierville, Louisiana

Notes to Basic Financial Statements (Continued)

(9) Flow of Funds, Restrictions on Use - System Revenue

Under the terms of the \$814,000 Sewer Revenue Refunding Bonds Series 2001 dated September 1, 2001, all income and revenue of every nature derived from the operation of the system are pledged and dedicated to the retirement of said bonds.

Bond and Interest Sinking Fund

The Commission is required to set aside into a Sewer Revenue Bond and Interest Sinking Fund each month a sum equal to 1/6 of the interest falling due on the next interest payment date plus 1/12 of the principal falling due on the next principal payment date. Funds deposited in this account are available only for the retirement of maturing bonds and interest.

Depreciation and Contingency Fund

The Sewer Depreciation and Contingency Fund was established to care for extraordinary maintenance, repairs, replacements, extensions, and improvements which will either enhance its revenue-producing capacity or provide a higher degree of service and to pay the principal of and the interest on the bonds, including any additional parity bonds issued hereafter to the extent provided by the bond resolution, for the payment of which there is not sufficient money in the sinking fund.

On or before the 29th of each month, a sum equal to five percent (5%) of the amount to be paid into the Sinking Fund shall be deposited into the Depreciation and Contingency Fund.

All or any part of the moneys in the sinking or depreciation and contingency funds shall, at the written request of the issuer, be invested in accordance with the laws of the State of Louisiana maturing in five (5) years or less. Such investments shall, to the extent at any time necessary, be liquidated and the proceeds thereof applied to the purposes for which the funds are herein created. All income derived from such investments shall be deposited in the Revenue Fund as income and revenues to the system.

If at any time it shall be necessary to use moneys in the Contingency Fund for the purpose of paying principal of or interest on bonds payable from the advanced Sinking Fund as to which there would otherwise be default, then the moneys so used shall be replaced from the revenues first thereafter received, not forfeitures required to be used for administration, operation and maintenance, or for current principal and interest requirements.

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
Staplehurst, Louisiana

Notes to Basic Financial Statements (Continued)

(10) **Pension Retirement**

Substantially all employees of the Commission are members of the Parochial Employees' Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. This retirement system provides retirement, disability, and death benefits to plan members and their beneficiaries. Pertinent information relative to this plan follows:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality 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.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.7% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 3.79% 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 valuation 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. 11:100, 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 commission's contributions to the System under Plan A for the years ending December 31, 2005, 2002, and 2001, were \$4,196, \$3,912, and \$4,343, 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. This report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14609, Baton Rouge, Louisiana, 70898-0619, or by calling (202) 928-1381.

ST. MARTIN WATER AND SEWER COMMISSION NO. 1
Bossierville, Louisiana

Notes to Basic Financial Statements (Continued)

(1.1) Contingencies

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

(1.2) 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 33:7831 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$300 per month.

Ervin Bailey, President	\$ 3,000
Board members:	
Erey Acosta	3,000
Shelby Daigle	3,000
Stanley Daigle	3,000
John Dilavere	<u>3,000</u>
Total	<u>\$ 15,000</u>

**INTERNAL CONTROL
AND
COMPLIANCE**

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBER OF
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6. Santa Barbara, CA (200)

7. San Francisco (200)
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MEMBERSHIP LISTING SERVICE

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
Bogalusa, Louisiana

We have audited the financial statements of the business-type activity and the major fund of the St. Martin Parish Water and Sewer Commission No. 1 as of and for the year ended December 31, 2003, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated May 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 opinions on the 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 financial statements.

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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 and is not intended to be and should not be used by anyone other than specified parties. However, under the provisions of Louisiana Revised Statutes 18:111 and 44:1, this report is a matter of public record and its distribution is not limited.

Keller, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 11, 2010

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

Summary Schedule of Audit Results
For the Year Ended December 31, 2003

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

A reportable condition in internal control was disclosed by the audit of the financial statements and the condition is considered a material weakness.

The audit did not disclose any instances of non-compliance, which are material to the financial statements.

A management letter was not issued.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

See corrective action plan for current year findings.

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

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2003

Ref. No.	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.

98-1 Unknown Inadequate segregation of accounting functions No See corrective action plan for current year findings

Section II - Management letter

No management letter items reported.

ST. MARIEN PARISH WATER AND SEWER COMMISSION NO. 1
 Sulphurville, Louisiana

Compliance Action Plan for Annual Time Findings
 For the Year Ended December 31, 2000

<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.				
8b) 1	Inadequate segregation of accounting functions	Cost to achieve control does not exceed benefits	Barbara Weintraub, Secretary	N/A

Section E - Management letter

No management letter items reported.