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

FINANCIAL STATEMENTS  
WITH ACCOMPANYING INFORMATION

YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD  
FROM INCEPTION (JANUARY 24, 1996) TO DECEMBER 31, 1996

and

INDEPENDENT AUDITOR'S REPORT

**DERBES & COMPANY**

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

Release Date: 11/21/97

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

FINANCIAL STATEMENTS  
WITH ACCOMPANYING INFORMATION

YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD  
FROM INCEPTION (JANUARY 24, 1996) TO DECEMBER 31, 1996

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana (the Commission), a component unit of the St. Mary Parish Council, as of December 31, 1997 and 1998 and for the year ended December 31, 1997 and for the period from inception (January 24, 1996) to December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana, and are not intended to present fairly the financial position of the St. Mary Parish Council and the results of its operations and cash flows of its proprietary fund types and nonproprietary trust funds in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 30, 1998 on our consideration of the Commission's internal control structure and a report dated January 30, 1998 on its compliance with laws and regulations.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Parish Water and Sewer Commission (No. 1 of the Parishes of St. Mary, State of Louisiana as of December 31, 1997 and 1996 and the results of its operations and its cash flows for the year ended December 31, 1997 and for the period from inception (January 24, 1996) to December 31, 1996, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information shown on pages 21 through 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



January 30, 1998

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

BALANCE SHEET

DECEMBER 31, 1997 and 1996

<u>ASSETS</u>	<u>1997</u>	<u>1996</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 2)	\$ 650,108	\$ 797,629
Investments (Note 2)	899,680	878,372
Accounts receivable	90,709	45,529
Accounts receivable - other	3,274	3,546
Accrued interest receivable	90,945	11,744
Due from other funds	126,512	109,849
Inventories	25,233	28,743
Prepaid expenses	<u>34,302</u>	<u>17,179</u>
<b>Total current assets</b>	<u>2,020,856</u>	<u>1,892,579</u>
<b>Restricted Assets (Note 2):</b>		
Customer deposits:		
Cash and cash equivalents (Note 2)	7,736	3,946
Investments	<u>40,854</u>	<u>40,884</u>
	<u>48,620</u>	<u>44,830</u>
Unamortized debt issuance expenses	<u>132</u>	<u>87</u>
<b>Property, plant and equipment, net of accumulated depreciation (Note 3)</b>	<u>4,682,658</u>	<u>7,000,257</u>
	<u>\$8,754,466</u>	<u>\$8,942,443</u>

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

	<u>1997</u>	<u>1996</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Current liabilities:</b>		
<i>(payable from current assets):</i>		
Accounts payable - trade	\$ 30,003	\$ 24,409
Accrued payroll and payroll taxes	13,596	11,143
Accrued expenses and sales taxes	1,897	2,396
Due to other governments	<u>5,273</u>	<u>4,982</u>
	<u>50,772</u>	<u>42,932</u>
<b>Current liabilities (payable from restricted assets):</b>		
Interest payable	850	1,639
Customers' meter deposits	48,820	44,839
Bonds payable (Note 4)	<u>85,900</u>	<u>80,000</u>
	<u>134,470</u>	<u>126,480</u>
<b>Total current liabilities</b>	<b>185,197</b>	<b>169,217</b>
<b>Long-term bonds payable, less current maturities (Note 4)</b>	<b><u>0</u></b>	<b><u>85,000</u></b>
<b>Total liabilities</b>	<b><u>185,197</u></b>	<b><u>254,217</u></b>
<b>Fund equity:</b>		
<i>Contributed capital - other governments (Note 5)</i>		
	<u>1,978,125</u>	<u>2,682,480</u>
<b>Retained earnings:</b>		
Reserved for bond indentures	85,850	81,850
Reserved for maintenance	7,252	7,252
Unreserved	<u>6,497,593</u>	<u>6,512,828</u>
<b>Total retained earnings</b>	<b><u>6,591,097</u></b>	<b><u>6,601,730</u></b>
<b>Total fund equity</b>	<b><u>8,569,222</u></b>	<b><u>8,684,213</u></b>
	<b>\$8,754,419</b>	<b>\$8,938,430</b>

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD  
FROM INCEPTION (JANUARY 24, 1996) TO DECEMBER 31, 1996

