

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana

ANNUAL FINANCIAL REPORTS

June 30, 2013 and 2012

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 DEC 11 2013

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

June 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board Members of the
Waterworks District No.4 of
St. Martin Parish, Louisiana
Catahoula, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, a component unit of the St. Martin Parish Government, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation

of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the St. Martin Parish Waterworks District No. 4 as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 14 to the financial statements, in fiscal year ended June 30, 2013, the St. Martin Parish Waterworks District No. 4 adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

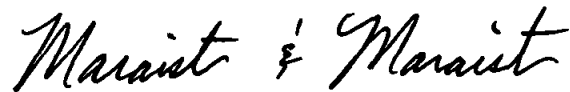
Other Matters

The St. Martin Parish Waterworks District No. 4 has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 24, 2013 on our consideration of the St. Martin Parish Waterworks District No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose

of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

A handwritten signature in black ink that reads "Maraist & Maraist". The script is cursive and elegant, with the ampersand being a simple, stylized symbol.

MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

St. Martinville, Louisiana
October 24, 2013

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENT OF NET POSITION
June 30, 2013 and 2012

		<u>Exhibit A</u>	
		BUSINESS-TYPE ACTIVITIES	
		PROPRIETARY FUND	
<u>ASSETS</u>		<u>6/30/13</u>	<u>6/30/12</u>
Current Assets			
Cash and cash equivalents	\$	36,363	\$ 30,333
Accounts receivable		45,712	31,161
Refund receivable		-0-	720
Prepaid expenses		3,659	3,616
Insurance deposits		1,138	1,138
Total current assets	\$	86,872	\$ 66,968
Noncurrent Assets			
Restricted cash and cash equivalents		45,954	24,026
Capital Assets, net			
		2,022,583	2,106,222
TOTAL ASSETS	\$	2,155,409	\$ 2,197,216
Deferred Outflows of Resources	\$		\$
		-	-
<u>LIABILITIES</u>			
Current Liabilities(from current assets)			
Accounts payable	\$	41,353	\$ 38,341
Payroll taxes payable		240	240
Total current liabilities (from current assets)	\$	41,593	\$ 38,581
Current Liabilities (from restricted assets)			
Customer deposits	\$	20,450	\$ 29,043
Accrued interest payable		7,210	7,444
Notes payable-RDA (current portion)		36,607	32,205
Total current liabilities (from restricted assets)	\$	64,267	\$ 68,692
Long-Term Liabilities			
Notes payable-RDA (long-term portion)	\$	2,000,535	\$ 2,037,137
TOTAL LIABILITIES	\$	2,106,395	\$ 2,144,410
Deferred Inflows of Resources	\$		\$
		-	-
<u>NET POSITION</u>			
Net investment in capital assets	\$	(14,559)	\$ 36,880
Restricted for debt service/contingency		45,954	15,926
Unrestricted		17,619	-0-
TOTAL NET POSITION	\$	49,014	\$ 52,806

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the Years Ended June 30, 2013 and 2012

<u>Exhibit B</u>		
BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND		
	FYE 6/30/2013	FYE 6/30/2012
<u>OPERATING REVENUES</u>		
Water sales	\$ 314,741	\$ 305,474
Garbage fees collected	24,608	-0-
Installations, connections, additions	8,080	11,175
Penalties & late charges	15,154	14,488
Miscellaneous revenues	2,930	2,921
TOTAL OPERATING REVENUES	\$ 365,513	\$ 334,058
<u>OPERATING EXPENSE</u>		
Water purchased	\$ 71,082	\$ 70,424
Garbage fees paid	23,236	-0-
Salaries	38,400	38,400
Payroll taxes	2,937	8,378
Insurance expense	7,121	7,126
Repair and maintenance	17,296	29,042
Depreciation expense	83,639	83,159
Meter reading	11,366	11,819
Professional fees	3,885	4,589
Telephone	4,617	4,604
Utilities	676	717
Safe water program & water tests	2,595	0
Office expense	6,476	2,564
Automotive expense	143	71
Miscellaneous expense	1,057	4,608
TOTAL OPERATING EXPENSES	\$ 274,526	\$ 265,501
OPERATING INCOME/(LOSS)	\$ 90,987	\$ 68,557
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Interest Income	\$ 21	\$ -0-
Interest expense	(94,800)	(96,371)
TOTAL NONOPERATING REVENUES/EXPENSES	\$ (94,779)	\$ (96,371)
CHANGE IN NET POSITION	\$ (3,792)	\$ (27,814)
NET POSITION, BEGINNING	52,806	80,620
NET POSITION, ENDING	\$ 49,014	\$ 52,806

