

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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 6/16/10

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(A Corporation of Certified Public Accountants)

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INDEPENDENT AUDITOR'S REPORT

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

Kathleen T. Darnall, CPA
 Dustin B. Baudin, CPA, MBA
 Kevin S. Young, CPA
 Adam J. Curry, CPA
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 Carol C. Guillory, CPA
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 Kyle P. Saltzman, CPA
 Elise B. Fauchaux, CPA

We have audited the accompanying financial statements of the business-type activities of the St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana, a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Commission's officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana, as of December 31, 2009, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 4, 2010 on our consideration of the Commission's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations and contracts.

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Society of Louisiana
Certified Public Accountants

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Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole, except that:

1. the insurance coverage data has not been audited by us and we express no opinion on it, and
2. information as to the number of metered utility customers presented on page 24 is based on unaudited data obtained from the Commission's records, on which we express no opinion.

The St. Mary Parish Water and Sewer Commission No. 1 of the Parish of St. Mary, State of Louisiana has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Dannall, Sikes, Gardes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
May 4, 2010

FINANCIAL SECTION

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

Statement of Net Assets
December 31, 2009

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,783,523
Investments	131,630
Receivables:	
Accounts	82,612
Ad valorem taxes	716,686
Due from FEMA	31,363
Accrued interest	112
Inventories	46,779
Prepaid expenses	<u>19,514</u>
Total current assets	<u>2,812,219</u>
Restricted assets:	
Customer deposits	<u>68,940</u>
Capital assets:	
Land and improvements	205,726
Buildings and improvements	4,066,863
Equipment and furniture	254,555
Improvements other than buildings	10,691,303
Net of accumulated depreciation	<u>(9,177,678)</u>
Total capital assets, net of accumulated depreciation	<u>6,040,769</u>
Total assets	<u>\$ 8,921,928</u>

LIABILITIES	
Current liabilities:	
Accounts payable - trade	\$ 49,338
Accrued payroll and payroll taxes	18,308
Retainage payable	46,447
Due to St. Mary Parish Council	<u>36,615</u>
Total current liabilities	150,708
Current liabilities payable from restricted assets -	
Customer's meter deposits	<u>68,940</u>
Total liabilities	<u>219,648</u>
NET ASSETS	
Invested in capital assets	6,040,769
Restricted for maintenance	610,000
Unrestricted	<u>2,051,511</u>
Total net assets	<u>8,702,280</u>
Total liabilities and net assets	<u>\$ 8,921,928</u>

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

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

Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended December 31, 2009

Operating revenues:	
Water sales	\$ 452,219
Sewer sales	269,902
Delinquent charges	12,977
Reconnect charges	4,140
Transfer fees	3,365
Sewer dumping fees	2,212
Commissions	6,720
Miscellaneous	<u>1,175</u>
Total operating revenues	752,710
Operating expenses:	
Salaries and payroll taxes	310,777
Installation and repair of lines, hydrants, pumps and meters	50,269
Plant maintenance	47,582
Sewer maintenance	117,238
Field maintenance	10,160
Repairs and maintenance of buildings and towers	8,217
Depreciation	345,554
Commissioners' fees	4,500
Utilities	58,142
Insurance	60,553
Miscellaneous	1,759
Employee medical insurance	79,791
Postage	4,881
Professional services	12,498
Contract labor	847
Stationery, printing and office supplies	8,528
Telephone and telegraph	6,921
Vehicle	10,432
Pension expense	23,424
Chemicals	121,430
Plant supplies	1,848
Pond testing fees	23,469
Permit fees	<u>3,037</u>
Total operating expenses	<u>1,311,857</u>
Operating loss	<u>(559,147)</u>
Nonoperating revenues:	
Interest	6,331
Federal grant revenue	31,363
Ad valorem tax	<u>771,404</u>
Total nonoperating revenues	<u>809,098</u>
Change in net assets	249,951
Net assets, beginning	<u>8,452,329</u>
Net assets, ending	<u>\$ 8,702,280</u>