	<u>1997</u>	<u>1996</u>
Operating revenues:		
Water sales (Note 5)	\$ 448,598	\$ 318,092
Sewer sales (Note 5)	171,770	73,541
Delinquent charges	8,365	4,247
Reconnect charges	4,825	2,000
Transfer fees	4,940	1,900
Commissions	6,857	3,423
Miscellaneous	1,226	3,034
	<u>646,581</u>	<u>385,537</u>
Total operating revenues		
Operating expenses:		
Salaries and payroll taxes	262,325	190,060
Installation and repair of lines, hydrants, pumps and meters	38,561	18,469
Plant maintenance	51,539	20,813
Repairs and maintenance of buildings and towers	14,526	6,648
Depreciation	324,507	180,480
Commissioner's fees	4,900	2,340
Utilities	55,340	20,174
Insurance	53,889	29,213
Miscellaneous	1,501	1,034
Employee medical insurance	33,778	13,068
Unemployment insurance	-	3,284
Postage	3,818	1,408
Accounting and auditing	11,377	8,367
Engineering	2,542	2,171
Computer consulting	-	1,146
Stationery, printing and office supplies	4,120	2,373
Telephone and telegraph	1,894	2,027
Vehicle	1,343	1,953
Travel expense (Note 5)	19,456	9,200
Chemicals	58,629	15,725
Plant supplies	11,289	5,875
Food testing fees	4,423	2,532
	<u>972,135</u>	<u>461,521</u>
Total operating expenses		
Operating (loss)	<u>(325,552)</u>	<u>(155,984)</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, 1997 AND FOR THE PERIOD  
FROM INCEPTION (JANUARY 24, 1996) TO DECEMBER 31, 1996

	<u>1997</u>	<u>1996</u>
Other revenues:		
Interest	\$ 60,779	\$ 32,394
Ad valorem tax	<u>148,705</u>	<u>140,222</u>
Total other revenues	<u>210,484</u>	<u>172,616</u>
Other expenses:		
Interest on bonds	4,330	1,193
Amortization of bond expenses	<u>542</u>	<u>231</u>
Total other expenses	<u>4,872</u>	<u>1,424</u>
Income (loss) before operating transfers	(119,940)	12,999
Operating transfers in	<u>-0-</u>	<u>1,000</u>
Net income (loss)	(119,940)	11,999
Add Depreciation on property, plant and equipment acquired by capital contributions that reduces contributed capital (Note 9)	<u>109,262</u>	<u>34,824</u>
Increase (decrease) in retained earnings	(10,678)	72,653
Retained earnings, beginning of period	6,801,730	-0-
Retained earnings transferred in from former Waterworks District No. 3	-0-	6,031,851
Retained earnings transferred in from former Sewerage District No. 4	<u>-0-</u>	<u>477,226</u>
Retained earnings, end of period	<u>\$6,591,052</u>	<u>\$6,801,730</u>

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

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

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD  
FROM INCEPTION (JANUARY 24, 1996) TO DECEMBER 31, 1996

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Operating (loss)	\$ (325,552)	\$ (155,996)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	331,507	150,489
Amortization	542	271
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(5,184)	5,879
(Increase) decrease in inventories	1,514	(7,459)
(Increase) decrease in prepaid expenses	2,775	(2,854)
Decrease in due from other governments	-0-	4,645
(Increase) decrease in other receivables	2,272	(2,891)
Increase (decrease) in accounts payable	2,293	(47,326)
Increase in payroll related payables	2,381	8,821
(Decrease) in accrued expenses and sales taxes	(389)	(28,309)
Increase (decrease) in due to other governments	385	1992)
Increase (decrease) in customer meter deposits	2,790	(418)
Net cash provided by (used for) operating activities	<u>18,648</u>	<u>(78,112)</u>
Cash flows from capital and related financing activities:		
Ad valorem taxes received for payments on bonds	133,256	30,379
Acquisition and construction of capital assets	(9,809)	(717,417)
Principal paid on bonds	(83,800)	-0-
Interest and fiscal agent fees paid on bonds	(5,872)	(5,358)
Net cash provided by (used for) capital and related financing activities	<u>37,775</u>	<u>(467,185)</u>
Cash flows from non-capital financing activities:		
Operating transfers in from other funds	<u>0</u>	<u>1,135,862</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, 1997 AND FOR THE PERIOD  
FROM INCEPTION (JANUARY 24, 1996) TO DECEMBER 31, 1996