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013 and 2012

<u>Exhibit C</u>		
BUSINESS-TYPE ACTIVITIES PROPRIETARY FUND		
	<u>FYE 6/30/2013</u>	<u>FYE 6/30/2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 350,962	\$ 333,779
Payments to suppliers	(149,518)	(97,868)
Payments to employees	(38,400)	(47,455)
Other receipts/(payments)	720	(67,820)
	<u> </u>	<u> </u>
Net cash provided/(used) by operating activities	\$ 163,764	\$ 120,636
	<u> </u>	<u> </u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Customer deposits received/ (refunded)	\$ (8,593)	\$ (275)
	<u> </u>	<u> </u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	\$ -0-	\$ (3,103)
Repayment of loan principal	(32,200)	(25,051)
Interest paid on bonds/notes payable	(95,034)	(91,581)
Interest earned on investments	21	-0-
	<u> </u>	<u> </u>
Net cash provided by capital and related financing activities	\$ (127,213)	\$ (119,735)
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -0-	\$ -0-
	<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 27,958	\$ 626
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	54,359	53,733
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 82,317</u>	<u>\$ 54,359</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating income/(loss)	\$ 90,987	\$ 68,557
Adjustments to reconcile operating income to net cash provided/(used) by operating activities		
Depreciation expense	83,639	83,159
Changes in net assets and liabilities		
Receivables, net	(13,831)	(999)
Prepaid expenses	(43)	(43)
Accounts payable	3,012	(29,361)
Accrued liabilities	-0-	(677)
	<u> </u>	<u> </u>
Net cash provided/(used) by operating activities	<u>\$ 163,764</u>	<u>\$ 120,636</u>

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

Notes to Basic Financial Statements

June 30, 2013

(1) GENERAL STATEMENT & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Waterworks District No 4 of St. Martin Parish, Louisiana is a component unit of the St. Martin Parish Government. The waterworks district was established in 1999 as authorized by Chapter 9 of Title 33 of the Louisiana Revised Statutes of 1950, to acquire and make improvements to the Catahoula Water System, in order to provide the rural areas of Catahoula and Isle Labbe with a quality water supply and distribution system to supply rural residents with potable drinking water for domestic, livestock, garden, industrial and commercial purposes. The basic operations of the Waterworks District are financed by charges to customers based upon water consumption. The Waterworks District is governed by a board of control composed of five members which is appointed by the parish government. The members of the board of control serve without compensation.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Waterworks District #4 of St. Martin Parish (the Waterworks District) conform to generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

(A) Financial 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 Government), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the 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.

Because the parish government appoints the District's governing body, the St. Martin Parish Waterworks District No. 4 was determined to be a component

Notes to Basic Financial Statements(continued)

unit of the St. Martin Parish Government, the financial reporting entity. The accompanying component unit financial statements present information only on the proprietary fund maintained by the District and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity

(B) Basis of Presentation (Government-Wide Financial Statements)

The accompanying financial statements of the Waterworks District No. 4 of St. Martin Parish have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board

The statement of net position and statement of revenue, expenses and changes in net position display information about the St. Martin Parish Waterworks District No. 4, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The St. Martin Parish Waterworks District No. 4 does not have governmental activities. Its operation is a business-type activity.

(C) Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District maintains only one fund and it is described below:

Proprietary Fund(Enterprise Fund)

Proprietary funds are used to account for operations (a)that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b)where the governing body has

Notes to Basic Financial Statements(continued)

decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes

(D) Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position, and is displayed in three components

- (1) Net investment in capital assets-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net position-Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) Unrestricted net position-Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

The District’s policy is to use unrestricted resources only when restricted resources are fully depleted.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of

Notes to Basic Financial Statements(continued)

resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material. Payments made to vendors for services that will benefit periods beyond year end are recorded as prepaid items.

Operating revenues and expense reported in the proprietary fund financial statements are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing or investing activities.

(E) Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increased in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from delayed recognition of expenditures or revenues, respectively.

(F) Compensated Absences

The Waterworks District does not grant compensated absences to any of its employees, either in the form of sick leave or vacation leave.

(2) CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Waterworks District No. 4 considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents on deposit with banks are stated at cost which approximates market. These deposits are fully secured through the pledge of bank-owned securities or federal deposit insurance. 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.

Notes to Basic Financial Statements(continued)

The carrying amount of cash and cash equivalents are displayed on the balance sheet as follows.

