

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
COMPONENT UNIT FINANCIAL STATEMENTS	
Proprietary Fund Type - Enterprise Fund:	
Balance Sheet	2-4
Statement of Revenues, Expenses and Changes in Retained Earnings	5
Statement of Cash Flows	6-7
Notes to Financial Statements	8-23
INTERNAL CONTROL AND COMPLIANCE	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	25-28

OF MARTIN BARBER WATER AND SEWER COMMISSION NO. 1
 Stephensville, Louisiana

Balance Sheet
 December 31, 1977 and 1976

	<u>1977</u>	<u>1976</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 218,148	\$ 212,482
Accounts receivable	1,488	1,897
Ad valorem taxes receivable	172,328	134,862
Due from other governmental units	1,288	782
Prepaid expenses	8,512	8,649
Restricted assets:		
Cash	208,827	207,028
Ad valorem taxes receivable	221,917	203,232
Other receivables	741	482
Total current assets	<u>830,849</u>	<u>829,325</u>
Property, plant and equipment	<u>3,567,828</u>	<u>3,384,376</u>
Other assets:		
deferred bond issue costs	18,880	21,888
Deposits	<u>125</u>	<u>125</u>
Total other assets	<u>19,005</u>	<u>22,033</u>
Total assets	<u>\$3,817,682</u>	<u>\$3,295,734</u>

(Continued)

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

Balance Sheet (Continued)
 December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
SIMPLIFIED AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 4,188	\$ 4,188
Accrued liabilities	14,868	14,877
Payable from restricted assets:		
Current maturities of long term debt	144,287	139,288
Accrued interest	43,108	48,433
Deduction from ad valorem taxes	9,931	8,968
Refundable deposits	<u>3,338</u>	<u>3,343</u>
Total current liabilities	<u>324,712</u>	<u>318,997</u>
Long-term debt:		
General obligation refunding bonds payable	801,041	828,182
Revenue bonds payable	<u>827,028</u>	<u>842,022</u>
Total long-term debt	<u>1,628,069</u>	<u>1,670,204</u>
Total liabilities	<u>3,252,781</u>	<u>3,289,201</u>
Fund equity:		
Contributed capital	<u>152,874</u>	<u>152,894</u>
Retained earnings		
Reserved for bond retirement	194,787	158,408
Designated	18,441	28,321
Unreserved and undesignated	<u>3,223,488</u>	<u>3,248,824</u>
Total retained earnings	<u>3,436,715</u>	<u>3,435,553</u>
Total fund equity	<u>3,589,589</u>	<u>3,588,447</u>
Total liabilities and fund equity	<u>\$3,842,370</u>	<u>\$3,877,648</u>

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses and Changes in Retained Earnings
For Year Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Operating revenues:		
Ad valorem taxes	\$ 150,824	\$ 148,488
Sewer User Fees	71,312	70,800
Water maintenance fees	8,827	8,828
Total operating revenues	<u>230,963</u>	<u>228,116</u>
Operating expenses:		
Salaries and related benefits	62,287	62,174
Supplies and materials	5,519	5,504
Other services and charges	62,798	60,621
Fuel operation	49,364	48,879
Depreciation	<u>124,163</u>	<u>128,921</u>
Total operating expenses	<u>304,131</u>	<u>306,099</u>
Operating loss	<u>(73,168)</u>	<u>(77,983)</u>
Non-operating revenues (expenses):		
Ad valorem taxes	128,188	128,628
Ad GRAs	13,421	17,446
Grant interest and fiscal charges	(113,439)	(129,983)
Bond issue costs	(3,888)	(3,888)
Interest income	14,118	13,818
Miscellaneous	278	3,818
Total Non-operating revenues (expenses)	<u>38,678</u>	<u>36,849</u>
Net Income (Loss)	\$1,371	\$6,316
Depreciation on fixed assets acquired by contributed capital	<u>17,328</u>	<u>17,328</u>
Increase (decrease) in retained earnings	79,099	23,144
Retained earnings, beginning	<u>1,786,688</u>	<u>1,786,688</u>
Retained earnings, ending	<u>\$1,865,858</u>	<u>\$1,826,160</u>

