

10061

**ST. MARY PARISH WATER
AND SEWER COMMISSION NO. 4**
Charenton, Louisiana

Financial Report

Year Ended September 30, 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 3/24/10

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Fund Financial Statements	
Balance sheet	4-5
Statement of revenues, expenses and changes in net assets	6
Statement of cash flows	7-8
Notes to financial statements	9-22
INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	24-25
Schedule of audit results and findings	26-29
Summary schedule of prior audit findings	30
Corrective action plan for current year findings	31

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*

Tynes E. Mixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angelle Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guldry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA
Mandy B. Sall, CPA
Paul L. DeCambre, Jr. CPA
Wanda F. Arcement, CPA, CVA
Kristin B. Dauzat, CPA
Richard R. Anderson Sr., CPA
Carolyn C. Anderson, CPA

Retired:
Conrad O. Chapman, CPA* 2006
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

OFFICES

183 South Beade Rd
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

408 West Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddell St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Obelin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

621 Main Street
Pineville, LA 71360
Phone (318) 442-4421
Fax (318) 442-8833

WEB SITE
WWW.KCSRPCAS.COM

INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

We have audited the accompanying financial statements of the business-type activities of St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 the 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 business-type activities of the Commission, as of September 30, 2009, and the changes in financial position, and 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 our report dated March 17, 2010, on our consideration of the Commission'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 should be considered in assessing the results of our audit.

The Commission 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.

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

Morgan City Louisiana
March 17, 2010

BASIC FINANCIAL STATEMENTS

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Balance Sheet
September 30, 2009

ASSETS

Current assets	
Cash and interest-bearing deposits	\$ 7,389
Receivables	
Accounts	138,238
Prepaid expenses	21,395
Restricted assets	
Cash and interest-bearing deposits	<u>1,060,235</u>
Total current assets	<u>1,227,257</u>
Noncurrent assets	
Restricted assets	
Cash and interest-bearing deposits	14,225
Capital assets	
Capital assets, net of accumulated depreciation	<u>1,030,903</u>
Total noncurrent assets	<u>1,045,128</u>
Other assets	
Deferred bond issue costs, net	<u>23,777</u>
Total assets	<u>\$2,296,162</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Balance Sheet (continued)
September 30, 2009

LIABILITIES AND NET ASSETS

Current liabilities	
Cash overdraft	\$ 33,220
Accounts payable	42,330
Due to other governmental units	198,119
Accrued liabilities	30,631
Payable from restricted assets	
Current maturities of bonds payable	55,000
Accrued interest	5,677
Refundable deposits	<u>14,085</u>
Total current liabilities	<u>379,062</u>
Long-term liabilities	
Water improvement bonds payable	295,000
General obligation bonds payable	<u>1,130,000</u>
Total long term liabilities	<u>1,425,000</u>
Total liabilities	<u>1,804,062</u>
Net assets	
Invested in capital assets, net of related debt	479,438
Unrestricted	<u>12,662</u>
Total net assets	<u>492,100</u>
Total liabilities and net assets	<u>\$ 2,296,162</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2009

OPERATING REVENUES

Ad valorem taxes - operating	\$ 430,099
Water sales	877,132
Sewer user and inspection fees	330,634
Commissions and fees for services	<u>45,863</u>
Total operating revenues	<u>1,683,728</u>

OPERATING EXPENSES

Salaries and related benefits	660,285
Supplies and materials	16,894
Operation and maintenance	285,990
Other services and charges	292,756
Plant operation	319,890
Depreciation	<u>56,617</u>
Total operating expenses	<u>1,632,432</u>
Operating income	<u>51,296</u>

NONOPERATING REVENUES (EXPENSES)

Ad valorem taxes - debt service	101,617
Bond interest and fiscal charges	(59,038)
Bond issue costs	(1,436)
Interest income	21,598
Intergovernmental capital grants	59,408
Intergovernmental transfers	(128,475)
Miscellaneous income	<u>1,279</u>
Total nonoperating revenue (expense)	<u>(5,047)</u>

Change in net assets 46,249

NET ASSETS, beginning, as restated 445,851

NET ASSETS, ending \$ 492,100

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows
Year Ended September 30, 2009

OPERATING ACTIVITIES

Revenue collected	\$ 1,241,527
Ad valorem tax receipts	430,099
Payments for goods and services	(1,013,908)
Payments to employees	<u>(660,285)</u>
Net cash used in operating activities	<u>(2,567)</u>

NONCAPITAL FINANCING ACTIVITIES

Proceeds from customer deposits	3,092
Miscellaneous receipts	1,279
Intergovernmental grants and transfers	(128,475)
Receipts from nonoperating taxes	<u>101,617</u>
Net cash used in noncapital financing activities	<u>(22,487)</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(136,161)
Intergovernmental grants	59,408
Interest and fiscal charges paid	(65,688)
Principal payments on bonds	<u>(62,000)</u>
Net cash used in capital and related financing activities	<u>(204,441)</u>