	<u>Book Balance</u>	
	<u>6/30/13</u>	<u>6/30/12</u>
<u>Unrestricted</u>		
Petty cash	\$ 200	\$ 200
General account – checking	2,504	584
Revenue account – checking	33,659	29,549
<u>Restricted</u>		
Depreciation/contingency fund – checking	15,727	5,425
Member deposit fund – checking	14,575	13,250
Reserve note fund – checking	15,652	5,351
	<u>\$ 82,317</u>	<u>\$ 54,359</u>

Deposits with banks are categorized to give an indication of the level of risk at June 30, 2013 and 2012 as follows.

	<u>6/30/13</u>	<u>6/30/12</u>
Federal Insurance(FDIC)	<u>\$ 94,484</u>	<u>\$ 72,922</u>

(3) ACCOUNTS RECEIVABLE AND UNCOLLECTIBLE CHARGES

The Waterworks District No 4 does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged against customer deposits initially, and the remaining balance charged to uncollectible water revenues. Due to the small monetary amounts involved, and the availability of customer deposits to offset against any unpaid water bills, this method yields results which are not materially different from the allowance method of accounting for uncollectible receivables.

St. Martin Waterworks District No. 4's accounts receivable consist of uncollected billed utility services. An accounts receivable aging schedule, together with pertinent water system operating data, is as follows:

	<u>6/30/13</u>	<u>6/30/12</u>
<u>Days</u>	<u>Amounts</u>	<u>Amounts</u>
0-30	\$ 41,174	\$ 26,424
31 and older	4,538	4,737
<u>Total</u>	<u>\$ 45,712</u>	<u>\$ 31,161</u>
 Breakdown of customers		
Residential	861	862
Commercial	52	52
<u>Total</u>	<u>913</u>	<u>914</u>

Notes to Basic Financial Statements(continued)

The present water billing rate schedule, effective October 1, 2010 is as follows:

Residential monthly billing	
First 2,000 gallons (minimum)	\$15 00
Over 2,000 gallons (per 1,000 gallons)	\$3 50
Commercial monthly billing	
First 5,000 gallons (minimum)	\$40 00
Over 5,000 gallons (per 1,000 gallons)	\$3 00

(4) CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical costs or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-30 years
Water System	40-50 years
Furniture, Fixtures & Equipment	5-10 years
Improvements	20-25 years

Interest costs during construction are not capitalized.

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2013

	Beginning Balance 07/01/12	Increases	Decreases	Ending Balance 6/30/13
Capital assets not being depreciated				
Land	\$ 29,600			\$ 29,600
Other capital assets				
Treatment plants and buildings	94,941			94,941
Furniture, fixtures and equipment	83,097			83,097
Water distribution system	3,177,160			3,177,160
Totals	<u>\$ 3,384,798</u>			<u>\$ 3,384,798</u>
Less Accumulated depreciation for				
Treatment plants and buildings	\$ 89,981	\$ 715		\$ 90,696
Furniture, fixtures and equipment	80,059	621		80,680
Water distribution system	1,108,535	82,303		1,190,838
Total accumulated depreciation	<u>\$ 1,278,575</u>	<u>\$ 83,639</u>		<u>\$ 1,362,214</u>
Capital assets, net	<u>\$ 2,106,223</u>	<u>\$ (83,639)</u>		<u>\$ 2,022,584</u>

Notes to Basic Financial Statements(continued)

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2012

	Beginning Balance 07/01/11	Increases	Decreases	Ending Balance 6/30/12
Capital assets not being depreciated				
Land	\$ 29,600			\$ 29,600
Other capital assets				
Treatment plants and buildings	94,941			94,941
Furniture, fixtures and equipment	79,994	3,103		83,097
Water distribution system	3,177,160			3,177,160
Totals	<u>\$ 3,381,695</u>	<u>\$ 3,103</u>		<u>\$ 3,384,798</u>
Less Accumulated depreciation for				
Treatment plants and buildings	\$ 89,228	\$ 753		\$ 89,981
Furniture, fixtures and equipment	79,956	103		80,059
Water distribution system	1,026,232	82,303		1,108,535
Total accumulated depreciation	<u>\$ 1,195,416</u>	<u>\$ 83,159</u>		<u>\$ 1,278,575</u>
Capital assets, net	<u>\$ 2,186,279</u>	<u>\$ (80,056)</u>		<u>\$ 2,106,223</u>

(5) LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions and balances of the Waterworks District No. 4

\$2,295,000 Water Revenue Bonds, due in monthly installments of \$10,602 90 through October 2, 2042, bearing interest of 4 5/8%, to be retired from excess annual water revenues.