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows
For Year Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees	\$ 80,345	\$ 80,471
Cash received from taxes	183,480	182,078
Cash paid for goods and services	(108,467)	(108,326)
Cash paid to employees	(28,782)	(28,882)
Net cash provided by operating activities	<u>76,176</u>	<u>74,851</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Cash received from taxes	282,877	211,820
Cash purchase of equipment	(4,842)	(4,378)
Principal paid on bonds	(23,848)	(23,848)
Interest paid on bonds	(22,247)	(22,844)
Fiscal charges paid	(821)	(821)
Net cash used for capital and financing activities	<u>(72,930)</u>	<u>(64,811)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on cash and cash equivalents	<u>12,385</u>	<u>18,488</u>
Net increase in cash	15,194	24,188
Cash and cash equivalents, beginning of period	<u>545,818</u>	<u>518,862</u>
Cash and cash equivalents, end of period	\$ 561,012	\$ 543,050

(Cash Inward)

ST. MARTIN DRAINAGE WATER AND SEWER COMMISSION NO. 1
 Highmoreville, Louisiana

Statement of Cash Flows (Continued)
 FOR YEAR ENDED DECEMBER 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (28,240)	\$ 188,840
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	124,143	128,821
Allowances for uncollectibles	(1,418)	2,855
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	893	1200
(Increase) decrease in all values taxes receivable	(14,814)	2,811
(Increase) decrease in due from other governmental units	(1,897)	100
(Increase) decrease in prepaid expenses	37	679
Increase (decrease) in accounts payable	2,576	388
Increase (decrease) in accrued liabilities	1809	2,788
Increase (decrease) in refundable assets deposits	580	82
	<u>122,216</u>	<u>188,840</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 93,976	\$ 18,420

The accompanying notes are an integral part of this statement.

St. Martin Parish Water and Sewer Commission No. 1
Stephensville, Louisiana

Notes to Financial Statements

III Summary of Significant Accounting Policies

St. Martin Parish Water and Sewer Commission No. 1, State of Louisiana (hereinafter the Commission) was created under the provisions of Louisiana Revised Statutes 33:7851 by ordinances issued by the St. Martin Parish Police Jury on March 2, 1993. The provisions of the ordinance, for public purposes, were effective January 1, 1993.

The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and wastewater treatment or disposal facilities and systems within the boundaries of Police Jury Ward 1 of St. Martin Parish.

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

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

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

A. Reporting Entity

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

3. Fund Accounting

The Commission is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the interest of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be

DR. MARTIN LUTHER KING, JR. MEMORIAL COMMISSION NO. 1
Stephensville, Louisiana

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

measured or decreased primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. BASIS OF ACCOUNTING

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

D. Revenues

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

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

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

Substantially all other revenues are recorded when received.

E. Expenses

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

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

Notes to Financial Statements (Continued)

F. Cash and Cash Equivalents

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

G. Prepaid Expenses

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

H. Restricted Assets

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

I. Fixed Assets

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

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

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

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

Notes to Financial Statements (Continued)

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

J. Capitalized Interest

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

K. Bad Debts

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

L. Commissary Allowance

Employees of the commission work 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.

As December 31, 1997 employees of the commission have accumulated 29,800 of vacation and sick leave benefits. This amount is included as a component of accrued liabilities on the balance sheet.

(2) Cash and cash equivalents

As December 31, 1997, the commission has cash and cash equivalents and restricted cash (bank balances) totaling \$458,078, as follows:

Petty Cash	\$	100
DEMAND Deposits		98,280
Time deposits		<u>359,698</u>
		\$458,078

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

Notes to Financial Statements (Continued)

These deposits are stated at cash, 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 agreeable to both parties. As December 31, 1997, the Commission has \$254,949 in deposits (bank balances). These deposits are secured from risk by \$288,778 of federal deposit insurance and \$188,171 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 1).

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 1, Louisiana Revised Statute 19:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Commission that the depositing bank has failed to pay deposited funds upon demand.

