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**WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY**

Financial Statements

Year Ended September 30, 2008

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 3/25/09

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of net assets	5
Statement of activities	6
Fund Financial Statements	
Governmental funds:	
Balance sheet	8-9
Statement of revenues, expenditures, and changes in fund balances	10-11
Notes to Basic Financial Statements	12-21
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule- General Fund	23
Note to budgetary comparison schedules	24
INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS	
Report on internal control over financial reporting and on compliance and matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	26-27
Schedule of audit results and findings	28-31
Summary schedule of prior year findings	32
Corrective action plan for current year findings	33

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Wax Lake East Drainage District of the  
Parish of St. Mary  
Patterson, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the Wax Lake East Drainage District of the Parish of St. Mary (hereinafter, the "District"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2008, and the respective changes in financial position 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 our report dated January 22, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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* and important for assessing the results of our audit.

The District has not presented 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.

The budgetary comparison information on pages 23 and 24 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
January 22, 2009

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Statement of Net Assets  
September 30, 2008

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash	\$ 4,784
Interest-bearing deposits, at cost	1,497,980
Receivables -	
Accrued interest	10,000
Other	375
Prepaid expenses	14,830
Total current assets	1,527,969
Noncurrent assets:	
Capital assets, net of accumulated depreciation	4,030,338
Total assets	5,558,307
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	51,127
Accrued liabilities	14,458
Current portion of bonds payable	155,000
Total current liabilities	220,585
Noncurrent liabilities:	
Bonds payable	3,270,000
Total liabilities	3,490,585
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	605,338
Restricted for debt service	252,399
Unrestricted	1,209,985
Total net assets	\$ 2,067,722

*The accompanying notes are an integral part of the basic financial statements.*

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Statement of Activities  
Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues And Changes in Net Assets
Governmental activities:			
Drainage works	\$ 694,497	\$ 3,300	\$ (691,197)
		General revenues:	
		Ad valorem taxes	784,185
		Intergovernmental	91,365
		Interest income	27,038
		Miscellaneous	<u>1,395</u>
		Total general revenues	<u>903,983</u>
		Change in net assets	212,786
		Net assets -- beginning, as restated	<u>1,854,936</u>
		Net assets -- end of year	<u>\$ 2,067,722</u>

*The accompanying notes are an integral part of the basic financial statements.*



**FUND FINANCIAL STATEMENTS**

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Balance Sheet  
Governmental Funds  
September 30, 2008

ASSETS	General	Debt Service	Total Governmental Funds
Cash	\$ 4,784	\$ -	\$ 4,784
Interest-bearing deposits, at cost	1,234,457	263,523	1,497,980
Receivables -			
Accrued interest	9,969	31	10,000
Other	332	43	375
Prepaid expenses	14,830	-	14,830
Total assets	<u>1,264,372</u>	<u>\$ 263,597</u>	<u>\$1,527,969</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	51,127	\$ -	\$ 51,127
Accrued liabilities	3,260	-	3,260
Total liabilities	<u>54,387</u>	<u>-</u>	<u>54,387</u>
Fund balances:			
Reserved for debt service	-	263,597	263,597
Unreserved	1,209,985	-	1,209,985
Total fund balances	<u>1,209,985</u>	<u>263,597</u>	<u>1,473,582</u>
Total liabilities and fund balances	<u>\$1,264,372</u>	<u>\$ 263,597</u>	<u>\$1,527,969</u>

(continued)

**WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY**

**Balance Sheet (continued)  
Governmental Funds  
September 30, 2008**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:

Total fund balances for governmental funds at September 30, 2008		\$1,473,582
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Drainage property, net of \$699,718 accumulated depreciation	\$3,942,792	
Equipment, net of \$58,997 accumulated depreciation	81,766	
Improvements, net of \$1,507 accumulated depreciation	<u>5,780</u>	4,030,338
Long-term liabilities at September 30, 2008		
Bonds payable	(3,425,000)	
Accrued interest payable	<u>(11,198)</u>	<u>(3,436,198)</u>
Total net assets of governmental activities at September 30, 2008		<u>\$2,067,722</u>

