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

Financial Report

For the Year Ended December 31, 2000

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

Release Date 01/27/01

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of St. Martin Parish Water and Sewer Commission No. 1, a component unit of St. Martin Parish Government, as of December 31, 2000 and for the year then ended as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Board of Commissioners of St. Martin Parish Water and Sewer Commission No. 1. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and 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 the Board of Commissioners, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects the financial position of St. Martin Parish Water and Sewer Commission No. 1 as of December 31, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 16, 2001 on our consideration of the Commission's compliance with laws and regulations and on its internal control over financial reporting.

The financial information for the preceding year, which is included for comparative purposes, was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of St. Martin Parish Water and Sewer Commission No. 1.

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

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February 16, 2001

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GENERAL PURPOSE FINANCIAL STATEMENTS

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

Balance Sheet
December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125,580	\$ 178,746
Receivables:		
Accounts	1,637	2,246
Ad valorem taxes, net	151,806	141,981
Due from other governmental units	2,569	1,675
Prepaid expenses	11,124	12,255
Restricted assets:		
Cash	209,607	722,514
Ad valorem taxes receivable	<u>224,758</u>	<u>209,175</u>
Total current assets	<u>727,081</u>	<u>1,268,592</u>
Property, plant and equipment, net	<u>3,390,457</u>	<u>2,968,673</u>
Other assets:		
Deferred bond issue costs	26,212	28,771
Deposits	<u>735</u>	<u>735</u>
Total other assets	<u>26,947</u>	<u>29,506</u>
 Total assets	 <u>\$4,144,485</u>	 <u>\$4,266,771</u>

(continued)

The accompanying notes are an integral part of this statement.

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

Balance Sheet (Continued)
December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 2,562	\$ 1,355
Accrued liabilities	8,416	11,001
Payable from restricted assets:		
Current maturities of long term debt	154,599	148,345
Accrued interest	46,619	50,550
Deduction from ad valorem taxes	7,425	9,462
Refundable deposits	<u>3,425</u>	<u>3,425</u>
Total current liabilities	<u>223,046</u>	<u>224,138</u>
Long-term debt:		
General obligation bonds payable	969,289	1,101,539
Revenue bonds payable	<u>871,469</u>	<u>889,597</u>
Total long-term debt	<u>1,840,758</u>	<u>1,991,136</u>
Total liabilities	<u>2,063,804</u>	<u>2,215,274</u>
Fund equity:		
Contributed capital	<u>53,706</u>	<u>66,005</u>
Retained earnings		
Reserved for construction commitments	-	542,672
Reserved for bond retirement	222,298	177,235
Designated	39,426	38,178
Unreserved and undesignated	<u>1,765,251</u>	<u>1,227,407</u>
Total retained earnings	<u>2,026,975</u>	<u>1,985,492</u>
Total fund equity	<u>2,080,681</u>	<u>2,051,497</u>
Total liabilities and fund equity	<u>\$4,144,485</u>	<u>\$4,266,771</u>

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenses and Changes in Retained Earnings
For the Year Ended December 31, 2000 and 1999

	2000	1999
Operating revenues:		
Ad valorem taxes	\$ 144,025	\$ 143,956
Sewer User fees	98,359	96,731
Water maintenance fees	11,455	10,395
Total operating revenues	253,839	251,082
Operating expenses:		
Salaries and related benefits	66,648	59,470
Supplies and materials	6,204	4,767
Other services and charges	52,067	54,201
Plant operation	67,494	68,482
Depreciation	131,579	111,750
Total operating expenses	323,992	298,670
Operating loss	(70,153)	(47,588)
Non-operating revenues (expenses):		
Ad valorem taxes	211,403	212,060
Bond interest and fiscal charges	(123,373)	(120,847)
Bond issue costs	(3,135)	(2,447)
Interest income	8,949	12,912
Miscellaneous	5,493	2,042
Total non-operating revenues (expenses)	99,337	103,720
Net income	29,184	56,132
Depreciation on fixed assets acquired by contributed capital	12,299	17,333
Increase in retained earnings	41,483	73,465
Retained earnings, beginning	1,985,492	1,912,027
Retained earnings, ending	\$2,026,975	\$1,985,492

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

Statement of Cash Flows
For the Year Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees	\$ 109,814	\$ 107,107
Cash received from taxes	144,026	140,566
Cash paid for goods and services	(145,675)	(139,696)
Cash paid to employees	<u>(66,648)</u>	<u>(62,988)</u>
Net cash provided by operating activities	<u>41,517</u>	<u>44,989</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Cash received from taxes	211,402	204,981
Cash received from debt	-	782,284
Cash purchases of equipment	(561,855)	(122,373)
Principle paid on bonds	(144,124)	(390,380)
Interest paid on bonds	(126,689)	(120,342)
Fiscal charges paid	<u>(615)</u>	<u>(505)</u>
Net cash provided by/(used for) capital and financing activities	<u>(621,881)</u>	<u>353,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and cash equivalents	<u>14,441</u>	<u>15,191</u>
Net increase (decrease) in cash	(565,923)	413,845
Cash and cash equivalents, beginning of period	<u>901,107</u>	<u>487,262</u>
Cash and cash equivalents, end of period	<u>\$ 335,184</u>	<u>\$ 901,107</u>