	<u>1997</u>	<u>1996</u>
Cash flows from investing activities:		
Proceeds from maturities of investments	\$ 69,750	\$ -0-
Interest on investments	<u>35,138</u>	<u>28,182</u>
Net cash provided by investing activities	<u>84,870</u>	<u>28,182</u>
Net increase in cash and cash equivalents	196,269	801,575
Cash and cash equivalents at beginning of period (Note 2)	<u>801,575</u>	<u>-0-</u>
Cash and cash equivalents at end of period (Note 2)	<u>\$ 997,844</u>	<u>\$ 801,575</u>
Cash and cash equivalents at December 31 consisted of:		
Current assets:		
Cash	\$ 590,108	\$ 748,791
Certification of deposit	<u>-0-</u>	<u>50,888</u>
	<u>590,108</u>	<u>799,679</u>
Restricted assets:		
Cash	<u>3,736</u>	<u>3,896</u>
Total	<u>\$ 593,844</u>	<u>\$ 803,575</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pursuant to Ordinance No. 1281 adopted by the St. Mary Parish Council on October 27, 1993, the St. Mary Parish Water and Sewer Commission No. 1 (the Commission) was created on January 24, 1994 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 II, Sewer District No. 1 of the Parish of St. Mary will be merged into the St. Mary Parish Water and Sewer Commission No. 1 upon completion of a project to extend sewerage collection lines and install necessary lift stations in the Greenwood area of St. Mary Parish. The Commission is a component unit of the Parish of St. Mary. The Commission is an integral part of the Parish of St. Mary for financial reporting purposes. The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

**Reporting Entity**

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 1, the Commission is a component unit of the St. Mary Parish Council, the reporting entity (the Oversight Unit). The accompanying financial statements present information only as to the transactions of the Commission and are not intended to present fairly the financial position and results of operations of the St. Mary Parish Council.

**Fund Accounting**

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

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

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

Basis of Accounting

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

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

Inventories

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

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

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.

Intangible Assets

Costs incurred in connection with the issuance of the bonds are recorded as assets and are amortized over the period the bonds remain outstanding.

Cash and Cash Equivalents

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

Ad Valorem Tax

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

Bad Debts

The Commission charges any uncollectible accounts directly to current operations. All accounts at December 31, 1997 and 1998 are considered to be collectible.

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 1997, the Commission's cash and cash equivalents consisted of cash having a carrying value of \$857,844.

The carrying value of the Commission's cash deposits and certificates of deposit with financial institutions at December 31, 1997 totaled \$1,118,408 and the bank balance was \$1,100,105. 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 subtreasury receipts held by the state treasurer.

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

2- CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

The deposits at December 31, 1997 were secured as follows:

	Cash and Cash Equivalents	Certificate of Deposit	Total
Carrying Amount on Balance Sheet	\$957,844	\$889,704	\$1,847,548
<b>Bank Balances:</b>			
1. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	\$958,541	\$834,956	\$1,793,497
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name	-0-	-0-	-0-
3. Uncollateralized, including any securities held for the entity but not in the entity's name	-0-	45,698	45,698
<b>TOTAL Bank Balances</b>	<b>\$958,541</b>	<b>\$880,654</b>	<b>\$1,839,195</b>

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - PROPERTY, PLANT AND EQUIPMENT

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

	<u>1997</u>	<u>1996</u>	Depreciation Annual Percentages
Land	\$ 203,726	\$ 203,726	
Building and improvements	4,841,890	4,816,820	2 to 10%
Distribution system	7,906,979	7,906,979	3 to 10%
Equipment	<u>121,125</u>	<u>112,388</u>	10 to 33.3%
	11,673,720	11,603,913	
Less: accumulated depreciation	<u>4,788,852</u>	<u>4,636,256</u>	
	<u>\$ 6,884,868</u>	<u>\$ 7,007,657</u>	

Depreciation charged to income was \$21,587 and \$158,489 for the year ended December 31, 1997 and for the period from inception (January 24, 1996) to December 31, 1996, respectively. During the year ended December 31, 1997 and for the period from inception (January 24, 1996) to December 31, 1996, new equipment and improvements costing \$9,809 and \$313,411, respectively, were purchased.