13) Ad valorem taxes

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

	<u>Authorized/ Levied Millage</u>
District Taxes:	
Maintenance-	
St. Martin Parish Sewerage District No. 1	4.25
St. Martin Parish Waterworks District No. 1	6.88
Special Assessment-	
St. Martin Parish Sewerage District No. 1	8.00
Bond and Interest-	
St. Martin Parish Sewerage District No. 1	15.00
St. Martin Parish Waterworks District No. 1	7.00

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.

ST. MARTIN PARISH LEASE AND SEVER Operations No. 1
 Stephenville, Louisiana

NOTES TO Financial Statements (Continued)

Total taxes of \$404,488 were levied on property having assessed taxable valuations totaling \$9,804,488. As December 31, 1987, ad valorem taxes receivable consisted of the following:

	Non-	Restricted	Total
	Restricted		
Ad Valorem Taxes Receivable	\$376,418	\$27,870	\$404,488
Allowance for uncollectible	<u>68,200</u>	<u>16,830</u>	<u>112,130</u>
	\$308,218	\$11,040	\$319,258
	*****	*****	*****

(4) COMPOSITION OF RESTRICTED ASSETS

As December 31, 1987, the following comprise restricted assets:

	GAO	Ad Valorem Taxes Reserve	Total
<u>St. Martin Parish Sewerage District No. 1</u>			
General Obligation Refunding Bonds	\$ 91,509	\$148,487	\$240,246
Revenue Bond and Interest Sinking Fund	42,483	-	42,483
Revenue Bond Reserve Fund	31,881	-	31,881
Depreciation and Contingency Fund	24,588	-	24,588
Special Assessment	<u>18,822</u>	<u>-</u>	<u>18,822</u>
	179,283	148,487	327,770
<u>St. Martin Parish Waterworks District No. 1</u>			
General Obligation Refunding Bonds	<u>18,812</u>	<u>72,871</u>	<u>101,683</u>
	\$215,907	\$221,798	\$437,488
	*****	*****	*****

ST. MARTIN SEWER RATES AND SEWER COMMISSION NO. 1
 Colquhounville, Louisiana

Notes to Financial Statements (Continued)

(14) Excesses, Plant and Equipment:

The following is a summary of the Commission's fixed assets at December 31, 1997:

Land	\$	\$1,317
Buildings		\$9,887
Office Equipment		21,549
Machinery and Equipment		45,520
Wastewater Treatment Plant		2,288,818
Water Distribution System		<u>1,226,728</u>
		4,893,811
Less: Accumulated Depreciation		<u>(1,282,882)</u>
	\$	\$ 3,610,929

Depreciation expense for the year ended December 31, 1997 totaled \$124,382.

(15) Deferred Bond Issue Costs

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

At December 31, 1997, the Commission has unamortized deferred bond issue costs as follows:

Bond Issue Costs-		
General Obligations Refunding Bonds, Series 1991	\$	19,329
Revenue Bonds		<u>28,371</u>
		47,700
Amortization Recognized		<u>(14,882)</u>
	\$	\$ 32,818

For the year ended December 31, 1997, amortization recognized for the general obligation refunding bonds, series 1991 and the revenue bonds totaled \$0.175 and \$313, respectively.

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

Notes to Financial Statements (Continued)

(7) Retirement Plan

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

All permanent employees working at least twenty-eight hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age sixty with at least ten years of creditable service, or 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, 1988, 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, 1988. 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 accorded to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Contributions to the System include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and West Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries to the system. As provided by Louisiana Revised Statute 11:121, the employee 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.

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

Notes to Financial Statements (Continued)

The following provides certain disclosures for the Commission and the Retirement System that are required by GASB Codification Section 505.10b:

Year Ended December 31, 1997

	<u>PLAN A</u>	
Total current-year payroll		\$97,443
Total current-year covered payroll		\$92,329
Contributions:		
Required by statute:		
Employees	\$ 589	\$ 4,043
Employer	<u>2.75</u>	<u>8,882</u>
Total	\$3.339	\$ 12,925
Actual:		
Employees	\$ 589	\$ 4,043
Employer	<u>2.75</u>	<u>8,882</u>
Total	\$3.339	\$ 12,925

Year Ended December 31, 1996

Retirement System	
Net Assets	\$ 781,040,000
Pension benefit obligation	<u>183,248,000</u>
Unfunded pension benefit obligation	\$117,792,000

The pension benefit obligation is presented as of December 31, 1996 because the December 31, 1997 information is not available. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-ported benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among GASB and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employees.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1996, comprehensive annual financial report. The Commission does not guarantee the benefits granted by the System.