INVESTING ACTIVITIES

Interest received	<u>21,598</u>
Net decrease in cash	(207,897)
Cash and cash equivalents, beginning	<u>1,256,526</u>
Cash and cash equivalents, end	<u>\$ 1,048,629</u>

(continued)

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Statement of Cash Flows (continued)
Year Ended September 30, 2009

Reconciliation of operating income to net cash provided	
by operating activities:	
Operating income	\$ 51,296
Adjustment to reconcile operating income to net cash	
provided by operating activities -	
Depreciation	56,617
Changes in assets and liabilities:	
Receivables	(24,443)
Prepaid expenses and other assets	13,164
Accounts payable	(73,686)
Accrued liabilities	(7,128)
Due to other governmental entities	<u>(18,387)</u>
Net cash used in operating activities	<u>\$ (2,567)</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements

INTRODUCTION

The St. Mary Parish Water and Sewer Commission No. 4 ("Commission") was created under the provisions of Louisiana Revised Statutes 33:7831 by ordinance issued by the St. Mary Parish Council on January 10, 2007. The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sewerage treatment or disposal facilities and systems within a designated territory of St. Mary Parish. The Commission is governed by seven board members appointed by the St. Mary Parish Council.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

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

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Parish to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish.
2. Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the Parish 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

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements

The accounts of the Commission 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 proprietary fund is maintained consistent with legal and managerial requirements.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Proprietary Funds -

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's fund is an enterprise fund.

Enterprise funds

Enterprise 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 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.

C. 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

Business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (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 assets.

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

D. Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end, are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the statement of net assets. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$2,500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The range of estimated useful lives by type of asset is as follows:

Water system	20-50 years
Sewer System	50 years
Buildings	40 years
Improvements	20 years
Equipment and vehicles	5-10 years

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

Capitalized Interest

The Commission capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Compensated Absences

The Commission adopted an annual vacation and sick leave policy for all full time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate up to 120 days. Up to 90 days of sick leave may be paid as a termination benefit upon retirement.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists primarily of bonds payable.

Bond Issue Costs

Bond issue costs are being amortized by the straight-line method over the life of the related bond issue.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – 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 borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenses

Expenses are classified by function for business-type activities. Expenses are further classified as operating and nonoperating.

Proprietary funds report expenses relating to use of economic resources.

F. Budgets and Budgetary Accounting

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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2009, the Commission has cash and interest-bearing deposits (book balances) totaling \$1,048,629 as follows:

Cash on hand		\$ 1,730
Demand deposits		737,134
Time deposits		<u>309,765</u>
Total cash		<u><u>\$1,048,629</u></u>

Under state law, 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 Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2009, the Commission has \$1,148,975 in (bank balances) which are entirely secured from risk by federal deposit insurance and pledged securities as follows:

Bank balances		<u>\$1,148,975</u>
---------------	--	--------------------

At September 30, 2009, the deposits are secured as follows:

Federal deposit insurance		720,440
Pledged securities		<u>428,535</u>
Total		<u><u>\$1,148,975</u></u>

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. Since the Commission's total bank balances were fully insured, the deposits are not exposed to custodial credit risk.

(3) Restricted Assets

Restricted assets consisted of the following at September 30, 2009:

	<u>Cash</u>
Water improvement bonds	\$ 1,060,235
Customer security deposits	<u>14,225</u>
	<u>\$ 1,074,460</u>

This portion intentionally left blank

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(4) Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 13,323	\$ 3,110	\$ -	\$ 16,433
Capital assets being depreciated:				
Water system	31,324	44,836	-	76,160
Sewer system	520,832	32,628	-	553,460
Buildings	51,332	-	-	51,332
Improvements	314,200	6,580	-	320,780
Equipment and vehicles	37,881	49,007	-	86,888
Total capital assets being depreciated	<u>955,569</u>	<u>133,051</u>	<u>-</u>	<u>1,088,620</u>
Less accumulated depreciation for:				
Water system	1,764	3,903	-	5,667
Sewer system	4,768	26,496	-	31,264
Buildings	385	1,155	-	1,540
Improvements	5,513	14,556	-	20,069
Equipment and vehicles	5,103	10,507	-	15,610
Total accumulated depreciation	<u>17,533</u>	<u>56,617</u>	<u>-</u>	<u>74,150</u>
Total capital assets being depreciated, net	<u>938,036</u>	<u>76,434</u>	<u>-</u>	<u>1,014,470</u>
Capital assets, net	<u>\$ 951,359</u>	<u>\$ 79,544</u>	<u>\$ -</u>	<u>\$ 1,030,903</u>

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2009 totaled \$56,617.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(5) Deferred Bond Issue Costs

As described in Note 6, the Commission issued General Obligation Bonds, Series 2008 and Water Improvement Bonds, Series 2007 in a preceding year. Expenses, primarily legal fees, were incurred in connection with the issuance of the bonds. Accounting Principle Board Statement 21 requires such costs to be reported as deferred charges on the balance sheet and amortized from the date of sale until the maturity of the obligation.