4 - PUBLIC IMPROVEMENT BONDS

The following is a summary of bond transactions for the year ended December 31, 1997 and for the period from inception (January 24, 1996) to December 31, 1996:

Bonds payable, transferred in from former Waterworks District No. 3	\$165,000
Bonds retired	<u>-0-</u>
Bonds payable, December 31, 1996	165,000
Bonds retired	<u>85,000</u>
Bonds payable, December 31, 1997	<u>\$ 80,000</u>

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. PUBLIC IMPROVEMENT BONDS (Continued)

Bonds payable at December 31, 1997 are comprised of the following:

\$1,140,000 of Public Improvement Bonds, dated April 1, 1973, 4%, due in annual installments \$85,000 through April 1, 1998	<u>\$85,000</u>
Current maturities	\$85,000
Long-term	<u>    -</u>
	<u>\$85,000</u>

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

The annual requirements to amortize all debt outstanding as of December 31, 1997 including interest payments of \$1,700 are as follows:

Year ending December 31,	
1998	<u>\$ 86,700</u>

The amount of interest cost incurred was \$4,130 and \$3,300 for the year ended December 31, 1997 and for the period from inception (January 30, 1996) to December 31, 1996, respectively, all of which was charged to operations.

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - RESTRICTED ASSETS

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

	1997	1996
Customers' meter deposits:		
Cash	\$ 2,706	\$ 2,946
Investments	48,884	40,554
	\$48,620	\$43,830

4 - BILLING RATES AND SALES

Effective April 30, 1995, a water rate increase went into effect whereby water is sold within the Commission's district to approximately 1,100 customers at the following rates for monthly quantities:

Gallons	Rate Per Thousand	Flat Fee Amount
0 - 2,000		\$ 4.00
2,000 - and over	\$ 1.90	

The maximum monthly water sales during the year ended December 31, 1997 occurred in the 30 days ended September 30, 1997 when 22,285,828 metered gallons were billed. The maximum monthly water sales during the period from inception (January 24, 1996) to December 31, 1996, occurred in the 31 days ended August 31, 1996 when 21,489,118 metered gallons were billed. Water sales for the year ended December 31, 1997 totaled 228,847,410, an average of 18,970,617 metered gallons per month. Water sales for the period from inception (January 24, 1996) to December 31, 1996 totaled 113,235,900 metered gallons, an average of 18,118,717 metered gallons per month. Some customers use more than one meter, in which case each meter is billed separately using the regular rates.

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

NOTES TO FINANCIAL STATEMENTS  
 (Continued)

6 - BILLING RATES AND SALES (Continued)

Effective August 31, 1997, a sewer rate increase went into effect whereby sewerage services provided within the Commission's district to approximately 1,125 customers at the following rates for monthly quantities:

	<u>Gallons of Water Used</u>	<u>Rate per Thousand</u>	<u>Flat Fee Amount</u>
Residential	0 - 5,000		\$ 8.00
	5,000 - and over	\$ 1.00	
Commercial	0 - 8,000		\$ 13.00
	8,000 - and over	\$ 1.25	

Previously, residential rates for sewerage services were \$4.00 per month. Commercial rates for sewerage services ranged from \$8.00 to \$48.00 per month plus \$0.80 per gallon of metered water usage in excess of 10,000 gallons per month.

The maximum monthly sewerage sales during the year ended December 31, 1997 occurred in the 10 days ended September 26, 1997 when \$18,975 in sewerage services was billed. The maximum monthly sewerage sales during the period from inception (January 24, 1996) to December 31, 1996, occurred in the 31 days ended July 31, 1996 when \$11,493 in sewerage services was billed.

7 - CONSTRUCTION IN PROGRESS

During the nine month period ended June 30, 1996, the former Waterworks District No. 2 entered into a contract to clean and paint certain ground and elevated water storage tanks. The total cost of the contract was \$504,400, plus related engineering cost. The project was completed December 31, 1996.

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - CONSTRUCTION IN PROGRESS (Continued)

A summary of construction in progress is as follows:

Balance, June 30, 1996 (transferred in from former Waterworks District No. 3)	\$148,520
Project cost incurred	190,593
Engineering cost incurred	77,717
Amount capitalized to distribution system	(628,830)
Balance, December 31, 1996 and 1997	\$____0

8 - EMPLOYEE RETIREMENT PLAN

Federal regulations require that all state and local government employees not covered by FICA be covered by some alternate retirement plan after June 30, 1991. The Commission chose to establish a simplified employee retirement plan (SEP) whereby the Commission deposits an amount equal to 3.75% of FICA wages and each employee has 3.75% of FICA wages withheld. Under a SEP, an individual retirement account (IRA) is set up for each participating employee and contributions are made directly into that IRA.

