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

FINANCIAL STATEMENTS

Year Ended December 31, 1999

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 APR 26 2000

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INDEPENDENT AUDITOR'S REPORT

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

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We have audited the accompanying general purpose financial statements of the St. Mary Parish Water and Sewer Commission No. 1 Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Commission's officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Parish Water and Sewer Commission No. 1 Parish of St. Mary, State of Louisiana, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type 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 January 27, 2000 on our consideration of the Commission's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations and contracts.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the St. Mary Parish Water and Sewer

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Commission No. 1 Parish of St. Mary, State of Louisiana. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole, except that:

1. the insurance coverage data has not been audited by us and we express no opinion on it, and
2. information as to the number of metered utility customers presented on page 23 is based on unaudited data obtained from the Commission's records, on which we express no opinion.

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 the St. Mary Parish Water and Sewer Commission No. 1 Parish of St. Mary, State of Louisiana.

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
January 27, 2000

**GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)**

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA
BALANCE SHEET
December 31, 1999

ASSETS

Current assets:

Cash and cash equivalents	\$ 721,025
Investments	891,170
Receivables:	
Accounts	54,040
Accrued interest	12,725
Ad valorem taxes	66,627
Inventories	25,348
Prepaid expenses	25,843
Total current assets	<u>1,796,778</u>

Restricted assets:

Customer deposits:	
Cash and cash equivalents	11,376
Investments	40,884
	<u>52,260</u>

Property, plant and equipment, net of accumulated depreciation	<u>6,326,897</u>
---	------------------

Total assets \$8,175,935

LIABILITIES AND FUND EQUITY

Current liabilities (payable from current assets):

Accounts payable - trade	\$ 16,839
Accrued payroll and payroll taxes	4,229
Accrued expenses and sales taxes	2,294
Due to other governments	5,528
Total current liabilities (payable from current assets)	<u>28,890</u>

Current liabilities (payable from restricted assets):

Customers' meter deposits	<u>52,260</u>
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Total liabilities	<u>81,150</u>
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Fund equity:

Contributed capital - other governments	<u>1,630,810</u>
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Retained earnings:

Reserved for maintenance	7,252
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Unreserved	<u>6,456,723</u>
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Total retained earnings	<u>6,463,975</u>
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Total fund equity	<u>8,094,785</u>
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Total liabilities and fund equity	<u><u>\$8,175,935</u></u>
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The accompanying notes are an integral part of these financial statements.

ST. MARY PARISH WATER AND SEWER COMMISSION NO.
 PARISH OF ST. MARY, STATE OF LOUISIANA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 YEAR ENDED DECEMBER 31, 1999

Operating revenues:	
Water sales	\$ 417,773
Sewer sales	223,359
Delinquent charges	9,796
Reconnect charges	3,725
Transfer fees	3,880
Commissions	7,120
Miscellaneous	<u>1,140</u>
Total operating revenues	<u>666,793</u>
Operating expenses:	
Salaries and payroll taxes	264,242
Installation and repair of lines, hydrants, pumps and meters	26,589
Plant maintenance	83,580
Repairs and maintenance of buildings and towers	8,724
Depreciation	349,613
Commissioners' fees	5,160
Utilities	54,980
Insurance	46,318
Miscellaneous	4,472
Employee medical insurance	54,002
Postage	3,473
Accounting and auditing	11,926
Stationery, printing and office supplies	8,480
Telephone and telegraph	4,777
Vehicle	6,435
Pension expense	20,509
Chemicals	58,851
Plant supplies	9,406
Pond testing fees	4,060
Permit Fees	<u>2,542</u>
Total operating expenses	<u>1,028,139</u>
Operating loss	<u>(361,346)</u>

(Continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
 PARISH OF ST. MARY, STATE OF LOUISIANA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 (Continued)
 YEAR ENDED DECEMBER 31, 1999

Other revenues:		
Interest	\$	54,986
Ad valorem tax		<u>88,253</u>
Total other revenues		<u>143,239</u>
Net loss		(218,107)
Add depreciation on property, plant and equipment acquired by capital contributions that reduces contributed capital		<u>83,842</u>
Decrease in retained earnings		(134,265)
Retained earnings, beginning of period		<u>6,598,240</u>
Retained earnings, end of period		<u>\$ 6,463,975</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
 PARISH OF ST. MARY, STATE OF LOUISIANA
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 1999