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

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

Statement of Cash Flows
Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 744,050
Payments to suppliers for goods and services	(644,091)
Payments to employees	<u>(305,897)</u>
Net cash used by operating activities	<u>(205,938)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Ad valorem taxes	<u>624,631</u>
Net cash provided by noncapital financing activities	<u>624,631</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(16,854)</u>
Net cash used by capital and related financing activities	<u>(16,854)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(495)
Interest received	<u>6,690</u>
Net cash provided by investing activities	<u>6,195</u>
Net increase in cash and cash equivalents	408,034
Cash and cash equivalents - January 1, 2009	<u>1,444,429</u>
Cash and cash equivalents - December 31, 2009	<u>\$ 1,852,463</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating loss	<u>\$ (559,147)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	345,554
Decrease in accounts receivable	42
Increase in inventories	(5,167)
Decrease in prepaid expenses	218
Increase in accounts payable	16,382
Increase in payroll related liabilities	4,880
Decrease in due to other governments	(11,110)
Increase in customer meter deposits	<u>2,410</u>
Total adjustments	<u>353,209</u>
Net cash used by operating activities	<u>\$ (205,938)</u>
Reconciliation of total cash:	
Current assets - cash	1,783,523
Restricted assets - cash	<u>68,940</u>
Total cash	<u>\$ 1,852,463</u>

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

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

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Fund Accounting

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

PROPRIETARY FUND –

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission

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

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are water and sewer user fees. The operating cost of the proprietary fund is all costs associated with the operation of the water and sewer distribution system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," it is the Commission's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued prior to December 1, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Inventories

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

Capital Assets

All capital assets of the proprietary fund purchased or acquired with an original cost of \$2,000 or more for furniture and \$5,000 or more for equipment are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. The costs of maintenance and repairs are charged to income as incurred; significant renewals and betterments are capitalized. Reductions are made for retirements resulting from renewals or betterments. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Equipment and furniture	5 - 10 years
Improvements other than building	25 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations.

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

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Investments

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

Ad Valorem Tax

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

Bad Debts

The Commission charges any uncollectible accounts directly to current operations. All accounts at December 31, 2009 are considered to be collectible.

Use of Estimates

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

Vacation and Sick Leave

Vacation and sick leave are recorded as expenditures of the period in which paid. Accrued vacation pay for the year ended December 31, 2009 was \$3,249.

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

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Values of Financial Instruments

On January 1, 2008, the Commission adopted the provisions of FASB ASC 820, Fair Value Measurement. See Note 10 for details on fair values used for the Commission's assets and liabilities.

Subsequent Events

The Commission has evaluated subsequent events through May 4, 2010, the date the financial statements were available to be issued

NOTE 2 CASH AND CASH EQUIVALENTS

The carrying value of the Commission's cash deposits with financial institutions at December 31, 2009 totaled \$1,852,463 and the bank balance was \$1,867,298. Cash and cash equivalents and investments are stated at cost, which approximates market. Custodial credit risk is the risk that in the event of a bank failure the Commission's deposits may not be recovered. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts.

The deposits at December 31, 2009 were secured as follows:

Bank Balances	<u>\$ 1,867,298</u>
Federal deposit insurance	1,763,016
Pledged Securities	<u>473,163</u>
Total federal deposit insurance and pledged securities	<u>2,236,179</u>
Excess	<u>\$ 368,881</u>

NOTE 3 INVESTMENTS

Investments in the amount of \$131,630 at December 31, 2009 are in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section 1150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board

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

Notes to the Financial Statements

NOTE 3 INVESTMENTS (CONTINUED)

of directors comprised of representatives from various local governments and state wide professional organizations. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U. S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