All employees 21 years of age or older who have been employed one year or more are covered under the plan, and eligible employees 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, 1997 and for the period from inception (January 14, 1995) to December 31, 1996 was \$19,456 and \$9,293, respectively. Total gross salaries of the Commission for the year ended December 31, 1997 and for the period from inception (January 14, 1995) to December 31, 1996 were approximately \$260,000 and \$120,000, respectively.

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

9- CHANGES IN CONTRIBUTED CAPITAL

A summary of changes in the Commission's contributed capital accounts for the year ended December 31, 1997 and for the period from inception (January 24, 1996) to December 31, 1996 follows:

	St. Mary Parish Council	St. Mary Parish Fire Pro- tection Dist. #3	State of L.A.	Federal Govern- ment	Total
Balances transferred in from former Waterworks District No. 3 and Sewerage District No. 4	\$1,871,583	\$24,323	\$331,589	\$304,718	\$3,142,157
Depreciation expense for the period from inception (January 24, 1996) to December 31, 1996 on fixed assets acquired through capital contributions	—(47,881)	—(862)	—(3,858)	—(2,821)	—(54,622)
Balances at:					
December 31, 1996	1,823,692	23,460	327,731	301,897	2,087,480
Depreciation expense for the year ended December 31, 1997 on fixed assets acquired through capital contributions	—(35,282)	—(1,686)	—(6,182)	—(3,643)	—(46,793)
Balances at:					
December 31, 1997	\$1,788,410	\$21,774	\$321,549	\$298,254	\$1,938,177

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

10 - RETAINED EARNINGS RESERVED FOR MAINTENANCE

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

11 - COMMITMENTS AND CONTINGENCIES

Mandates by the Environmental Protection Agency and the Louisiana Department of Environmental Quality require that the Commission upgrade its treatment facility to comply with stricter discharge requirements. The Commission currently has a contract with Louisiana State University to monitor and prepare a Use Attainability Analysis of Long-term Wastewater Discharge on the Ramon Poore 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 have entered into a Local Services Agreement with the City of Morgan City whereby, upon completion of a project to extend sewerage collection lines and install necessary lift stations in the Greenwood Area of St. Mary Parish, Sewer District No. 1 will transfer ownership of all of its sewerage facilities lying within the corporate limits of the City of Morgan City in consideration of the City providing future sewerage collection and treatment services to that area. Furthermore, upon completion of the aforementioned project, Sewer District No. 1 will transfer all of its sewerage collection and treatment facilities lying within the jurisdiction of the Commission to the Commission. Sewer District No. 1 also agreed to retain 25% of ad valorem taxes levied in 1997 and 1998, and remit the remaining 75% to the Commission and the City of Morgan City at the proportion to which the total assessed valuation of that portion of Sewer District No. 1 being transferred to the City of Morgan City and that portion being transferred to the Commission bears to the total assessed valuation within Sewer District No. 1. This amount is estimated to be \$11,270 and \$7,000 as of December 31, 1997 and 1998, respectively, which has been accrued in the financial statements.

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

11 - COMMITMENTS AND CONTINGENCIES (Continued)

The Commission and the St. Mary Parish Council have been in negotiations to enter into an agreement between the Commission and the Council to provide full ownership of the regional sewage treatment facilities in the Amelia area, Wards 5 and 8 and Franklin and vicinity, which is currently being operated by the Commission. The Council has made an offer to the Commission 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 2, 1997-2004. Future principal and interest bond payments are as follows:

1997 Bond Payment	\$ 243,629
1998 Bond Payment	243,712
1999 Bond Payment	248,780
2000 Bond Payment	243,506
2001 Bond Payment	246,563
2002 Bond Payment	248,851
2003 Bond Payment	248,459
2004 Bond Payment	<u>246,221</u>
	\$1,602,312

No liability for this proposed agreement has been recorded in these financial statements since no agreement has been reached. Assuming an agreement is made, upon payment annually of the net bond payment, contributed capital will be reduced by the amount of the payments.

