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ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

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

Release Date APR 21 1999

ST. MARY PARISH WATER AND SEWER COMMISSION NO.5
STATE OF LOUISIANA

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MARSHALL W. GUIDRY, CPA
MICHELE L. CHAUVIN, CPA

GUIDRY & CHAUVIN
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 1028 - 1013 MAIN STREET
FRANKLIN, LOUISIANA 70538

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

318 - 828-0272
FAX 318 - 828-0290

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Mary Parish Water and Sewer
Commission No. 5,
State of Louisiana
Jeanerette, Louisiana 70544

We have audited the accompanying general purpose financial statements of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana, a component unit of the St. Mary Parish Council, as of and for the year ended September 30, 1998 as listed in the table of contents. These general purpose financial statements are the responsibility of the Commission's management. 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 the *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 general purpose 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 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. 5, State of Louisiana as of September 30, 1998, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 1999, on our consideration of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Independent Auditors' Report
March 23, 1999
Page 2

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the St. Mary Parish Water and Sewer Commission No. 5. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the general purpose financial statements of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana. Such information, except for the 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 stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Buidry & Chauvin, CPAs
Certified Public Accountants

Franklin, Louisiana
March 23, 1999

GENERAL PURPOSE FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

BALANCE SHEET
SEPTEMBER 30, 1998

ASSETS

	<u>1998</u>
Current Assets:	
Cash	\$ 204,498
Accounts receivable (Net of allowance for bad debts of \$1,567)	20,598
Unbilled accounts receivable	5,361
Accrued interest receivable	20
Prepaid expenses	5,179
Due from U.S. Dept. Of Agriculture	<u>24,042</u>
Total Current Assets	<u>259,698</u>
Restricted Assets:	
Revenue bond fund	8,894
Revenue bond reserve fund	14,850
Water system depreciation and contingency fund	10,080
Construction fund	3,325
Customer deposits	<u>1,200</u>
Total Restricted Assets	<u>38,349</u>
Property, Plant & Equipment:	
Cost	3,752,015
Accumulated depreciation	<u>(804,310)</u>
Total Property, Plant & Equipment (net of accumulated depreciation)	<u>2,947,705</u>
Other Assets:	
Deposits	754
Bond issue cost (net of amortization of \$4,817)	<u>10,520</u>
Total Other Assets	<u>11,274</u>
 TOTAL ASSETS	 <u>\$3,257,026</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

BALANCE SHEET (CONTINUED)
SEPTEMBER 30, 1998

LIABILITIES AND FUND EQUITY

	<u>1998</u>
Current Liabilities:	
Accounts payable	\$ 41,132
Accrued and withheld payroll taxes	1,011
Accrued wages	1,279
Due to St. Mary Parish Council	<u>8,576</u>
Total Current Liabilities	<u>51,998</u>
Current Liabilities Payable from Restricted Assets:	
Revenue bonds payable - current portion	6,440
Accrued interest payable	11,047
Customer deposits payable	<u>1,200</u>
Total Current Liabilities Payable from Restricted Assets	<u>18,687</u>
Non-current Liabilities:	
Revenue bonds payable	<u>346,398</u>
Total Liabilities	<u>417,083</u>
Fund Equity:	
Contributed capital	<u>3,161,448</u>
Accumulated Deficit:	
Reserved for revenue bond retirement	6,257
Reserved for renewal and replacement	13,405
Unreserved	<u>(341,167)</u>
Total Accumulated Deficit	<u>(321,505)</u>
Total Fund Equity	<u>2,839,943</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$3,257,026</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN ACCUMULATED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	1998
Operating Revenues:	
Water sales	\$ 112,641
Sewer sales	54,023
Connection and installation fees	4,010
Garbage collection fee	9,415
Miscellaneous revenues	32,599
Bad debt recovery	2,847
Total Operating Revenues	215,535
Operating Expenses	284,099
Operating Income (Loss)	(68,564)
Non-Operating Revenues (Expenses):	
Interest income	4,701
Grant - St. Mary Parish Council	35,000
Grant - U.S. Dept. Of Agriculture	201,882
Loss on sale of asset	(1,762)
Interest expense	(12,075)
Total Non-Operating Revenues (Expenses)	227,746
Net Income (Loss)	159,182
Accumulated Deficit, Beginning of Year	(480,687)
Accumulated Deficit, End of Year	\$ (321,505)