NOTE 4 AD VALOREM TAXES

For the year ended December 31, 2009, the Commission levied taxes of 9.98 mills for maintenance and operation on property within the Commission's boundaries. The total assessed valuation on these properties was \$89,538,381 and total taxes levied were \$873,426. Taxes receivable at December 31, 2009 was \$716,686.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance 12/31/2008	Additions	Deletions	Balance 12/31/2009
Capital assets not being depreciated:				
Land and improvements	\$ 205,726	\$ -	\$ -	\$ 205,726
Other capital assets:				
Building and improvements	4,052,997	13,866	-	4,066,863
Equipment and furniture	251,567	2,988	-	254,555
Improvements other than buildings	<u>10,691,303</u>	-	-	<u>10,691,303</u>
Total other capital assets	<u>14,995,867</u>	<u>16,854</u>	-	<u>15,012,721</u>
Less accumulated depreciation for:				
Building and improvements	(1,854,162)	(104,859)	-	(1,959,021)
Equipment and furniture	(204,279)	(12,726)	-	(217,005)
Improvements other than buildings	<u>(6,683,270)</u>	<u>(318,382)</u>	-	<u>(7,001,652)</u>
Total accumulated depreciation	<u>(8,741,711)</u>	<u>(435,967)</u>	-	<u>(9,177,678)</u>
Other capital assets, net	<u>6,254,156</u>	<u>(419,113)</u>	-	<u>5,835,043</u>
Capital assets, net	<u>\$ 6,459,882</u>	<u>\$ (419,113)</u>	<u>\$ -</u>	<u>\$ 6,040,769</u>

Depreciation charged to income was \$345,554 for the year ended December 31, 2009.

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

Notes to the Financial Statements

NOTE 6 RESTRICTED ASSETS

The Commission's restricted assets consisted of the following at December 31, 2009:

Customers' meter deposits

Cash \$ 68,940

NOTE 7 EMPLOYEE RETIREMENT PLAN

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

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

Total pension expense recorded by the Commission for contributions to the retirement plan for the years ended December 31, 2009, 2008, and 2007 was \$23,424, \$22,039, and \$20,378 respectively.

NOTE 8 NET ASSETS RESTRICTED FOR OPERATIONS AND MAINTENANCE

A portion of net assets has been reserved for future operations and maintenance of the Commission.

NOTE 9 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Commission is insured up to policy limits for each of the above risks. There were no significant changes in coverage's, retentions or limits during the year ended December 31, 2009. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

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

Notes to the Financial Statements

NOTE 10 FAIR VALUE MEASUREMENTS

On January 1, 2008, the Commission adopted the provisions of FASB ASC 820, Fair Value Measurement. FASB ASC 820 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure of fair value. The hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following methods and assumptions were used by the Commission in estimating fair values of financial instruments disclosed herein:

Cash and cash equivalents—The carrying amount of cash and short-term instruments approximate their fair value.

Investments in LAMP—The carrying amount of the LAMP investment approximates fair value due to the highly liquid design of the program so that participants have immediate access to their account balances.

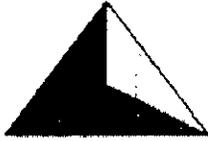
Accounts receivables, other current assets, accounts payable and other current liabilities—The carrying amount approximates fair value due to the short term nature of these accounts.

NOTE 11 RESTATEMENT OF PRIOR YEAR FINANCIALS

The financial statements for December 31, 2008 have been restated to correct for the erroneous calculation of depreciation expense in prior year and increased Worker's Compensation premium payment made in current year due to prior period Worker's Compensation audit. The result of these corrections is a decrease in beginning net assets of \$93,629.

**SUPPLEMENTAL
INFORMATION**

**INTERNAL CONTROL
AND
COMPLIANCE**



Darnall, Sikes, Gardes Frederick.