*The accompanying notes are an integral part of the basic financial statements.*

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 371,665	\$ 412,520	\$ 784,185
Intergovernmental	91,365	-	91,365
Interest income	24,456	2,582	27,038
Miscellaneous	4,695	-	4,695
Total revenues	<u>492,181</u>	<u>415,102</u>	<u>907,283</u>
<b>Expenditures:</b>			
Current -			
Drainage works	342,712	13,467	356,179
Debt Service -			
Principal	-	145,000	145,000
Interest and fiscal charges	-	138,688	138,688
Total expenditures	<u>342,712</u>	<u>297,155</u>	<u>639,867</u>
Excess of revenues over expenditures	149,469	117,947	267,416
Fund balances, beginning, as restated	<u>1,060,516</u>	<u>145,650</u>	<u>1,206,166</u>
Fund balances, ending	<u>\$1,209,985</u>	<u>\$ 263,597</u>	<u>\$1,473,582</u>

(continued)

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)  
Governmental Funds  
Year Ended September 30, 2008

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement  
of activities are different because:

Net change in fund balances - governmental funds	\$ 267,416
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation in the current period.	(200,174)
The governmental funds report principal payments on general obligation bonds as expenditures. However, for purposes of governmental activities, such payments are a direct reduction of the debt.	145,000
Interest on long-term debt in the statement of activities differs from the amount reported in the government funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. Therefore, the difference between the current and prior year interest accruals must be added back.	<u>544</u>
Total changes in net assets at September 30, 2008 per Statement of Activities	<u>\$ 212,786</u>

*The accompanying notes are an integral part of the basic financial statements.*

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The Wax Lake East Drainage District of the Parish of St. Mary (District), which is a component unit of the St. Mary Parish Council, was created by Ordinance No. 706 of the St. Mary Parish Police Jury on August 11, 1965. The purpose of the District is the draining and reclaiming of the undrained or partially drained marsh, swamp, and overflowed lands in the area specified in its creation ordinance.

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District's executive and legislative branches (the Board of Commissioners). Control by or dependence on the District was determined on the basis of budget adoptions, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility. The District is an integral part of the Parish of St. Mary.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Both the government-wide and the fund financial statement categorize primary activities as governmental.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and items not properly included among program revenues are reported as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues in the year for which they are earned.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the government considers revenues to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Ad valorem taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Ad valorem taxes are recognized as revenues in the year in which such taxes are levied and billed to taxpayers. Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, and interest on investments.

The District maintains two funds. They are categorized as governmental funds. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Funds –

The focus of the governmental funds' measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District, which are also the major funds:

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

D. Interest-bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. The interest-bearing deposits are time deposits which are fully secured through the pledge of bank-owned securities or the Federal Deposit Insurance Corporation (FDIC) insurance coverage.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include interest.

F. Capital Assets

All capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost 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:

Drainage system	10-25 years
Equipment	5-10 years
Improvements	5-25 years



WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

G. Budgetary Practices

Annually, the District adopts a budget for all funds. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget. Formal budgetary integration is employed as a management control device during the year. The budget is prepared on a modified accrual basis. Budget amounts included in the accompanying financial statements reflect originally adopted budget amounts and all subsequent amendments. All budgetary appropriations lapse at the end of each fiscal year.

H. Vacation and Sick Leave

The District has no existing written policy on vacation and sick leave. These are recognized as expenditures when paid.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2008, the District has cash and interest-bearing deposits (book balances) totaling \$1,502,764 as follows:

Demand	\$ 4,784
Money market accounts	700,025
Time deposits	<u>797,955</u>
Total	<u>\$ 1,502,764</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 similar federal security 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 District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2008, are secured as follows:

Bank balances	<u>\$ 1,502,826</u>
Federal deposit insurance	\$ 284,949
Pledged securities	<u>1,217,877</u>
Total federal insurance and pledged securities	<u>\$ 1,502,826</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. However, as of September, 2008, the District's total bank balances were fully insured and collateralized with securities held in the name of the District by the pledging financial institution's agent and, therefore, not exposed to custodial credit risk.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

(3) Receivables

Receivables at September 30, 2008 of \$10,375 consist of the following:

	Governmental Activities	Debt Service Activities	Total
Accrued interest	\$ 9,969	\$ 31	\$ 10,000
Ad valorem tax receivable	40	43	83
Pumping fees receivable	292	-	292
Net receivables	\$ 10,301	\$ 74	\$ 10,375

(4) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property within the District's taxing area as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The St. Mary Parish Sheriff bills and collects the District's property taxes using the assessed values determined by the tax assessor of St. Mary Parish. District property tax revenues are budgeted in the year billed.

For the year ended September 30, 2008, taxes of 10.27 mills were levied on property with assessed valuations totaling \$76,609,429 and were dedicated as follows:

Maintenance and operations	3.20 Mills
Construction and maintenance	1.82 Mills
Debt service	5.25 Mills

Total taxes collected were \$784,185. Total taxes receivable at September 30, 2008 was \$83.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

(5) Capital Assets

Capital asset activity as of and for the year ended September 30, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Drainage property	\$4,642,510	\$ -	\$ -	\$4,642,510
Equipment	140,763	-	-	140,763
Improvements other than buildings	7,287	-	-	7,287
Total capital assets	4,790,560	-	-	4,790,560
Less accumulated depreciation:				
Drainage property	514,018	185,700	-	699,718
Equipment	44,815	14,182	-	58,997
Improvements other than buildings	1,215	292	-	1,507
Total accumulated depreciation	560,048	200,174	-	760,222
Capital assets, net	\$4,230,512	\$(200,174)	\$ -	\$4,030,338

Depreciation expense in the amount of \$200,174 was charged to drainage works.

(6) Accrued Liabilities

The accrued liabilities consisted of the following at September 30, 2008:

	Governmental Activities
Payroll Taxes	\$ 3,260
Interest payable	11,198
Total accrued liabilities	\$ 14,458

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

(7) Changes in Long-Term Debt

	Balance 10/1/2007	Additions	Deletions	Balance 9/30/2008	Due Within One Year
General obligation bonds	<u>\$ 3,570,000</u>	<u>\$ -</u>	<u>\$ 145,000</u>	<u>\$ 3,425,000</u>	<u>\$ 155,000</u>

Bonds payable at September 30, 2008, is comprised of the following issue:

General obligation bonds:

\$4,000,000 general obligation bonds, Series 2003, issued April 1, 2003 for construction of Berwick Borrow Canal Pump Station, payable in annual installments of \$145,000 to \$320,000 through March 1, 2023, with a variable interest rate ranging from 3.5% to 4.5%

\$ 3,425,000

The annual requirements to amortize all debt outstanding as of September 30, 2008 are as follows:

Year Ending September 30,	Principal	Interest	Total
2009	\$ 155,000	\$ 131,081	\$ 286,081
2010	165,000	124,488	289,488
2011	170,000	117,787	287,787
2012	180,000	110,788	290,788
2013	190,000	103,388	293,388
2014-2018	1,115,000	401,580	1,516,580
2019-2023	<u>1,450,000</u>	<u>154,994</u>	<u>1,604,994</u>
	<u>\$ 3,425,000</u>	<u>\$ 1,144,106</u>	<u>\$ 4,569,106</u>

Interest expense is the amount of \$138,688 was charged to drainage works.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

(8) Compensation Paid to Board Members

For the year ended September 30, 2008, the following individuals served on the Board of Commissioners and received per diem allowance as follows:

Anthony Boudreaux, Jr.	\$ 480
Leroy Gray	480
Lee Felterman	540
Jeffery LaGrange	600
Tony Hensgens	420
William Hidalgo, Jr.	600
Barry Broussard	60
Glen Elliott	360
Richard Grow	<u>120</u>
Total	<u>\$ 3,660</u>

(9) Social Security System

All employees of the District participate in the Social Security System. The District and its employees contribute a percentage of each employee's salary to the System (7.65% contributed by the District and 7.65% by the employee). The District's contribution during the year ended September 30, 2008 amounted to \$9,545.