Balance—6/30/11	\$ 2,094,393
Principal reductions-FYE 6/12	<u>(25,051)</u>
Balance—6/30/12	\$ 2,069,342
Principal reductions-FYE 6/13	<u>(32,200)</u>
Balance—6/30/13	<u>\$ 2,037,142</u>

Notes to Basic Financial Statements(continued)

The annual requirements to amortize revenue bonds outstanding at June 30, 2013, are as follows:

Year Ended <u>June 30,</u>	<u>Totals</u>
2014	\$ 127,235
2015	127,235
2016	127,235
2017	127,235
2018	127,235
2019—2023	636,174
2024—2028	636,174
2029—2033	636,174
2034—2038	636,174
Thereafter	<u>537,444</u>
Total principal & interest	\$ 3,718,315
Less: Interest	<u>1,681,173</u>
Balance at June 30, 2013	<u><u>\$ 2,037,142</u></u>

(6) RESTRICTED ASSETS

Certain assets of the Waterworks District No. 4 are restricted under the terms of the Loan Resolution Security Agreement with the United States Office of Rural Development. All funds received shall be pledged for the purpose of the following funds and shall be set aside into the following separate accounts:

All revenue received shall be set aside in an account to be designated as the General Revenue Account. The General Revenue Account shall be used to make the monthly debt service payments plus operating and maintenance expenses

From the remaining funds in the General Revenue Account there shall be set aside into an account designated as the Reserve Account the sum of \$530 each month until there is accumulated in that account the sum of \$127,235 after which deposits may be suspended, except to replace withdrawals. An additional amount from the remaining funds in the General Revenue Account shall be set aside into an account designated as the Depreciation/Contingency Account in the amount of \$530 each month until there is accumulated in that account the sum of \$127,235 after which deposits may be suspended, except to replace withdrawals.

Notes to Basic Financial Statements(continued)

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

The customer deposit accounts represent refundable deposits collected from customers requesting service connection. The customer deposit accounts totaled \$14,575 at June 30, 2013. There is an amount due the customer deposit accounts from the general revenue account in the amount of \$5,875 at June 30, 2013.

Violation of Water Revenue Bonds Restrictions

The District is in compliance with all significant limitations and restrictions set forth in the issuance of the outstanding water revenue bonds with the following exception:

- A. The District has not adequately funded the Revenue Bond Reserve Account, and the Revenue Bond Depreciation/Contingency Account, due to cash flow restrictions.

(7) RETIREMENT PLANS

All employees of the Waterworks District are members of the Social Security Retirement System. No supplemental retirement or pension plans are maintained or provided by the Waterworks District.

(8) 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 costs could differ from those estimates.

(9) OTHER POST-EMPLOYMENT BENEFITS(OPEB)

For all years ended June 30, 2011 and thereafter, GASB 45 requires all governmental agencies to disclose life, health, and deferred compensation benefits to retirees. When an employee retires from the Water District, there are no future costs incurred by the District for other post-employment benefits. Due to this fact, OPEB has no impact on the Statement of Net Position or the Statement of Revenues, Expenses, and Changes in Net Position of the St. Martin Parish Waterworks District No. 4.

Notes to Basic Financial Statements(continued)

(10) RISK MANAGEMENT

The Waterworks District is exposed to risks of loss in the areas of health care, workers' compensation, general and auto liability, and property hazards. These risks are handled by purchasing commercial insurance. There have been no significant reductions in these insurance coverages during the current fiscal year, nor have settlements exceeded insurance coverage for the current or prior two fiscal years. A summary of coverage maintained at June 30, 2013 consists of:

<u>Coverage Provided For</u>	<u>Limits of Coverage (in dollars)</u>	<u>Description of limits</u>	<u>Expiration Date</u>
Fidelity Bond	\$ 127,234		12/15/13
Commercial General Liability	\$ 1,000,000	Each occurrence	8/14/13
	\$ 100,000	Fire damage limit	
	\$ 5,000	Medical expense limit	
	\$ 1,000,000	Personal and advertising injury limit	
	\$ 2,000,000	General aggregate limit	
	\$ 1,000,000	Products – completed operations aggregated	
Commercial Property	\$ 584,981	Buildings, water wells, and tanks	11/26/13
Commercial Auto Coverage	\$ 1,000,000	Liability	8/14/13
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 1,000,000	Bodily injury	5/4/14