Cash flows from operating activities:	
Operating loss	\$ (361,346)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Depreciation	349,613
Change in assets and liabilities:	
Increase in accounts receivable	(1,141)
Increase in inventories	(2,648)
Increase in prepaid expenses	(11,739)
Decrease in other receivables	27
Decrease in accounts payable	(90,172)
Decrease in payroll related payables	(1,516)
Increase in accrued expenses	180
Decrease in retainage payable	(12,595)
Decrease in due to other governments	(55,168)
Increase in customer meter deposits	<u>2,200</u>
Net cash used by operating activities	<u>(184,305)</u>
Cash flows from capital and related financing activities:	
Ad valorem taxes received	89,086
Acquisition and construction of capital assets	<u>(151,457)</u>
Net cash used for capital and related financing activities	<u>(62,371)</u>

(Continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
 PARISH OF ST. MARY, STATE OF LOUISIANA
 STATEMENT OF CASH FLOWS
 (Continued)
 YEAR ENDED DECEMBER 31, 1999

Cash flows from investing activities:		
Purchases of investments		\$ (932,053)
Proceeds from maturities of investments		906,509
Interest on investments		<u>54,627</u>
Net cash provided by investing activities		<u>29,083</u>
Net decrease in cash and cash equivalents		(217,593)
Cash and cash equivalents, beginning of year		<u>949,994</u>
Cash and cash equivalents, end of year		<u>\$ 732,401</u>
Cash and cash equivalents at December 31, 1999 consisted of:		
Current assets:		
Cash		\$ 721,025
Restricted assets:		
Cash		<u>11,376</u>
Total		<u>\$ 732,401</u>

The accompanying notes are an integral part of this statement.

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

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pursuant to Ordinance No. 1281 adopted by the St. Mary Parish Council on October 27, 1995, the St. Mary Parish Water and Sewer Commission No. 1 (the Commission) was created on January 24, 1996 to provide water and sewerage services to the customers of the former Waterworks District No. 3 of the Parish of St. Mary, State of Louisiana, the former Sewerage District No. 4 of the Parish of St. Mary, State of Louisiana, and that area of Sewerage District No. 1 of the Parish of St. Mary, State of Louisiana, outside the corporate limits of Morgan City, Louisiana. Effective July 1, 1996, the operations of Waterworks District No. 3 and Sewerage District No. 4 have been incorporated into the St. Mary Parish Water and Sewer Commission No. 1. As further discussed in Note 10, Sewer District No. 1 of the Parish of St. Mary merged into the St. Mary Parish Water and Sewer Commission No. 1 in October 1999. The Commission is a component unit of the Parish of St. Mary. The Commission is an integral part of the Parish of St. Mary for financial reporting purposes. The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Financial Reporting Entity

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 14, the Commission is a component unit of the St. Mary Parish Council, the reporting entity (the Oversight Unit). The accompanying financial statements present information only as to the transactions of the Commission and are not intended to present fairly the financial position and results of operations of the St. Mary Parish Council.

Basis of Presentation

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

The Commission is presented in the accompanying financial statements as an Enterprise Fund, which is a proprietary fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

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

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

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories

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

Property, Plant and Equipment

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

Cash and Cash Equivalents

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

Ad Valorem Tax

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

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

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bad Debts

The Commission charges any uncollectible accounts directly to current operations. All accounts at December 31, 1999 are considered to be collectible.

Use of Estimates

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

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

At December 31, 1999, the Commission's cash and cash equivalents consisted of cash having a carrying value of \$732,401.

The carrying value of the Commission's cash deposits and certificates of deposit with financial institutions at December 31, 1999 totaled \$1,664,455 and the bank balance was \$1,664,726. Cash and cash equivalents and investments are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts.

The deposits at December 31, 1999 were secured as follows:

Bank Balances	<u>\$ 1,664,726</u>
Federal deposit insurance	346,437
Pledged Securities	<u>1,340,229</u>
Total federal deposit insurance and pledged securities	<u>1,686,666</u>
Excess	<u>\$ 21,940</u>

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

Notes to Financial Statements

NOTE 3 AD VALOREM TAXES

For the year ended December 31, 1999, the Commission levied taxes of 3.84 mills for maintenance and operation on property within the Commission's boundaries. The total assessed valuation on these properties was \$20,958,962. Total taxes levied were \$80,482. Taxes receivable at December 31, 1999 was \$66,627.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

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

		<u>Depreciation Annual Percentages</u>
Land	\$ 203,726	
Building and improvements	4,052,997	2 to 10%
Distribution system	7,594,840	3 to 10%
Equipment	<u>145,164</u>	10 to 33.3%
	11,996,727	
Less: accumulated depreciation	<u>5,669,830</u>	
	<u>\$6,326,897</u>	

Depreciation charged to income was \$349,613 for the years ended December 31, 1999. During the year ended December 31, 1999, new equipment and improvements costing \$151,457, were purchased.