(10) Risk Management

The District 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 District has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The District is insured up to policy limits for each of the above risks. There were no significant changes in coverage, retentions, or limits during the year ended September 30, 2008. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

(11) New Accounting Pronouncements

In November 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires the accrual of postemployment benefits for retired employees. The District is required to implement this standard for the fiscal year ending September 30, 2010. The District has not yet determined the full impact that adoption of GASB Statement 45 will have on the financial statements.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Notes to Basic Financial Statements (continued)

(12) Net Assets/Fund Balance Restatement

Certain errors in the recognition of prepaid insurance resulting in the overstatement/(understatement) of net assets/fund balance in the District's previously issued financial statements have been corrected in the current year. These corrections resulted in the following changes to beginning net assets/fund balance:

	<u>Governmental Activities</u>	<u>General Fund</u>
As previously reported	\$ 1,837,914	\$ 1,043,494
Improper recognition of prepaid expenses	<u>17,022</u>	<u>17,022</u>
As restated	<u>\$ 1,854,936</u>	<u>\$ 1,060,516</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

General Fund  
Budgetary Comparison Schedule  
Year Ended September 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 311,500	\$ 370,000	\$ 371,665	\$ 1,665
Intergovernmental-				
State of Louisiana-				
State Revenue Sharing	76,000	90,000	91,365	1,365
Miscellaneous	4,200	6,000	29,151	23,151
Total revenues	<u>391,700</u>	<u>466,000</u>	<u>492,181</u>	<u>26,181</u>
<b>Expenditures:</b>				
Current -				
Drainage works:				
Advertising	800	1,500	1,620	(120)
Electrical	450	450	451	(1)
Engineering	1,100	-	-	-
Insurance	34,000	30,000	31,756	(1,756)
Maintenance and repairs	81,000	26,000	36,092	(10,092)
Miscellaneous	250	1,900	1,827	73
Natural gas	104,000	80,000	117,795	(37,795)
Office supplies	151	250	235	15
Payroll tax expense	8,600	7,500	9,545	(2,045)
Per diem - board	4,300	4,320	3,660	660
Professional fees	4,200	4,400	4,375	25
Salaries and wages	114,000	104,000	113,892	(9,892)
Supplies	14,000	4,000	7,865	(3,865)
Assessors Compensation	10,800	12,500	12,134	366
Telephone	1,400	1,500	1,465	35
Total drainage works	<u>379,051</u>	<u>278,320</u>	<u>342,712</u>	<u>(64,392)</u>
Excess (deficiency) of revenues over expenditures	12,649	187,680	149,469	(38,211)
Fund balance, beginning, as restated	<u>972,145</u>	<u>972,145</u>	<u>1,060,516</u>	<u>88,371</u>
Fund balance, ending	<u>\$ 984,794</u>	<u>\$ 1,159,825</u>	<u>\$ 1,209,985</u>	<u>\$ 50,160</u>

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Note to Budgetary Comparison Schedule

(1) Basis of Accounting

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the District.

**INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## 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*

Board of Commissioners  
Wax Lake East Drainage District of the  
Parish of St. Mary  
Patterson, Louisiana

We have audited the financial statements of the governmental activities and each major fund of Wax Lake East Drainage District of the Parish of St. Mary (hereinafter, the "District"), a component unit of the St. Mary Parish Council, as of and for the year ended September 20, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2009. 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 Standard*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies identified as items 2008-1 and 2008-2 and described in the accompanying schedule of audit results and findings to be significant deficiencies 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 District's internal control.

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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of audit results and findings as item 2008-3.