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

Notes to Financial Statements (Continued)

(8) LONG TERM DEBT

On April 23, 1987, St. Martin Parish Waterworks District No. 2 issued \$222,000 in General Obligation Refunding Bonds, Series 1987 to refund \$243,000 of 1983 General Obligation bonds.

On September 26, 1990, St. Martin Parish Sewerage District No. 1 issued \$228,400 in General Obligation Refunding Bonds, Series 1991 to refund \$283,000 of 1983 General Obligation Bonds.

On July 28, 1991, St. Martin Parish Sewerage District No. 1 issued \$1,800,000 of Sewer Revenue Bonds to the United States Department of Agriculture's Farmers Home Administration (FHA).

The following is a summary of bond transactions of the Commission for the year ended December 31, 1997:

	<u>General Obligation Refunding</u>	<u>Revenue</u>	<u>Total</u>
Bond payable at January 1, 1997	\$1,848,200	\$207,380	\$2,055,579
Less -			
Bond payments	1,100,000	(13,980)	(1,113,980)
Add -			
Amortization of Bond Discount	<u>3,242</u>	<u>-</u>	<u>3,242</u>
Bond Payable at December 31, 1997	\$ 851,442	\$243,399	\$1,094,841
	*****	*****	*****

Carried valuations of long term debt are as follows:

General Obligation Refunding bonds-	
Series 1987	\$ 40,000
Series 1991	80,000
Revenue Bonds	<u>14,381</u>
	\$164,381

	\$208,381

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

Notes to Financial Statements (Continued)

General obligation refunding bonds outstanding as December 31, 1997 consists of the following individual issues:

District Bonds:

St. Martin Parish Sewerage District No. 1 - 1000,000 serial bonds, Series 1995, due in annual principal installments ranging from \$15,000 to \$120,000 through March 1991. Interest rate is variable from 7.5% to 10.0% per annum	\$548,000
St. Martin Parish Waterworks District No. 2 - 2025,000 serial bonds, Series 1987, due in annual principal installments ranging from \$15,000 to \$50,000 through June 1991. Interest rate is variable from 8.5% to 9.25% per annum	<u>718,000</u> 750,000
Less: Unamortized Discount	<u>(113,000)</u>
	\$913,000

The general obligation refunding bonds constitute general obligations of St. Martin Parish Sewerage District No. 1 and St. Martin Parish Waterworks District No. 2. The Commission is bound under the terms of its creating ordinance to comply with all provisions of law and the resolutions adopted April 23, 1987 and September 7, 1991 authorizing the issuance of the general obligation refunding bonds of St. Martin Parish Sewerage District No. 1 and St. Martin Parish Waterworks District No. 2, respectively. The resolutions and provisions of law require the Commission to impose and collect annually a tax on all the property subject to taxation within the territorial limits of the respective districts, sufficient to pay the principal of and interest on the bonds falling due each year.

In accordance with Louisiana Revised Statute 28:142 the Commission is legally restricted from incurring long-term bonded debt in excess of 2% of the assessed value of taxable property. At December 31, 1997, the statutory limit is \$2,476,870 and the outstanding bonded debt funded by ad valorem taxes total \$265,000.

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

Notes to Financial Statements (Continued)

Revenue bonds payable at December 31, 1997 consists of the following individual issues:

Collection Bonds

St. Martin Parish Sewerage District No. 1 - \$1,000,000 serial bond payable to FWH due in annual installments of \$75,000 through July 1991. Interest rate at 8.175% per annum	\$943,616

The Revenue Bonds constitute a special obligation of the St. Martin Parish Sewerage District No. 1 and are secured and payable in principal and interest to the Finance Home Administrations exclusively by a pledge of the income and revenues derived or to be derived from the operation of the system.