The accompanying notes are an integral part of this statements.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	1998
Cash Flows from Operating Activities:	
Operating income (loss)	\$ (68,564)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Depreciation	101,402
Amortization of bond issue costs	388
(Increase) Decrease in accounts receivable	(1,336)
(Increase) Decrease in unbilled accounts receivable	2,208
(Increase) Decrease in accrued interest receivable	23
(Increase) Decrease in prepaid expenses	(2,619)
(Increase) Decrease in due from U.S. Dept. Of Agriculture	(24,042)
(Increase) Decrease in deposits	(169)
(Increase) Decrease in bond issue costs	(4,483)
Increase (Decrease) in accounts payable	30,664
Increase (Decrease) in accrued & withheld payroll taxes	(1,066)
Increase (Decrease) in accrued wages	669
Increase (Decrease) in other current liabilities	(230)
Increase (Decrease) in due to St. Mary Parish Council	5,297
Increase (Decrease) in accrued interest payable	3,619
Increase (Decrease) in customer deposits payable	250
Net Cash Provided by Operating Activities	42,011
Cash Flows from Non-Capital Financing Activities:	
Operating grants received - U.S. Department Of Agriculture	201,882
Operating grants received - St. Mary Parish Council	35,000
Net Cash Provided by Non-Capital Financing Activities	236,882
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of revenue bonds	120,000
Loss on sale of capital asset	(1,762)
Acquisition and construction of capital assets	(292,405)
Principal paid on revenue bond obligations	(5,015)
Interest paid on revenue bond obligations	(12,075)
Net Cash Provided (Used) for Capital and Related Financing Activities	(191,257)

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1998
(continued)

Cash Flows from Investing Activities:	
Interest earned on investments	<u>4,701</u>
Net Cash Provided by Investing Activities	<u>4,701</u>
Net Increase in Cash and Cash Equivalents	92,337
Cash and Cash Equivalents at Beginning of Year	<u>150,510</u>
Cash and Cash Equivalents at End of Year	<u>\$ 242,847</u>
Classified as:	
Current Assets	\$ 204,498
Restricted Assets	<u>38,349</u>
Total	<u>\$ 242,847</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1998

INTRODUCTION

St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana was created by the St. Mary Parish Council, on June 25, 1997. The purpose of the Commission is to establish, acquire, construct, maintain and operate a waterworks and sewer system for the benefit of the people of the District. The Commission was formed to consolidate the operations of the St. Mary Parish Waterworks District No. 7 and the St. Mary Parish Sewerage District No. 10

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements of the St. Mary Parish Water and Sewer Commission No. 5 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.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Council is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (Parish Council), (b) organizations for which the primary government is financially accountable, and 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.

Government Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the parish council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.
2. Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the parish council.
3. 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.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1998

Because the parish council appoints a voting majority of the board and can impose its will on the Commission, the Commission was determined to be a component unit of the St. Mary Parish Council, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the parish council, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The St. Mary Parish Water and Sewer Commission No. 5 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 the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

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

Revenues

Fees for water and sewer services are recognized when earned. Connection and service fees are recognized when received. Interest income is recognized when earned. Unbilled utility services receivables are recorded at year end.

Expenses

All expenses are recognized when they are incurred.

E. BUDGETS

The Commission did not adopt a formal budget for the year ended September 30, 1998. The Commission operates as an enterprise fund therefore it is not subject to nor is it in violation of the Louisiana Local Government Budget Act per IRS 39:1301.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1998

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies, are recorded in order to reserve that portion of the applicable appropriation is not employed by the Commission.

G. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. 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.