(11) SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards is composed exclusively of federal loan balances subject to continuing compliance requirements, and hence includible as federal awards expended in accordance with OMB Circular A-133 Section 205 (b)

Notes to Basic Financial Statements(continued)

(12) COMPENSATION OF BOARD MEMBERS

The board of control consists of five members, who do not receive compensation, as follows

<u>Name & Address</u>	<u>Term</u>	<u>Term Expires</u>
Ricky Melancon 1004 Borel Road St. Martinville, LA 70582	3 years	6/6/16
Charles Latiolais, Jr. 4516 Catahoula Hwy St. Martinville, LA 70582	4 years	6/6/17
Pat Champagne 4451 Catahoula Hwy St. Martinville, LA 70582	4 years	6/6/17
Corey Simoneaux 1035 Camille Drive St. Martinville, LA 70582	2 years	6/6/15
Byron Fusehier 1254 Burton Plantation Hwy. St. Martinville, LA 70582	2 year	6/6/15

(13) SUBSEQUENT EVENTS

Subsequent events were evaluated through October 24, 2013, which is the date the financial statements were available to be issued. As of October 24, 2013, there were no subsequent events noted

(14) NEW ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2013, the Waterworks District adopted GASB 63, *Financial Reporting of Deferred Outflows of Resources and Net Position*, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of financial position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position

Notes to Basic Financial Statements(continued)

In March, 2012 the Government Accounting Standards Board(GASB) issued Statement No 65, *Items Previously Reported as Assets and Liabilities*. The statement clarifies the appropriate reporting of deferred outflows of resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB No. 65 must be implemented by the Waterworks District for the fiscal year ended June 30, 2014. The effect of implementation on the Waterworks District's financial statements has not yet been determined.

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SOCIETY OF
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members of the
Waterworks District No 4 of
St Martin Parish, Louisiana
Catahoula, Louisiana

We have audited, 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, the financial statements of the business-type activities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, a component unit of the St Martin Parish Government, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Waterworks District's basic financial statements, and have issued our report thereon dated October 24, 2013

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Waterworks District No 4 of St Martin Parish, Louisiana's internal control over financial reporting(internal control) to determine the audit procedures that are appropriate in the circumstances 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 Waterworks District No. 4 of St Martin Parish, Louisiana's internal control Accordingly, we do not express an opinion on the effectiveness of the Waterworks District No 4 of St Martin Parish, Louisiana's internal control.

A deficiency in internal control 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 material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings, questioned costs and management's corrective action plan that we consider to be significant deficiencies in internal control, and are referenced as items 13/1 and 13/2

Compliance and Other Matters

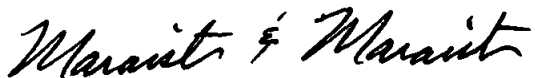
As part of obtaining reasonable assurance about whether the Waterworks District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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 test disclosed one instance of non-compliance or other matters that is required to be reported under Government Auditing Standards, and which is described in the accompanying schedule of findings, questioned costs, and management's corrective action plan and referenced as item 13/3

Waterworks District No. 4 of St. Martin Parish's Responses to Findings

The Waterworks District's responses to the findings identified in our audit are described in the accompanying summary schedule of findings, questioned costs and management's corrective action plan. The Waterworks District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them

Purpose of This Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Waterworks District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Waterworks District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.


MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

St. Martinville, Louisiana
October 24, 2013

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ PASS-THRU GRANTOR/PROGRAM OR <u>CLUSTER TITLE</u>	FEDERAL CFDA <u>NUMBER</u>	FEDERAL <u>EXPENDITURES</u>
United States Department of Agriculture/Water and Waste Disposal Systems for Rural Communities	10 760	-0-

The Waterworks District No 4 of St Martin Parish, Louisiana has a single revenue bond/loan outstanding with USDA Rural Development at June 30, 2013 as follows

<u>Revenue Bond</u>	<u>Outstanding Balance</u>
Series R-1	<u>2,037,142</u>

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE (1) – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal award programs of the St Martin Parish Waterworks District No 4. The Waterworks District's reporting entity is defined in Note 1 to the St Martin Parish Waterworks District No 4's financial statements.

NOTE (2) – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the St Martin Parish Waterworks District No 4's financial statements.

NOTE (3) – RELATIONSHIP TO FINANCIAL STATEMENTS

The bonds payable are reported in the St Martin Parish Waterworks District No 4's financial statements as a liability.