NOTE 5 RESTRICTED ASSETS

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

Customers' meter deposits:	
Cash	\$ 11,376
Investments	<u>40,884</u>
	<u>\$ 52,260</u>

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

Notes to Financial Statements

NOTE 6 CONSTRUCTION IN PROGRESS

During the year ended December 31, 1998, the Commission entered into a contract to clean and paint certain ground and elevated water storage tanks. The total cost of the contract awarded was \$252,040, plus related engineering cost. The project was completed and placed in service during the year ended December 31, 1999.

A summary of construction in progress is as follows:

Balance, December 31, 1998	\$ 155,378
Project cost incurred in 1999	98,974
Engineering cost incurred in 1999	<u>33,508</u>
Total construction in progress	287,860
Less: Amount transferred to fixed assets	<u>(287,860)</u>
Balance, December 31, 1999	<u><u>\$ -</u></u>

NOTE 7 EMPLOYEE RETIREMENT PLAN

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

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

Total pension expense recorded by the Commission for contributions to the retirement plan for the year ended December 31, 1999 was \$20,509. Total gross salaries of the Commission for the year ended December 31, 1999 was approximately \$260,832.

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

Notes to Financial Statements

NOTE 8 CHANGES IN CONTRIBUTED CAPITAL

A summary of changes in the Commission's contributed capital accounts for the years ended December 31, 1999 and 1998 follows:

	St. Mary Parish Council	St. Mary Parish Fire Protection Dist. #3	State of LA	Federal Govern- ment	Total
Balances at December 31, 1998	1,477,913	30,118	116,010	90,611	\$1,714,652
Depreciation expense for the year ended December 31, 1999 on fixed assets acquired through capital contribution	<u>(70,316)</u>	<u>(1,686)</u>	<u>(6,197)</u>	<u>(5,643)</u>	<u>(83,842)</u>
Balances at December 31, 1999	<u>\$ 1,407,597</u>	<u>\$ 28,432</u>	<u>\$ 109,813</u>	<u>\$ 84,968</u>	<u>\$ 1,630,810</u>

NOTE 9 RETAINED EARNINGS RESERVED FOR MAINTENANCE

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

NOTE 10 COMMITMENTS AND CONTINGENCIES

Mandates by the Environmental Protection Agency and the Louisiana Department of Environmental Quality require that the Commission upgrade its treatment facility to comply with stricter discharge requirements. The Commission currently has a contract with Louisiana State University to monitor and prepare a Use Attainability Analysis of Long-term Wastewater Discharge on the Ramos Forested Wetland at Amelia, Louisiana. The analysis was issued in January 1997, and conclusions regarding uses, criteria and regulatory issues will be supplied by the Louisiana Department of Environmental Quality after review of the analysis. The Commission estimates that to achieve compliance with the new mandates will cost approximately \$100,000 to \$250,000.

The Commission and Sewer District No. 1 of the Parish of St. Mary entered into a Local Services Agreement with the City of Morgan City whereby, upon completion of a project to extend sewerage collection lines and install necessary lift stations in the Greenwood Area of St. Mary Parish, Sewer District No. 1 transferred ownership of all of its sewerage facilities lying within the corporate limits of the City of Morgan City in consideration of the City providing future sewerage collection and

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

Notes to Financial Statements

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

treatment services to that area. Effective October 1, 1999, Sewer District No. 1 transferred all of its sewerage collection and treatment facilities lying within the jurisdiction of the Commission to the Commission.

The Commission and the St. Mary Parish Council have entered into an agreement between the Commission and the Council to provide full ownership of the regional sewage treatment facilities in the Amelia area, Ward 9 and a portion of Ward 6, which is currently being operated by the Commission. The Commission has agreed to acquire the sewage treatment facilities at a price equal to the difference between the yearly principal and interest bond payments allocable to the sewer area and the amount of the 3/4 cents sales tax allocated to the Amelia and Vicinity Sewer area for the period December 1997-2004. Obligations for the bond shortfall for the years ended December 31, 1997 and 1998 have been met. Obligation for the bond shortfall for the year ended December 31, 1999 has not yet been determined.

Future principal and interest bond payments are as follows:

2000 Bond Payment	\$ 245,506
2001 Bond Payment	246,565
2002 Bond Payment	246,861
2003 Bond Payment	246,469
2004 Bond Payment	<u>246,795</u>
	<u>\$ 1,232,196</u>

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

NOTE 11 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions or limits during the year ended December 31, 1999. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

NOTE 12 PENDING LITIGATION

The Commission is not presently involved in any lawsuits which could materially affect the financial condition of the Commission.