H. PREPAID EXPENSES

Payments made to vendors for services that will benefit periods beyond September 30, 1998, are recorded as prepaid expenses.

I. RESTRICTED ASSETS

Certain proceeds of revenue 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. The Revenue Bond Fund is used to segregate resources accumulated for the annual debt service payment. The Revenue Bond Reserve Fund is used to report resources set aside to make up potential future deficiencies in the revenue bond account.

The Water System Depreciation and Contingency Fund is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. Restricted assets are also set aside for repayment of refundable customer deposits.

J. PROPERTY, PLANT & EQUIPMENT

The accounting and reporting treatment applied to property, plant, and equipment and long-term liabilities associated with a fund are determined by its measurement focus.

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1998

Fixed assets used in the proprietary fund type operations are valued at historical costs. Infrastructure fixed assets consisting of the waterworks system are capitalized along with other fixed assets. Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets as follows:

Water Supply Facilities	10 - 40 Years
Water and Sewer Treatment Facilities	20 - 40 Years
Water Distribution Facilities	40 Years
Furniture, Equipment, and Vehicles	3 - 7 Years

K. BOND ISSUE COST

Bond issue costs are amortized over the life of the bond on the straight-line method.

L. VACATION, SICK LEAVE BENEFITS AND PENSION PLAN PARTICIPATION

The Commission currently employs one full-time employee. The employee earns one week of paid vacation, sick leave benefits are not provided. The Commission does not maintain a pension plan for its employee.

M. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

Contributed capital at September 30, 1998 consisted of the following amounts:

St. Mary Parish Council	\$2,351,448
State of Louisiana	250,000
Farmer's Home Administration	<u>560,000</u>
Total	<u>\$3,161,448</u>

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1998

NOTE 2. CASH AND INTEREST-BEARING DEPOSITS

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 1998 the Commission has cash and interest-bearing deposits (book balances) totaling \$242,847, as follows:

Demand deposits	\$ 28,272
Interest-bearing demand deposits	<u>214,575</u>
Total	<u>\$242,847</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. Deposit balance (bank balances) at September 30, 1998, was \$242,847. At year end, all deposits with the exception of \$20,000 were covered by federal depository insurance.

NOTE 3. FUND DEFICITS

At September 30, 1998, the unreserved retained earnings deficit totals \$341,167.

NOTE 4. RECEIVABLES

The Commission records water sales revenue in the month the services are rendered. The Commission uses the allowance method of accounting for uncollectible accounts receivable. At September 30, 1998 the Commission has accounts receivables of \$20,598.

NOTE 5. PROPERTY, PLANT & EQUIPMENT

A summary of property, plant and equipment follows:

	<u>1998</u>
Land	\$ 95,737
Water Supply Facility	119,284
Water Treatment & Storage Facility	466,687
Water Distribution Facility	643,619
Sewer System Facility	2,111,278
Transportation Equipment	23,619
Equipment	11,996
Office Equipment	2,830
Construction in Progress	<u>276,965</u>
Cost	3,752,015
Accumulated Depreciation	<u>804,310</u>
Total	<u>\$2,947,705</u>

Depreciation expense related to the utilization of fixed assets for the year ending September 30, 1998 was \$101,402.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1998

NOTE 6. DUE TO OTHER GOVERNMENTS

Due to St. Mary Parish Council

The Commission imposes a monthly collection service charge of \$6.50 per month for each residence from which solid waste is collected, as imposed by St. Mary Parish Council Ordinance No. 1171. The district remits each month all garbage service charges collected to the St. Mary Parish Government, less a 10% collection fee on all charges, plus a 41 cent collection fee per customer who does not receive water services. At September 30, 1998 the balance due to the St. Mary Parish Council is \$8,576.