**ACCOMPANYING INFORMATION**

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

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1997

<u>Description</u>	<u>Year Acquired</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost</u>
<u>Current Assets</u>				
Time certificates of deposit:				
Morgan City Bank & Trust	1997	4.500%	01/27/98	5321,400
Morgan City Bank & Trust	1997	4.500%	03/27/98	143,607
Meritrust Fed. Savings Bank	1997	4.500%	01/16/98	97,028
Morgan City Bank & Trust	1997	5.000%	12/12/98	38,365
Morgan City Bank & Trust	1996	5.368%	04/22/98	22,805
Texas Federal Savings Bank	1996	5.830%	04/01/98	78,359
Meritrust Federal Savings Bank	1997	5.210%	10/28/98	48,980
Iberia Savings Bank	1997	5.180%	09/30/98	100,000
				<u>819,684</u>
<u>Restricted Assets</u>				
<u>Customer water deposits</u>				
Time certificates of deposit:				
Morgan City Bank & Trust	1997	4.439%	06/23/98	40,884
				<u>38,914</u>

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

LIST OF INSURANCE POLICIES IN FORCE

DECEMBER 31, 1997

	<u>Expiration Date</u>	<u>Coverage</u>
<b>Property and office building:</b>		
Four water storage towers (80% co-insurance clause)	July 5, 1998	\$1,400,000
Water treatment facilities (80% co-insurance clause)		
Buildings (combined)	April 11, 1999	\$2,431,000
Contents	April 11, 1999	\$ 85,000
Steel Generator	April 11, 1999	\$ 50,000
<b>Public officials' and employees'</b>		
<b>liability</b>	June 16, 1998	\$2,000,000
Public employee dishonesty	September 14, 1998	\$ 50,000
Public employee dishonesty	May 1, 1998	\$ 10,000
<b>Liability:</b>		
<b>General Liability</b>		
Each occurrence limit	June 30, 1998	\$2,000,000
General aggregate limit	June 30, 1998	\$2,000,000
<b>Commercial Umbrella</b>		
Each occurrence limit	June 30, 1998	\$2,000,000
General aggregate limit	June 30, 1998	\$2,000,000
Auto - combined single limit	April 4, 1998	\$1,000,000

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

SCHEDULE OF COMPENSATION PAID TO THE  
BOARD OF COMMISSIONERS

FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>Number of Meetings Attended</u>	<u>Total Compensation</u>
Roland H. Vernet, President	16	\$ 960
Donald Petreus, Vice President	17	1,020
Sandra Wilkerson, Secretary/Treasurer	17	1,020
Errol Tabot, Commissioner	16	960
Shirley Bailey, Commissioner	17	1,020
John Richard, Commissioner	17	1,020
Jeff Reed, Commissioner	15	<u>900</u>
	<b>122</b>	<b><u>\$6,900</u></b>

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WUSH J. POHNER, C.P.A.  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners  
St. Mary Parish Water and Sewer Commission No. 1  
Parish of St. Mary  
State of Louisiana  
Amite, 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, 1997 and 1996 and for the year ended December 31, 1997 and for the period from inception (January 24, 1996) to December 31, 1996, and have issued our report thereon dated January 20, 1998.

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

The management of the Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Commission for the year ended December 31, 1997 and for the period from inception (January 24, 1996) to December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain conditions involving the internal control structure and its operations that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

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

**Management Response:**

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

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



January 30, 1998

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MEMBERS OF THE CERTIFICATION

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

The Board of Commissioners  
St. Mary Parish Water and Sewer Commission No. 1  
Parish of St. Mary  
State of Louisiana  
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, 1997 and 1998 and for the year ended December 31, 1997 and for periods from inception (January 24, 1996) to December 31, 1998, and have issued our report thereon dated January 30, 1998.

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

Compliance with laws, regulations, and contracts applicable to the Commission is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following material instance of noncompliance that is required to be reported under **Government Auditing Standards**.

### Collateralization of Cash Deposits

As disclosed in Note 1 of the financial statements, at December 31, 1997 deposits held by Meritrust Federal Savings Bank were undercollateralized by \$43,608. We also noted several instances during the year ended December 31, 1997 where bank balances were undercollateralized. LSA-R.S. 39:1215 requires that "the amount of the security shall at all times be equal to 100% of the amount of collateral funds on deposit to the credit of each depositing authority except that portion of the deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States."

### Recommendation

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

### Management Response

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

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

*Debra Humphrey*

January 14, 1998