The District's response to the findings identified in our audit is included in the accompanying corrective action plan for current year findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the District's Board of Commissioners, the Louisiana Legislative Auditor, management and others within the organization and is not intended to be and should not be used by anyone other than those specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Morgan City, Louisiana  
January 22, 2009

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Schedule of Audit Results and Findings  
Year Ended September 30, 2008

Part I: Summary of Auditor's Results

FINANCIAL STATEMENTS

- An unqualified opinion was issued on the District's financial statements.
- Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements and one of the conditions is considered a material weakness.
- An instance of noncompliance is required to be reported under *Government Auditing Standards* and is considered material to the financial statements.
- A management letter was not issued.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Schedule of Audit Results and Findings (continued)  
Year Ended September 30, 2008

Part II: Findings reported in accordance with *Governmental Auditing Standards*

A. Internal Control

2008-1 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU §314.43 defines internal control as follows:

*“Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.*

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT §501.03 states:

An entity’s internal control over financial reporting includes those policies and procedures that pertain to an entity’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

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

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Schedule of Audit Results and Findings (continued)  
Year Ended September 30, 2008

2008-2 Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

CRITERIA: SAS112, *Communicating Internal Control Related Matters Identified in an Audit*, AU §325.18, states in pertinent part:

“Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control:

- Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.”

Furthermore, AU §325.32 identifies the following as a deficiency in the design of (internal) controls:

“Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity’s financial transactions or preparing its financial statements.”

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.



WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Schedule of Audit Results and Findings (continued)  
Year Ended September 30, 2008

B. Compliance

2008-3 Budget Variance

CONDITION: Budget variance in excess of 5% was incurred in the General Fund.

CRITERIA: LSA-RS 39:1311 et seq, Budgetary Authority and Control, provides for the following:

“A. The adopted budget and any duly authorized adopted amendments shall form the framework from which the chief executive or administrative officers and members of the governing authority of the political subdivision shall monitor revenues and control expenditures. The chief executive or administrative officer shall advise the governing authority or independently elected official in writing when:

(1) Revenue collection plus projected revenue collections for the remainder of the year, within a fund fail to meet estimated annual revenues by five percent or more.

(2) Actual expenditures plus projected expenditures for the remainder of the year, within a fund are exceeding estimated budgeted expenditures by five percent or more.

(3) Actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and beginning fund balance is being used to fund current expenditures.”

CAUSE: The condition results from a failure to properly monitor the revenues and expenditures of the general fund.

EFFECT: The District may not prevent and/or detect compliance violations due to over expenditure of the appropriated budget, and/or errors or irregularities on a timely basis. Also, the Board may be subject to the penalty provisions of LSA-RS14:134.

RECOMMENDATION: We recommend that the District periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to cause compliance with state statute.

Part III: Findings and questioned costs for federal awards reported in accordance with Office of Management and Budget Circular A-133:

The requirements of OMB Circular A-133 do not apply to the District.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Summary Schedule of Prior Year Findings  
Year Ended September 30, 2008

A. Internal Control –

2007-1 – Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: Due to size of the operation and the cost-benefit of additional personnel, it may be feasible to achieve complete segregation of duties.

CURRENT STATUS: See schedule of audit results and findings, item 2008-1.

2007-2 – Application of GAAP

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings, item 2008-2

B. Compliance –

There were no findings previously reported under this section

C. OMB A-133 –

This section was not applicable.

WAX LAKE EAST DRAINAGE DISTRICT  
OF THE PARISH OF ST. MARY

Corrective Action Plan for Current Year Findings  
Year Ended September 30, 2008

2008-1 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated

MANAGEMENT'S RESPONSE: Not considered necessary

2008-2 - Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The District has evaluated the cost / benefit of establishing internal controls over the preparation of financial statement in accordance with GAAP and determined that it is the best interest of the District to outsource this task to its independent auditors and will review, approve, and accept responsibility for the content and presentation of the statements and related notes prior to issuance.

2008-3 - Budget Variance

CONDITION: Budget variance in excess of 5% was incurred in the General Fund.

MANAGEMENT'S RESPONSE: The District will more closely monitor budget to actual comparisons and adopt the necessary amendments to insure compliance with state statute.