NOTE 7. CHANGES IN REVENUE BONDS PAYABLE

The following is a summary of bond transactions of the Commission for the years ended September 30, 1998:

	<u>Revenue Bonds</u>
Bonds Payable at September 30, 1997	\$ 237,853
Bonds Retired	(5,015)
Bonds Issued	120,000
Bonds Payable at September 30, 1998	<u>\$ 352,838</u>

Bonds payable at September 30, 1998, are comprised of the following issues:

\$300,000 Waterworks Revenue Bonds dated April 1, 1980; due in annual installments of \$17,787, including principal and interest through April 1, 2020; interest at 5%	\$ 232,838
\$120,000 Waterworks Revenue Bonds dated November 5, 1997; due in monthly installments of \$573.60 including principal and interest beginning on December 5, 1998 through November 5, 2037; interest at 4.875%	120,000
TOTAL	<u>\$ 352,838</u>

The annual requirements to amortize all debt outstanding as of September 30, 1998, including interest payments of \$657,463 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Amount</u>
1999	25,244
2000	24,670
2001	24,670
2002	24,670
2003	24,670
2004-2037	533,539
Total	<u>\$ 657,463</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 1998

NOTE 8. FLOW OF FUNDS: RESTRICTION ON USE OF WATERWORKS REVENUES

Under the terms of the bond indenture on the outstanding Waterworks Revenue Bonds dated April 1, 1980, all income and revenue (hereinafter referred to as revenues) of every nature, earned or derived from the operation of the Waterworks System, are pledged and dedicated to the retirement of said bonds, and are to be set aside into the following funds:

Water Revenue Fund

Revenues earned from the operation of the Waterworks System shall be deposited daily into a "Water Revenue Fund". This fund will pay all reasonable and necessary expenses of administering, operating and maintaining the Waterworks System.

Water Revenue Bond Fund

Each month, there will be set aside into a fund called the "Water Revenue Bond Fund" an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bond. Such transfer shall be made by the 20th of each month and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

Water Bond Reserve Fund

Funds in the amount of \$75 will be set aside each month into a "Water Bond Reserve Fund" until there shall have been accumulated in the fund an amount equal to the maximum principal and interest requirements in any one maturity year. Such amounts may be used only for the payment of maturing bonds and interest for which sufficient funds are not on deposit in the Water Reserve Fund and which there would otherwise be a default.

Water System Depreciation and Contingency Fund

Funds in the amount of \$70 will also be set aside each month into a "Water System Depreciation and Contingency Fund". Money in this fund may be used to care for extensions, additions, improvements, renewals and replacement necessary to properly operate the Waterworks System. Money in this fund may also be used to pay the principal of and interest on the bonds falling due any time there is not sufficient money for payment in the other bond funds.

All revenues received in any fiscal year and not required to be paid during such fiscal year into any of the above noted funds shall be regarded as surplus and may be used for any lawful corporate purpose.

Under the terms of the bond indenture on the outstanding Waterworks Revenue Bonds dated November 5, 1997, the Commission had agreed to deposit \$30 each month into the bond reserve fund. The Commission also agreed to deposit \$105 per month into the depreciation and contingency fund. These deposits are to begin once the renovations to the plant are final. The renovations were complete in November, 1998. Therefore, no reservations were necessary for the fiscal year ending September 30, 1998.