(A Corporation of Certified Public Accountants)

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

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

We have audited the financial statements of St. Mary Parish Water and Sewer Commission No. 1, of the Parish of St. Mary, State of Louisiana (the Commission), a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 2009, and have issued our report thereon dated May 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses (Item 2009-2) to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We consider the deficiency described in the accompanying schedule of findings and responses (Item 2009-1) to be a material weakness in internal control over financial reporting.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the St. Mary Parish Council, and the Legislative Auditor of the State of Louisiana. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document; therefore, its distribution is not limited.

Dannall, Sikes, Gardes & Frederick
A Corporation of Certified Public Accountants

Morgan City, Louisiana
May 4, 2010

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

Summary Schedule of Prior Year Findings
Year Ended December 31, 2009

2008-1	Finding:	<u>Inadequate Segregation of Accounting Functions</u>
	Status:	This finding is unresolved. See current year finding 2009-1.
2008-2	Finding:	<u>Financial Statement Preparation</u>
	Status:	This finding is unresolved. See current year finding 2009-2.

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

Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on St. Mary Parish Water and Sewer Commission No. 1's financial statements as of and for the year ended December 31, 2009.

Internal Control Deficiency – Financial Reporting

Two significant deficiencies in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as items 2009-1 and 2009-2 in Part 2. Item 2009-1 is considered a material weakness.

Material Noncompliance – Financial Reporting

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

FEDERAL AWARDS

This section is not applicable for the year ended December 31, 2009.

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

2009-1 Inadequate Segregation of Accounting Functions

Finding:

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

Recommendation:

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

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

Schedule of Findings and Questioned Costs
Year Ended December 31, 2009

Part 2: Findings Relating to an Audit in Accordance with *Governmental Auditing Standards (continued)*

2009-2 Financial Statement Preparation

Finding:

Management does not have the sufficient capable expertise to prepare financial statements and related footnote disclosures.

Recommendation:

Due to the size of the entity and the cost benefit of training management to address this issue it may not be feasible to achieve the expertise required by standards to prepare financial statements and related disclosures.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At December 31, 2009, the St. Mary Parish Water and Sewer Commission No. 1 did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore this section is not applicable.

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

Management's Corrective Action Plan For Current Year Findings
Year Ended December 31, 2009

Response to Finding 2009-1:

No response is considered necessary.

Response to Finding 2009-2:

No response is considered necessary.

OTHER SUPPLEMENTARY INFORMATION

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

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2008 and 2009

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

2008	1,147
2009	1,150

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

List of Insurance Policies in Force
(Unaudited)
December 31, 2009

<u>Type of Coverage</u>	<u>Expiration Date</u>	<u>Coverage</u>
Property and office building:		
Water storage towers	April 30, 2010	1,000,000
Water treatment facilities	April 30, 2010	1,446,000
Buildings	April 30, 2010	629,000
General liability coverage:		
General aggregate	April 30, 2010	3,000,000
Products aggregate	April 30, 2010	3,000,000
Personal injury	April 30, 2010	1,000,000
Each occurrence	April 30, 2010	1,000,000
Damage to premises rented	April 30, 2010	1,000,000
Medical expense	April 30, 2010	10,000
Wrongful acts	April 30, 2010	1,000,000
Business auto		
Commercial auto	April 30, 2010	1,000,000
Uninsured motorists	April 30, 2010	100,000
Equipment floater	April 30, 2010	25,000
Umbrella		
Each occurrence	April 30, 2010	2,000,000
Public employee dishonesty	September 14, 2010	50,000

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

Schedule of Compensation Paid to the Board of Commissioners
Year Ended December 31, 2009

	<u>Number of Meetings Attended</u>	<u>Total Compensation</u>
Donald Patureau, President	11	\$ 660
Leroy Trim, Vice President	12	720
William Whitten, Secretary/Treasurer	9	540
Roland H. Verret, Commissioner	11	660
Alvin Wilkerson, Commissioner	12	720
Ann Hebert, Commissioner	8	480
Shirley Bailey, Commissioner	12	<u>720</u>
		<u>\$ 4,500</u>