WATERWORKS DISTRICT NO. 4
of St Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs
And Management's Corrective Action Plan**
Year Ended June 30, 2013

Part I **SUMMARY OF AUDIT RESULTS**

- 1 The auditor's report expresses an unqualified opinion on the financial statements of the St Martin Parish Waterworks District No 4
- 2 Two significant deficiencies relating to the audit of the financial statements were reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, however we did not consider them to be material weaknesses
- 3 One instance of noncompliance relating to the audit of the financial statements was reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*
- 4 There was no single audit required under OMB Circular A-133

Part II **2013 FINDINGS – FINANCIAL STATEMENT AUDIT**

Internal Control

13/1 – **Inadequate Segregation of Accounting Duties**

Condition

The Waterworks District No. 4 does not have an adequate segregation of duties over receipts

Criteria

Segregation of conflicting duties within accounting functions is a basic internal control

Cause

Only one person performs accounting duties for the Waterworks District

Effect

Inadequate segregation of duties within the accounting function

Recommendation

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system

WATERWORKS DISTRICT NO. 4
of St Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs
And Management's Corrective Action Plan (Continued)**
Year Ended June 30, 2013

13/2 – Internal Control Over Financial Reporting

Condition

The Waterworks District No 4 does not have a staff person who has the training to apply generally accepted accounting principles(GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes

Criteria

District management must maintain a system of internal control over financial statement preparation and reporting, including note disclosure

Cause

As is common in small organizations, Waterworks District accounting personnel do not possess sufficient technical expertise to adequately prepare its financial statements in accordance with generally accepted accounting principles. As such, management has chosen to engage its auditors to prepare the annual financial statements

Effect

Based on this decision, adequate internal controls over financial statement preparation and reporting have not been established

Recommendation

Management of the Waterworks District has evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation

Compliance

13/3 – Noncompliance with Office of Rural Development loan reserve requirements

Condition

At June 30, 2013, stipulated Rural Development loan reserve account balances and depreciation/contingency account balances are deficient and in arrears in the aggregate amount of \$65,109

Criteria

Subsequent to completion of its Rural Development financed construction project, the St Martin Parish Waterworks District No. 4 is subject to loan reserve funding requirements imposed by the Rural Development loan agreement

WATERWORKS DISTRICT NO. 4
of St Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs
and Management's Corrective Action Plan (Continued)**
Year Ended June 30, 2013

Cause

Due to a delay in adopting water rate schedule increases, the Waterworks District No 4 was required to avail itself of existing reserve funds to meet the lump sum accrued Rural Development loan interest payment due upon closeout of the construction project

Effect

Use of reserve and contingency fund balances of the Waterworks District to meet the interim lump sum debt service payment has caused it to fall behind scheduled loan reserve payments

Recommendation

As additional cash flows are generated through future operating revenues derived from recent rate increases, supplemental additions to the reserve fund should be made, to bring the reserve balances into compliance with the loan agreement levels

Part III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Part IV MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 13/1

Inadequate segregation of accounting functions

Planned Corrective Action-None required

Finding 13/2

Internal control over financial reporting

Planned Corrective Action-None required

Finding 13/3

The Waterworks District No 4 was not in compliance with loan reserve requirements

Planned Corrective Action – In fiscal year ended 6/30/13, the Waterworks District No 4 instituted a workout plan with the USDA's Office of Rural Development to restore loan reserve compliance through increased(doubled) monthly contributions to its reserve and depreciation/contingency accounts

WATERWORKS DISTRICT NO. 4
of St Martin Parish, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

Part I **INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS**

12/1 – Inadequate Segregation of Accounting Functions

Management is aware of and has evaluated this inadequacy and concluded that the related costs versus benefits to be achieved does not justify the additional personnel it would require to establish an adequate segregation

12/2 – Internal Control over Financial Reporting

The Waterworks District No. 4 has evaluated the cost versus benefits of establishing completely adequate internal control over financial reporting and has determined that it is most cost effective to outsource the preparation of financial statements in accordance with GAAP to its independent auditors, subject to management review and acceptance

12/3 – Non-compliance with Office of Rural Development loan reserve requirements

The Waterworks District No. 4 has implemented a plan of action to restore loan reserve requirements through increased operating revenues due to water rate increases, coupled with reductions in water production costs, which will provide the requisite funding over time to reinstate compliance with Rural Development loan reserve requirements.

12/4 – Non-compliance with Louisiana R S 24-513

Resolved

Part II **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No prior year findings

Part III **MANAGEMENT LETTER**

No prior year findings