SUPPLEMENTAL INFORMATION SCHEDULES

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF CHANGES IN ASSETS
RESTRICTED FOR REVENUE BOND DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	WATER REVENUE BOND FUND	WATER REVENUE BOND RESERVE FUND	DEPRECIATION AND CONTINGENCY FUND	TOTAL
Cash, September 30, 1997	8,894	13,950	9,240	32,084
Cash Receipts	<u>17,787</u>	<u>900</u>	<u>840</u>	<u>19,527</u>
Total Cash Available	26,681	14,850	10,080	51,611
Cash Disbursements:				
Interest Payments	(12,772)	-	-	(12,772)
Bond Payments	<u>(5,015)</u>	<u> </u>	<u> </u>	<u>(5,015)</u>
Cash, September 30, 1998	<u>\$ 8,894</u>	<u>\$ 14,850</u>	<u>\$ 10,080</u>	<u>\$33,824</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>1998</u>
Amortization	\$ 388
Chemicals	7,213
Commissioners Per Diem	5,760
Contract Services	9,048
Depreciation	101,402
Insurance	14,368
Professional Fees	33,829
Miscellaneous	762
Office Expense	6,930
Payroll Taxes	2,372
Postage	4,482
Rent Equipment	248
Repairs and Maintenance	38,705
Supplies	239
Telephone	2,961
Truck	3,890
Utilities	21,124
Wages	<u>30,378</u>
Total	<u>\$ 284,099</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN ACCUMULATED DEFICIT (BY DEPARTMENT)
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>Water</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>	<u>Total</u>
Operating Revenues:			
Water sales	112,641	-	112,641
Sewer sales	-	54,023	54,023
Connection and installation fees	4,010	-	4,010
Garbage collection fees	9,415	-	9,415
Miscellaneous	22,646	9,953	32,599
Bad debt recovery	2,847	-	2,847
Total Operating Revenues	<u>151,559</u>	<u>63,976</u>	<u>215,535</u>
Operating Expenses:			
Amortization	388	-	388
Chemicals	4,719	2,494	7,213
Commissioners per diem	2,880	2,880	5,760
Contract services	4,262	4,786	9,048
Depreciation	35,081	66,321	101,402
Insurance	8,914	5,454	14,368
Professional fees	25,513	8,316	33,829
Miscellaneous	762	-	762
Office expense	2,520	4,410	6,930
Payroll taxes	1,624	748	2,372
Postage	3,714	768	4,482
Rent equipment	213	35	248
Repairs & maintenance	12,421	26,284	38,705
Supplies	219	20	239
Telephone	2,689	272	2,961
Truck expense	1,886	2,004	3,890
Utilities	10,082	11,042	21,124
Wages	18,408	11,970	30,378
Total Operating Expense	<u>136,295</u>	<u>147,804</u>	<u>284,099</u>
Operating Income (Loss)	<u>15,264</u>	<u>(83,828)</u>	<u>(68,564)</u>
Non-Operating Revenues (Expenses):			
Interest income	2,962	1,739	4,701
Grant - St. Mary Parish Council	17,500	17,500	35,000
Grant - U.S. Dept. Of Agriculture	201,882	-	201,882
Loss on sale of asset	(1,762)	-	(1,762)
Interest expense	(12,075)	-	(12,075)
Total non-operating revenues (expenses)	<u>208,507</u>	<u>19,239</u>	<u>227,746</u>
Net Income (Loss)	223,771	(64,589)	159,182
Accumulated Deficit, Beginning of Year	<u>(349,087)</u>	<u>(131,600)</u>	<u>(480,687)</u>
Accumulated Deficit, End of Year	<u>(125,316)</u>	<u>(196,189)</u>	<u>(321,505)</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF INSURANCE - UNAUDITED
SEPTEMBER 30, 1998

<u>NAME OF INSURER</u>	<u>INSURANCE</u>	<u>AMOUNT OF INSURANCE</u>	<u>EXPIRATION DATE</u>
Louisiana Workers Compensation Corp	Workmen's Compensation	\$ 100,000	Continuous
Reliance Insurance Company	Public Official Bond	\$ 35,000	01/22/99
Reliance Insurance Company	General Liability		
	Each occurrence	\$1,000,000	01/22/99
	Aggregate	\$2,000,000	
	Auto Liability	\$ 500,000	
Reliance Insurance Company	Property:		
	216 Parish Hwy. 30	\$ 300,975	Building
	216B Parish Hwy. 30	\$ 169,050	Building
	216C Parish Hwy. 30	\$ 16,800	Building
	216D Parish Hwy. 30	\$ 27,615	Lift-Station
	Sewer Treatment-Hwy. 30	\$ 160,000	Building
		\$ 14,000	Contents
		\$ 10,000	Metal Shed
		\$ 182,000	Lift-Stations
		\$ 28,000	Fences
	672 Cypremort Road	\$ 62,500	Plant
		\$ 2,000	Lift-Station