**SUPPLEMENTAL
INFORMATION**

**INTERNAL CONTROL
AND
COMPLIANCE**



Darnall, Sikes & Frederick

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

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

We have audited the financial statements of St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana (the Commission), a component unit of the St. Mary Parish Council, as of December 31, 1999 and for the year then ended, and have issued our report thereon dated January 27, 2000. 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, and the Louisiana Governmental Audit Guide.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one 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 Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-1.

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Certified Public Accountants

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. However, we believe the reportable condition described as 99-1 is a material weakness.

This report is intended for the information of management, the St. Mary Parish Council, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Dannall, Sikes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
January 27, 2000

OTHER SUPPLEMENTARY INFORMATION

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

Schedule of Investments
December 31, 1999

Description	<u>Year Acquired</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost</u>
Current Assets:				
Time certificates of deposit:				
M C Bank & Trust	1998	4.500%	01/24/2000	\$ 350,811
M C Bank & Trust	1998	4.500%	01/24/2000	156,091
M C Bank & Trust	1998	4.250%	01/13/2000	97,052
M C Bank & Trust	1997	4.250%	12/12/2001	28,365
M C Bank & Trust	1998	4.470%	04/22/2000	23,507
Teche Federal Savings Bank	1998	4.310%	04/01/2001	86,764
Whitney National Bank	1997	4.300%	01/01/2001	48,580
Iberia Savings Bank	1998	4.840%	09/30/2000	<u>100,000</u>
				<u>891,170</u>
Restricted Assets:				
Customer meter deposits-				
Time certificates of deposit:				
M C Bank & Trust	1998	4.000%	06/03/2000	<u>40,884</u>
				<u>\$ 932,054</u>

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

Schedule of Number of Utility Customers
(Unaudited)
December 31, 1999

Records maintained by the Commission indicated the following number of water customers were being served during the month of December:

1999	1158
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ST. MARY PARISH WATER AND SEWER COMMISSION NO. 1
PARISH OF ST. MARY, STATE OF LOUISIANA

List of Insurance Policies in Force
(Unaudited)
December 31, 1999

	<u>Expiration Date</u>	<u>Coverage</u>
Property and office building:		
Four water storage towers (80% co-insurance clause)	July 5, 2000	\$ 1,400,000
Water treatment facilities (80% co-insurance clause)		
Buildings (combined)	April 11, 2002	\$ 2,735,000
Contents	April 11, 2002	\$ 73,000
Steel Generator	April 11, 2002	\$ 55,500
Public officials' and employees'		
liability	June 30, 2000	\$ 2,000,000
Public employee dishonesty	September 14, 2000	\$ 50,000
Public employee dishonesty	May 1, 2000	\$ 10,000
Liability:		
General Liability		
Each occurrence limit	June 30, 2000	\$ 2,000,000
General aggregate limit	June 30, 2000	\$ 2,000,000
Commercial Umbrella		
Each occurrence limit	June 30, 2000	\$ 2,000,000
General aggregate limit	June 30, 2000	\$ 2,000,000

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

Schedule of Compensation Paid to the Board of Commissioners
December 31, 1999

	<u>Number of Meetings Attended</u>	<u>Total Compensation</u>
Roland H. Verret, President	13	\$ 780
Donald Patureau, Vice President	13	780
Sandra Wilkerson, Secretary/Treasurer	13	780
Errol Tabor, Commissioner	13	780
Shirley Bailey, Commissioner	12	720
John Richard, Commissioner	11	660
Jeff Reed, Commissioner	11	660
		<u>\$ 5,160</u>

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

Summary Schedule of Prior Year Findings
Year Ended December 31, 1999

98-1 Finding: Inadequate Segregation of Accounting Functions

Status: This finding is unresolved. See current year finding 99-1.

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

Schedule of Findings and Questioned Costs
Year Ended December 31, 1999

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on St. Mary Parish Water and Sewer Commission No. 1's general purpose financial statements as of and for the year ended December 31, 1999.

Reportable Conditions – Financial Statements

One reportable condition in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 99-1 in Part 2 and is a considered material weakness.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended December 31, 1999.

Part 2: Findings Relating to an Audit in Accordance with Governmental Auditing Standards

99-1 Inadequate Segregation of Accounting Functions

Finding:

Due to the small number of accounting personnel, the St. Mary Parish Water and Sewer Commission No. 1 did not have adequate segregation of functions within the accounting systems.

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.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At December 31, 1999, the St. Mary Parish Water and Sewer Commission No. 1 did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore this section is not applicable.

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

Management's Corrective Action Plan For Current Year Findings
Year Ended December 31, 1999

Response to Finding 99-1:

No response is considered necessary.