The bond resolution adopted May 4, 1981 authorizing the issuance of the Sewer Revenue Bonds provide that the revenues of the system are to be used first to pay all reasonable and necessary expenses of operating and maintaining the system and second to establish and maintain certain sinking and reserve funds. These funds include a Revenue Bond and Interest Sinking Fund to which one-twelfth of the total amount of principal and interest falling due in the coming year is transferred; a Revenue Bond Reserve Fund to which five percent of the amount paid into the Revenue and Interest Sinking Fund is transferred until such time as there has been accumulated a sum equal to the highest principal and interest falling due in any year; and a Depreciation and Contingency Fund to which a fixed amount is transferred to care for depreciation, extensions, additions, improvements, and replacements necessary to operate the system.

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

The resolution also contains certain provisions requiring the commission to fix and maintain such rates and collect such fees which will provide revenues, after paying all reasonable and necessary expenses of operating and maintaining the system, at least equal to 120 percent of the largest amount of principal and interest maturing on the bonds. For the year ended December 31, 1997, revenues generated by the system, including ad valorem tax revenue totaled \$294,346; operating and maintenance expenses totaled 268,061. The calculated revenue bond coverage based upon the largest amount of principal and interest maturing on the bonds being \$75,000 was 174 percent.

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

Notes to Financial Statements (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 1997, (including interest payments of \$211,381 for the general obligation refunding bonds and \$469,149 for the revenue bonds) are as follows:

Year Ending December 31	General Obligation Refunding	Revenue	Total
1998	\$ 170,000	\$ 76,000	\$ 246,000
1999	197,000	76,000	273,000
2000	197,000	76,000	273,000
2001	196,000	76,000	272,000
2002	194,000	76,000	270,000
2003-2007	182,000	182,000	364,000
2008-2012	-	182,000	182,000
2013-2017	-	182,000	182,000
2018-2022	-	182,000	182,000
	<u>\$1,366,000</u>	<u>\$1,812,000</u>	<u>\$3,178,000</u>

(9) Contributed Capital

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

The following is a summary of contributed capital at December 31, 1997:

Contributed Capital on January 1, 1997	\$18,000
Less: Depreciation	<u>(12,320)</u>
Net Contributed Capital at December 31, 1997	<u>\$5,680</u>

ST. MARTIN PARISH WATER AND SEWER COMMISSION NO. 2
Stegonsville, Louisiana

Notes to Financial Statements (Continued)

(10) Reserve for Bond Retirement

The amount of retained earnings reserved for bond retirement at December 31, 1987 is detailed as follows:

Restricted Assets	\$453,685
Less: Items Payable from Restricted Assets-	
Current Maturities of Long Term Debt	144,187
Accrued Interest	43,100
Deduction from Ad Valorem Taxes	8,931
Bank Deposits	<u>3,125</u>
	<u>\$254,789</u>
Total Payable from Restricted Assets	\$204,789

(11) Designations of Retained Earnings

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

At December 31, 1987, the Commission has designated a portion of retained earnings as follows:

FUTURE OCCURRENCES	\$18,461
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(12) Contingencies

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

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

Notes to Financial Statements (continued)

(11) Compensation Paid To Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 74 of the 1979 session of the Louisiana Legislature. Louisiana Revised Statute 11:7923 limits compensation paid to board members, with the approval of the board, per year plus travel allowance to an amount not to exceed \$100 per month.

Erny Acosta	\$ 3,000
Ervin Hallip, President	3,000
Stanley Daigle	3,000
John Blincoe	3,000
Ward Hutchiff	3,000
Edward Scully	3,000
Henry Smith	<u>3,000</u>
	\$21,000

INTERNAL CONTROL
AND
COMPLIANCE

KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the component unit financial statements of the St. Martin Parish Water and Sewer Commission No. 1 for the year ended December 31, 1999, and have issued our report thereon dated March 18, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Martin Parish Water and Sewer Commission No. 1's component unit financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Martin Parish Water and Sewer Commission No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit 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 component unit financial statements.

MEMBER OF
KOLDER, CHAMPAGNE, SLAVEN &
RAINEY, LLC

Inadequate Segregation of Accounting Functions

Finding:

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

Recommendation:

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

Response:

No response is considered necessary.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness.

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

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

Morgan City, Louisiana
March 10, 1998