This schedule was not audited by us and, accordingly, we do not express an opinion on it.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF WATER RATES AND
NUMBER OF CUSTOMERS - UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

WATER RATES BY USER GROUP:

<u>METER SIZE</u>	<u>USAGE</u>	<u>CHARGE</u>
Residential 3/4"	0 - 2,000 gallons	\$ 9.00 minimum
	2,001 - 5,000 gallons	2.50 per thousand
	5,001 - 10,000 gallons	1.50 per thousand
	over 10,000 gallons	1.15 per thousand
Large Commercial 1" to 2"	0 - 10,000 gallons	\$ 25.00 minimum
	over 10,000 gallons	1.15 per thousand

NUMBER OF CUSTOMERS:

At September 30, 1998, there were 503 metered water customers of the St. Mary Parish Water and Sewer Commission No. 5, compared to 391 metered customers at September 30, 1997. There were 16 commercial customers and 487 residential customers.

This schedule was not audited by us and,
accordingly, we do not express an opinion on it.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF BOARD MEMBERS
AND COMPENSATION RECEIVED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

<u>NAME</u>	<u>POSITION</u>	<u>ATTENDED</u>	<u>COMPENSATION</u>
Raphael Rodriguez	President	12	\$ 720
Wilfred Edwards	Secretary	15	900
Edward Patrick	Board Member	7	420
Rivers Drexler	Board Member	14	840
William Stacy	Board Member	15	900
Wallace Stacy	Board Member	3	180
Peggy Linscomb	Board Member	15	900
Cleveland Provost	Board Member	15	<u>900</u>
TOTAL COMPENSATION			<u>\$ 5,760</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF AGED ACCOUNTS RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Current Accounts Receivable	\$14,186
Balances Over 30 Days	4,904
Balances Over 60 Days	830
Balances Over 90 Days	<u>2,245</u>
Total Accounts Receivable	22,165
Less: Allowance for Bad Debts	<u>(1,567)</u>
Net Accounts Receivable	<u>\$20,598</u>

EXPENDITURES OF FEDERAL AWARDS
AND AUDIT FINDINGS RESOLUTION

In accordance with Office of Management and Budget Circular A-133, schedule of expenditures of federal awards, summary schedule of prior audit findings, and the schedule of findings and questioned costs are presented.

ST. MARY PARISH WATER AND SEWER COMMISSION NO.5
STATE OF LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

<u>FEDERAL GRANTOR/ PROGRAM TITLE:</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. Dept. Of Agriculture, Rural Utilities Service; Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 321,822</u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 1998

There were no findings and questioned costs relative to federal awards that were included in the prior years audit summary schedule.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

We have audited the financial statements of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana, as of and for the year ended September 30, 1998, and have issued our report thereon dated March 23, 1999. 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 provisions of OMB Circular A-133. Our audit of the financial statements as of September 30, 1999, resulted in an unqualified opinion.

Section I Summary of Auditor's Report

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. Federal Awards

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Type of Opinion on Compliance Unqualified Qualified
For Major Programs Disclaimer Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

Yes No

c. Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program (or Cluster)</u>
<u>10,760</u>	<u>U.S. Department of Agriculture</u>
	<u>Rural Utilities Service, Water and</u>
	<u>Waste Disposal Systems for Rural</u>
	<u>Community</u>

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 300,000

Is the auditee a "low-risk" auditee, as defined by
OMB Circular A-133? Yes No

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II Financial Statement Findings

A-1 Inadequate Segregation of Accounting Functions:

Condition: The Commission's accounting system does not provide for adequate segregation of duties in the areas of cash receipts, cash disbursements, billing and account reconciliation.

Criteria: Internal controls should be in place to provide reasonable assurance that funds are not misappropriated and that the Commission is in compliance with rules and regulations.

Effect: Because of the inadequate segregation of accounting functions, the Commission could be placing themselves at risk. Funds could be misappropriated and laws and grant contracts could be overlooked.