(continued)

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows (Continued)
For the Year Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (70,153)	\$ (47,588)
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	131,579	111,750
Allowances for uncollectibles	(9,552)	(699)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	609	6
(Increase) decrease in ad valorem taxes receivable	(9,825)	(2,691)
(Increase) decrease in due from other governmental units	(894)	(25)
(Increase) decrease in prepaid expenses	1,131	(3,734)
Increase (decrease) in accounts payable	1,207	708
Increase (decrease) in accrued liabilities	<u>(2,585)</u>	<u>(12,738)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 41,517</u>	<u>\$ 44,989</u>

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

(1) 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 33:7831 by ordinance issued by the St. Martin Parish Police Jury on March 2, 1993.

The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sewerage treatment or disposal facilities and systems within the boundaries of Ward 6 of St. Martin Parish.

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

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

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

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

The ability of the parish council 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 parish council.

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

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

Notes to Financial Statements (Continued)

Because the parish council appoints the Commission's governing body, the Commission was determined to be a component unit of the St. Martin Parish Government, the financial reporting entity. The accompanying general purpose 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 governmental unit, or the other governmental units that comprise the financial reporting entity.

B. 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 intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered 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.

The commission applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in preparing financial statements and related disclosures unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

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 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

Ad valorem taxes are recorded in the year the taxes are due and payable. Ad 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 December, January, and February of the fiscal year.

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

Notes to Financial Statements (Continued)

Sewer 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.

Expenses

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

D. 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.

E. 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.

F. 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.

G. 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.

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

Notes to Financial Statements (Continued)

Depreciation of all exhaustible 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

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

H. 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.

I. 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.

J. Compensated Absences

Employees of the commission earn from seven and one-half to thirteen and one-half days of vacation and seven and one-half to thirteen and one-half days of sick leave each year, depending on length of service with the commission. All unused vacation and sick leave shall be carried forward to the succeeding fiscal year.

At December 31, 2000 accumulated vacation and sick leave benefits were immaterial.

K. Budgetary Practices

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq to adopt a budget and St. Martin Parish Water and Sewer Commission has elected to not formally adopt a budget. Accordingly, budgeted figures are not presented in this financial report.

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

Notes to Financial Statements (Continued)

(2) Cash and cash equivalents

At December 31, 2000, the commission has cash and cash equivalents and restricted cash (book balances) totaling \$335,187, as follows:

Petty Cash	\$ 100
Demand Deposits	70,753
Time Deposits	<u>264,334</u>
	<u>\$ 335,187</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2000, the Commission has \$336,552 in deposits (bank balances). These deposits are secured from risk by \$262,672 of federal deposit insurance and \$73,880 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 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.

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

Notes to Financial Statements (Continued)

(3) Ad valorem taxes

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

	<u>Authorized/ Levied Millage</u>
Commission taxes:	
Special Assessment	7.92
District taxes:	
Maintenance-	
St. Martin Parish Sewerage District No. 1	5.00
St. Martin Parish Waterworks District No. 2	4.81
Bond and Interest-	
St. Martin Parish Sewerage District No. 1	17.00
St. Martin Parish Waterworks District No. 2	9.25

Levied millages for bond and interest taxes are restricted to payment of principal and interest on general obligations refunding bonds are reported as non-operating revenue on the statement of revenues, expenses and changes in retained earnings.

Ad valorem taxes for the maintenance and special assessment millages are reported as operating revenue on the statement of revenues, expenses and changes in retained earnings.

Total taxes of \$386,114 were levied on property having assessed taxable valuations totaling \$8,779,276. At December 31, 2000, ad valorem taxes receivable consisted of the following:

	Non Restricted	Restricted	Total
Ad Valorem Taxes Receivable	\$ 155,656	\$ 230,458	\$ 386,114
Allowance for Uncollectible	(3,850)	(5,700)	(9,549)
	\$ 151,806	\$ 224,758	\$ 376,564

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

Notes to Financial Statements (Continued)

(4) Components of restricted assets

At December 31, 2000, the following comprise restricted assets:

	<u>Cash</u>	<u>Ad Valorem Taxes Receivable</u>	<u>Total</u>
<u>St. Martin Parish Sewerage District No. 1</u>			
General Obligation Refunding Bonds	\$ 89,548	\$ 144,745	\$ 234,293
Revenue Bond and Interest Sinking Fund	45,005	-	45,005
Revenue Bond Reserve Fund	34,713	-	34,713
Depreciation and Contingency Fund	39,125	-	39,125
	<u>208,391</u>	<u>144,745</u>	<u>353,136</u>
 <u>St. Martin Parish Waterworks District No. 2</u>			
General Obligation Refunding Bonds	<u>1,217</u>	<u>80,013</u>	<u>81,230</u>
	<u>\$ 209,607</u>	<u>\$ 224,758</u>	<u>\$ 434,366</u>

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

Notes to Financial Statements (Continued)

(5) Property, Plant and Equipment

The following is a summary of the Commission's fixed assets at December 31, 2000:

Land	\$ 91,117
Buildings	70,412
Office Equipment	18,631
Machinery and Equipment	63,195
Sewerage Treatment Plant	3,842,932
Water Distribution System	<u>1,215,402</u>
	5,301,689
Less: Accumulated Depreciation	<u>(1,911,232)</u>
	<u><u>\$ 3,390,457</u></u>

Depreciation expense for the year ended December 31, 2000 totaled \$131,579.

(6) Deferred Bond Issue Costs

As described in Note 8, the Commission issued general obligation bonds, series 1999, 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 obligation.

At December 31, 2000, the Commission has unamortized deferred bond issue costs as follows:

General Obligation Bonds, Series 1999	\$ 13,426
General Obligation Refunding Bonds, Series 1991	15,359
Revenue Bonds	<u>15,371</u>
	44,156
Amortization Recognized	<u>(17,944)</u>
	<u><u>\$ 26,212</u></u>

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

Notes to Financial Statements (Continued)

For the year ended December 31, 2000, amortization recognized for the general obligation bonds, series 1999, the general obligation refunding bonds, series 1991 and the revenue bonds totaled, \$721, \$1,756 and \$658, respectively.

(7) Pension Plan

Substantially all employees of the Commission are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost-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, at or after age fifty-five with at least twenty-five years of creditable service, or at any age with at least thirty years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to three per cent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to one per cent of final average salary plus twenty-four dollars for each year of supplemental-plan-only service earned before January 1, 1980. Final average salary is the employee's average salary over the thirty-six consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Under Plan A, members are required by state statute to contribute 9.5% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 5.5% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Commission are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The commission's contributions to the System under Plan A for the years ending December 31, 2000, 1999, and 1998, were \$4,119, \$3,970, and \$2,475, respectively, equal to the required contributions for each year.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

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

Notes to Financial Statements (Continued)

(8) Long Term Debt

On March 1, 1999, St. Martin Parish Water and Sewer Commission No. 1 issued \$800,000 in General Obligation Bonds, Series 1999.

On September 26, 1991, St. Martin Parish Sewerage District No. 1 issued \$990,000 in General Obligation Refunding Bonds, Series 1991 to defease \$980,000 of 1983 General Obligation Bonds.

On July 16, 1992, St. Martin Parish Sewerage District No. 1 issued \$1,000,000 of Sewer Revenue Bonds to the United States Department of Agriculture's Farmers Home Administration (FmHA).

The following is a summary of bond transactions of the Commission for the year ended December 31, 2000:

	<u>General Obligation</u>	<u>General Obligation Refunding</u>	<u>Revenue</u>	<u>Total</u>
Bonds payable at January 1, 1999	\$800,000	\$ 431,540	\$ 906,448	\$ 2,137,988
Less -				
Bond payments	(25,000)	(105,000)	(15,380)	(145,380)
Add -				
Amortization of Bond Discount	-	2,749	-	2,749
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Bonds Payable at December 31, 1999	<u>\$ 775,000</u>	<u>\$ 329,289</u>	<u>\$ 891,068</u>	<u>\$ 1,995,357</u>

Current maturities of long term debt are as follows:

General Obligation Bond, Series 1999	\$ 25,000
General Obligation Refunding Bond, Series 1991	110,000
Revenue Bonds	<u>19,599</u>
	<u>\$ 154,599</u>

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

Notes to Financial Statements (Continued)

General obligation bonds outstanding at December 31, 2000 consists of the following individual issues:

Commission Bonds:

\$800,000 Serial bonds, Series 1999, due in annual principal installments ranging from \$25,000 to \$65,000, through March 2019, interest rate is variable from 4.75% to 5.50% per annum \$775,000

District Bonds:

St. Martin Parish Sewerage District No. 1 - \$990,000 serial bonds, Series 1991, due in annual principal installments ranging from \$15,000 to \$120,000 through March 2003, interest rate is variable from 7.5% to 12.0% per annum \$345,000

Less: Unamortized Discount (15,711)

\$ 1,104,289

The Commission is bound under the terms of its creating ordinance to comply with all provisions of law and the resolutions adopted authorizing the issuance of the general obligation bonds. 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 39:562 the Commission is legally restricted from incurring long-term bonded debt in excess of 25% of the assessed value of taxable property. At December 31, 2000, the statutory limit is \$2,194,819 and the outstanding bonded debt funded by ad valorem taxes, including interest, total \$1,619,245.