At September 30, 2009, the Commission has unamortized deferred bond issue costs as follows:

	Water Improvement Bonds	General Obligation Bonds
Bond issue costs	\$ 5,600	\$ 21,422
Amortization recognized	(1,120)	(2,125)
	\$ 4,480	\$ 19,297

For the year ended September 30, 2009, amortization recognized for the Water Improvement and GO Bonds was \$373 and \$1,063 respectively.

(6) Changes in Long-Term Debt

The following is a summary of bond transactions of the Commission for the year ended September 30, 2009:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water Improvement Bonds, Series 2007	\$ 342,000	\$ -	\$ 27,000	\$ 315,000	\$ 20,000
General Obligation Bonds, Series 2008	1,200,000	-	35,000	1,165,000	35,000
	\$1,542,000	\$ -	\$ 62,000	\$1,480,000	\$ 55,000

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Bonds payable at September 30, 2009 are comprised of the following individual issues:

\$350,000 Water Improvement Bonds, Series 2007, dated 09/05/07; due in annual installments of \$16,000-\$30,000 through August 1, 2022; interest rate of 4.119% per annum, secured by system revenue. \$ 315,000

\$1,200,000 General Obligation Bonds, Series 2008, dated 03/01/08; due in annual installments of \$35,000-\$95,000 through March 1, 2028; interest rate of 3.94% per annum, secured by ad valorem taxation. \$1,165,000

The bonds are due as follows:

Year Ending September 30,	Water Improvement Bonds		General Obligation Bonds		TOTAL
	Principal	Interest	Principal	Interest	
2010	\$ 20,000	\$ 12,267	\$ 35,000	\$ 45,212	\$ 112,479
2011	20,000	11,875	40,000	43,734	115,609
2012	20,000	11,484	40,000	42,158	113,642
2013	21,000	11,092	45,000	40,483	117,575
2014	22,000	10,179	45,000	38,710	115,889
2015 - 2019	125,000	35,671	265,000	164,397	590,068
2020 - 2024	87,000	7,656	345,000	104,508	544,164
2025 - 2029	-	-	350,000	28,565	378,565
	<u>\$ 315,000</u>	<u>\$ 100,224</u>	<u>\$ 1,165,000</u>	<u>\$ 507,767</u>	<u>\$ 2,087,991</u>

(7) Employee Retirement

All full-time employees of the Commission participate in the Parochial Employees' Retirement System of Louisiana (Plan B). This system is a multiple-employer public retirement system (PERS) and is controlled and administered by a separate board of trustees.

Plan members are required to contribute 3.0 percent of their annual covered salary to the system while the Commission is required to contribute the statutory rate of 6.0 percent from Oct-Dec 2008 and 6.5 percent from Jan-Sept 2009 of the total annual covered salary. The Commission's contributions to the system for the years ended September 30, 2009, 2008, and 2007, were \$31,300, \$27,882, and \$5,740, respectively.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Parochial Employees' Retirement System, P. O. Box 14619, Baton Rouge, Louisiana 70898-4619.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(8) Contingencies

The Commission operates a sewerage plant, which is regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

(9) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$250 per month.

Thomas Ducote, President	\$ 2,275
Anthony Darden, Vice President	1,400
Willie Scott, Secretary/Treasurer	2,400
Julius Hebert	2,100
Stanley Pipes	800
Clarence Mathews	2,100
Stephanie Burney	2,100
Camile Punch	1,050
	<u>\$ 14,225</u>

(10) Related Party Activity

Parish of St. Mary ("Parish"):

Capital Transfers

The Parish transferred \$59,408 to the Commission for improvements to the St. Joseph lift station. Such transfers are recognized as a component of nonoperating revenue in the Commission's financial statements as Intergovernmental Revenue.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Consolidated Districts:

On January 12, 2007, the St. Mary Parish Council adopted Ordinance No. 1753 creating St. Mary Parish Water and Sewer Commission No. 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No. 6 of the Parish of St. Mary, Sewerage District No. 9 of the Parish of St. Mary, Sewerage District No. 7 of the Parish of St. Mary and portions of the boundaries of the previously abolished Sewerage District No. 10 of the Parish of St. Mary. On July 1, 2007, Water and Sewer Commission No. 4 began operations and effectively terminated the operations of Waterworks District No. 6, Sewerage District No. 9, and Sewerage District No. 7. The transfers between these entities and the Commission were as follows:

Transfers to St. Mary Parish Waterworks No.6	
Debt retirement	\$ (50,810)
Reserve fund	(2,594)
Contingency fund	(2,594)
Operating	<u>(245)</u>
Total transfers to St. Mary Parish Waterworks No. 6	<u>\$ (56,243)</u>
Transfers to St. Mary Parish Sewerage District No. 9	
Debt retirement	\$ (65,640)
Reserve fund	(3,296)
Contingency fund	<u>(3,296)</u>
Total transfers to St. Mary Parish Sewerage District No. 9	<u>\$ (72,232)</u>
Total	<u><u>\$ (128,475)</u></u>

(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 Commission is required to implement this standard for the fiscal year ending September 30, 2010. The Commission has not yet determined the full impact that adoption of GASB Statement 45 will have on the financial statements.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(12) Prior Period Adjustments

An error in the recognition of prior liabilities resulting in the overstatement of net assets in the Commission's previously issued financial statements has been corrected in the current year. This correction resulted in the following change to beginning net assets:

As previously reported	\$ 507,185
Restatement:	
Improper recognition of liabilities	<u>(61,334)</u>
As restated	<u>\$ 445,851</u>

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*

Tynes E. Mixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angella Scruggins, CPA
Christine L. Cousin, CPA
Mary T. Thibodeaux, CPA
Marshall W. Guidry, CPA
Alan M. Taylor, CPA
James R. Roy, CPA
Robert J. Metz, CPA
Kelly M. Doucet, CPA
Cheryl L. Bartley, CPA
Mandy B. Salf, CPA
Paul L. Delcambre, Jr., CPA
Wanda F. Arcement, CPA, CVA
Kristin B. Dauzat, CPA
Richard R. Anderson Sr., CPA
Carolyn C. Anderson, CPA

Retired:
Conrad O. Chapman, CPA* 2008
Harry J. Clostio, CPA 2007

* A Professional Accounting Corporation

OFFICES

183 South Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

450 East Main Street
New Iberia, LA 70560
Phone (337) 367-9204
Fax (337) 367-9208

113 East Bridge St.
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

200 South Main Street
Abbeville, LA 70510
Phone (337) 893-7944
Fax (337) 893-7946

1234 David Dr. Ste 203
Morgan City, LA 70380
Phone (985) 384-2020
Fax (985) 384-3020

1013 Main Street
Franklin, LA 70538
Phone (337) 828-0272
Fax (337) 828-0290

408 West Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

133 East Waddill St.
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

332 West Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

621 Main Street
Pineville, LA 71360
Phone (318) 442-4421
Fax (318) 442-9833

WEB SITE
WWW.KGSRCPAS.COM

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*

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

We have audited the financial statements of the business-type activities of the St. Mary Parish Water and Sewer Commission No. 4, (hereinafter "Commission"), as of and for the year ended September 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 17, 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 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 consider 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 Commission'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 Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies identified as items 2009-01 and 2009-02 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 Commission's internal control.

Our consideration of 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 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 2009-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the 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 these 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
March 17, 2010

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2009

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

Significant deficiencies in internal control were disclosed by the audit of the financial statements and one of the conditions is considered a material weakness.

The audit disclosed no instances of noncompliance required to be reported under *Government Auditing Standards*.

A management letter was not issued.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2009

Part II. Findings required to be reported in accordance with *Government Auditing Standards*:

A. Internal Control

2009-01 - 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

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2009

2009-02 - 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.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2009

B. Compliance

No instances of noncompliance were noted in current year.

Part III. Findings and questioned costs for Federal awards defined in OMB Circular A-133, §510(a)

The requirements of OMB Circular A-133 are not applicable for the year ended September 30, 2009.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2009

A. Internal Control Findings-

2008-01 Finding: Accounting and financial functions are not adequately segregated.

Status: See current year finding 2009-01.

2008-02 Finding: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

Status: See current year finding 2009-02.

B. Compliance Finding-

2008-03 Finding: The security requirements for deposits in excess of insured limits were not satisfied in accounts maintained with Regions Bank.

Status: The finding has been corrected.

2008-04 Finding: The Commission paid the August 2008 bond and interest payment to Patterson State Bank.

Status: The finding has been corrected.

ST. MARY PARISH WATER AND SEWER COMMISSION NO. 4
Charenton, Louisiana

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2009

Response to Finding 2009-01:

No response is considered necessary.

Response to Finding 2009-02:

The Commission has evaluated the cost/benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and has determined that it is in the best interest of the Commission 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.