Recommendation: The Commission has made several attempts to segregate some of the accounting functions. However, all pertinent functions have not been segregated. They have hired an independent bookkeeper to reconcile bank accounts, provide billing statements, and to compile monthly financial statements. The Commission has also contracted with a local convenient store to collect its revenues and deposit them into the bank account.

Response: We concur with this recommendation. However, the Commission is not able to fully correct this weakness due to the limited number of Commission personnel working for the Commission and for the outside accounting service.

A-2 Revenue Test as Required by Bond Resolution

Condition: The bond resolution requires that revenues be provided, after paying all reasonable and necessary expenses of administering, operating, and maintaining the water system at least equal to 120% of the largest amount of principal and interest maturing in any future year.

Criteria: The Commission has been unable to meet the revenues test as required by the bond resolution.

Effect: Because of the failure to meet the revenues test, the Commission is not in compliance with the bond resolution.

Recommendation: The water rates should be increased in order to raise revenues, thus helping the Commission to create revenues sufficient to meet the revenues test in the future.

Response: The board agrees with this recommendation. They are currently working with the U.S. Department of Agriculture to raise the water rates.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 5
STATE OF LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 1998

A-3 Undersecured Bank Deposits

Condition: At September 30, 1998, the Commission had undersecured bank funds in the amount of \$20,000.

Criteria: Under state law, the bank balances must be fully secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

Effect: Because the Commission had undersecured bank deposits, it was not in compliance with state law.

Recommendation: Procedures should be implemented to require the independent bookkeeper to review the amount of funds on deposit at each financial institution at month end. If the funds exceed the FDIC limit, then additional pledged securities should be obtained.

Response: The Commission agrees with this recommendation. Once they were made aware of this finding, they immediately notified the bank and obtained the necessary pledged securities in order to comply with state law.

Section III Findings and Questioned Costs - Major Federal Award Program Audit

None.

INTERNAL ACCOUNTING CONTROL, COMPLIANCE,
AND FEDERAL FINANCIAL ASSISTANCE

MARSHALL W. GUIDRY, CPA
MICHELLE L. CHAUVIN, CPA

GUIDRY & CHAUVIN
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 1028 - 1013 MAIN STREET
FRANKLIN, LOUISIANA 70538

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

318 - 828-0272
FAX 318 - 828-0290

Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed
in Accordance with *Government Auditing Standards*

Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 5
State of Louisiana
Jeanerette, Louisiana 70544

We have audited the general purpose financial statements of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana, (the Commission) as of and for the year ended September 30, 1998, and have issued our report thereon dated March 23, 1999. 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 Commission's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs, Section II, as items A-2 and A-3.

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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs, Section II, as item A-1.

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 general purpose 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, the reportable condition described above as item A-1 is considered to be a material weakness.

This report is intended for the information of the Commission's management, regulatory agencies, and federal awarding agencies. However, this report is a matter of public record, and its distribution is not limited.

Luidry & Chauvin, CPAs
Certified Public Accountants

Franklin, Louisiana
March 23, 1999

MARSHALL W. GUIDRY, CPA
MICHELE L. CHAUVIN, CPA

GUIDRY & CHAUVIN
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL ACCOUNTING CORPORATION
P. O. BOX 1028 - 1013 MAIN STREET
FRANKLIN, LOUISIANA 70538

MEMBER OF
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CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

318 - 828-0272
FAX 318 - 828-0290

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

St. Mary Parish Water and Sewer Commission No. 5
State of Louisiana
Jeanerette, Louisiana 70544

Compliance

We have audited the compliance of St. Mary Parish Water & Sewer Commission No. 5, State of Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 1998. The St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana's management. Our responsibility is to express an opinion on the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana's compliance with those requirements.

In our opinion, the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1998.

Internal Control Over Compliance

The management of the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the St. Mary Parish Water and Sewer Commission No. 5, State of Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Commission's management, regulatory agencies and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Guidry & Chauvin, CPAs
Certified Public Accountants

Franklin, Louisiana
March 23, 1999