Revenue bonds payable at December 31, 2000 consists of the following individual issue:

District Bonds:

St. Martin Parish Sewerage District No. 1 - \$1,000,000 serial bond payable to FmHA due in annual installments of \$76,500 through July 2022, interest rate at 6.375% per annum \$ 891,068

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

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

Notes to Financial Statements (Continued)

The bond resolution adopted May 6, 1991 authorizing the issuance of the Sewer Revenue Bonds provide that the revenue 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 ensuing 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 Farmer'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, 2000, revenues generated by the system, including ad valorem tax revenue totaled \$309,762; operating and maintenance expenses totaled \$215,922. The calculated revenue bond coverage based upon the largest amount of principal and interest maturing on the bonds being \$76,500 was 122 percent.

The annual requirements to amortize all debt outstanding as of December 31, 2000, including interest payable of \$465,240. for general obligation bonds, \$34,005 for the general obligation refunding bonds and \$791,932 for the revenue bonds are as follows:

<u>Year Ending December 31,</u>	<u>General General Obligation</u>	<u>General Obligation Refunding</u>	<u>Revenue</u>	<u>Total</u>
2001	\$ 67,625	\$ 128,625	\$ 76,500	\$ 272,750
2002	66,250	126,480	76,500	269,230
2003	64,875	123,900	76,500	265,275
2004	68,500		76,500	145,000
2005-2009	267,225	-	382,500	649,725
2010-2014	312,578	-	382,500	695,078
2015-2019	325,100	-	382,500	707,600
2020-2023	68,087	-	229,500	297,587
	<u>\$ 1,240,240</u>	<u>\$ 379,005</u>	<u>\$ 1,683,000</u>	<u>\$ 3,302,245</u>

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

Notes to Financial Statements (Continued)

(9) Contributed Capital

Contributed capital represents sewer lines and two lift stations in the Bayou Estates Subdivision 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, 2000:

Contributed Capital at January 1, 2000	\$ 66,005
Less: Depreciation	<u>(12,299)</u>
 Net Contributed Capital at December 31, 2000	 <u><u>\$ 53,706</u></u>

(10) Reservations of Retained Earnings

Bond Retirement

The amount of retained earnings reserved for bond retirement at December 31, 2000 is detailed as follows:

Restricted Assets	\$ <u>434,366</u>
Less: Items Payable from Restricted Assets-	
Current Maturities of Long Term Debt	154,599
Accrued Interest	46,619
Deduction from Ad Valorem Taxes	7,425
Sewer Deposits	<u>3,425</u>
	<u>212,068</u>
	 <u><u>\$ 222,298</u></u>

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

Notes to Financial Statements (Continued)

(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, 2000, the Commission has designated a portion of retained earnings as follows:

Future Occurrences	<u>\$39,426</u>
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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.

(13) Compensation Paid To Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$300 per month.

Eroy Acosta	\$ 3,000
Ervin Bailey, President	3,000
Stanley Daigle	3,000
John Dilsaver	3,000
Brad Ratcliff	1,000
Elwood Scully	1,000
Esten Smith	<u>3,000</u>
	<u>\$17,000</u>

**INTERNAL CONTROL
AND
COMPLIANCE**

KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

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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
Stephensville, Louisiana

We have audited the general purpose financial statements of the St. Martin Parish Water and Sewer Commission No. 1 for the year ended December 31, 2000, and have issued our report thereon dated February 16, 2001. 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 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 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 general purpose 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 general purpose financial statements.

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Inadequate Segregation of Accounting Functions

Finding:

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

Recommendation:

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

Response:

No response is considered necessary.

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

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

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

Morgan City, Louisiana
February 16, 2001

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

Schedule of Findings
For the Year Ended December 31, 2000

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

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

The audit did not disclose any instances of noncompliance which are material to the financial statements.

A management letter was not issued.

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

See corrective action plan for current year findings.

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

Summary Schedule of Prior Audit Findings
 For the Year Ended Decemebr 31, 2000

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Section I - Internal control and compliance material to the financial statements.

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

No management letter items reported.

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

Corrective Action Plan for Current Year Findings
 For the Year Ended Decemebr 31, 2000

Ref. No.	Description of Finding	Corrective Action Planned		Name(s) of Contact Person(s)		Anticipated Completion Date
Section I - Internal control and compliance material to the financial statements.						
98-1	Inadequate segregation of accounting functions	Cost to achieve control does not exceed benefit		Barbara Vicknair, Secretary		N/A

Section II - Management letter

No management letter items reported.