

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

Financial Statements

Year Ended September 30, 2012

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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 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, 2012, 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 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 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 the major fund of the District as of September 30, 2012, 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 also issued our report dated February 14, 2013, 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 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.

Accounting principles generally accepted in the United States of America require that budgetary comparison information be presented to supplement the basic financial statements. Such 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the budgetary comparison information on pages 23 and 24 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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 an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Morgan City, Louisiana
February 14, 2013

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Statement of Net Assets
September 30, 2012

	Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 11,121
Interest-bearing deposits, at cost	2,780,506
Receivables -	
Accrued interest	927
Due from other governments	4,725
Other	70
Prepaid expenses	15,882
Total current assets	2,813,231
Noncurrent assets:	
Capital assets, net of accumulated depreciation	3,366,856
Total assets	6,180,087
LIABILITIES	
Current liabilities:	
Accounts payable	37,835
Accrued liabilities	11,459
Bonds payable	190,000
Due to other governments	625
Total current liabilities	239,919
Noncurrent liabilities:	
Bonds payable, less current portion	2,565,000
Total liabilities	2,804,919
NET ASSETS	
Invested in capital assets, net of related debt	611,856
Restricted for debt service	1,087,331
Unrestricted	1,675,981
Total net assets	\$ 3,375,168

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, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues And Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
Drainage works	\$ 820,617	\$ -	\$ -	\$ (820,617)
				General revenues:
				Ad valorem taxes
				1,122,463
				Intergovernmental
				74,631
				Interest income
				4,257
				Miscellaneous
				5,754
				<u>1,207,105</u>
				Total general revenues
				<u>1,207,105</u>
				Change in net assets
				386,488
				Net assets -- beginning of year
				<u>2,988,680</u>
				Net assets -- end of year
				<u>\$ 3,375,168</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, 2012

ASSETS	General	Debt Service	Total Governmental Funds
Cash	\$ 11,121	\$ -	\$ 11,121
Interest-bearing deposits, at cost	1,684,318	1,096,188	2,780,506
Receivables -			
Accrued interest	883	44	927
Due from other governments	4,725	-	4,725
Other	39	31	70
Prepaid expenditures	15,882	-	15,882
Total assets	1,716,968	\$ 1,096,263	\$2,813,231
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	37,835	\$ -	\$ 37,835
Accrued liabilities	2,527	-	2,527
Due to other governments	625	-	625
Total liabilities	40,987	-	40,987
Fund balances:			
Nonspendable	15,882	-	15,882
Restricted for debt service	-	1,096,263	1,096,263
Unassigned	1,660,099	-	1,660,099
Total fund balances	1,675,981	1,096,263	2,772,244
Total liabilities and fund balances	\$1,716,968	\$ 1,096,263	\$2,813,231

(continued)

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

Balance Sheet (continued)
Governmental Funds
September 30, 2012

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

Total fund balances for governmental funds at September 30, 2012		\$2,772,244
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 \$1,462,866 accumulated depreciation	\$3,275,136	
Equipment, net of \$90,680 accumulated depreciation	51,576	
Improvements, net of \$2,470 accumulated depreciation	<u>40,144</u>	3,366,856
Long-term liabilities at September 30, 2012		
Bonds payable	(2,755,000)	
Accrued interest payable	<u>(8,932)</u>	<u>(2,763,932)</u>
Total net assets of governmental activities at September 30, 2012		<u>\$3,375,168</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, 2012

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 531,991	\$ 590,472	\$1,122,463
Intergovernmental	74,631	-	74,631
Interest income	3,693	2,061	5,754
Miscellaneous	4,257	-	4,257
Total revenues	<u>614,572</u>	<u>592,533</u>	<u>1,207,105</u>
Expenditures:			
Current -			
Drainage works	507,602	19,524	527,126
Debt Service -			
Principal	-	180,000	180,000
Interest and fiscal charges	-	111,915	111,915
Capital Outlay	2,200	-	2,200
Total expenditures	<u>509,802</u>	<u>311,439</u>	<u>821,241</u>
Net change in fund balances	104,770	281,094	385,864
Fund balances, beginning	<u>1,571,211</u>	<u>815,169</u>	<u>2,386,380</u>
Fund balances, ending	<u>\$1,675,981</u>	<u>\$1,096,263</u>	<u>\$2,772,244</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, 2012

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	\$ 385,864
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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.

Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,200	
Depreciation expense for the year ended September 30, 2012	<u>(182,176)</u>	(179,976)

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.	180,000
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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>600</u>
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Total changes in net assets at September 30, 2012 per Statement of Activities	<u>\$ 386,488</u>
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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 Parish of St. Mary, 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 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. Equity Classifications

Government-wide Financial Statements

Equity is classified as net assets and displayed in three components

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

Fund Financial Statements

Fund balance for the District’s governmental fund is displayed in the following classifications depicting the relative strength of the spending constraints places on the purposes for which resources can be used:

1. Nonspendable - amounts that cannot be spent either because they are in nonspendable form (such as prepaid amounts) or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
3. Committed - amounts that can be used only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. Commitments may be established, modified, or rescinded only through formal actions by the Board of Commissioners.
4. Assigned - amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned - amounts that are available for any purpose.

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

Notes to Basic Financial Statements (continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners have provided otherwise in its commitment or assignment actions.

H. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the policy of the District is to use restricted resources first, then unrestricted resources as needed.

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, 2012, the District has cash and interest-bearing deposits (book balances) totaling \$2,791,627 as follows:

Demand deposits	\$ 11,121
Money market accounts	1,953,675
Time deposits	<u>826,831</u>
Total	<u>\$2,791,627</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

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. As of September 30, 2012, the District has \$2,795,367 in deposits (bank balances). These deposits are entirely secured from risk by federal deposit insurance and therefore, not exposed to custodial credit risk.

(3) 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, 2012, taxes of 10.45 mills were levied on property with assessed valuations totaling \$107,969,370 and were dedicated as follows:

Maintenance and operations	3.20 Mills
Construction and maintenance	2.00 Mills
Debt service	5.25 Mills

Total taxes assessed were \$1,128,280. Total taxes receivable at September 30, 2012 was \$83.

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

Notes to Basic Financial Statements (continued)

(4) Capital Assets

Capital asset activity as of and for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Drainage property	\$ 4,738,002	\$ -	\$ -	\$ 4,738,002
Equipment	142,256	-	-	142,256
Improvements other than buildings	40,414	2,200	-	42,614
Total capital assets	4,920,672	2,200	-	4,922,872
Less accumulated depreciation:				
Drainage property	(1,268,571)	(194,295)	-	(1,462,866)
Equipment	(101,194)	10,514	-	(90,680)
Improvements other than buildings	(4,075)	1,605	-	(2,470)
Total accumulated depreciation	(1,373,840)	(182,176)	-	(1,556,016)
Total capital assets, being depreciated, net	3,546,832	(179,976)	-	3,366,856
Total capital assets, net	\$ 3,546,832	\$ (179,976)	\$ -	\$ 3,366,856

Depreciation expense in the amount of \$182,176 was charged to drainage works.

(5) Accrued Liabilities

The accrued liabilities consisted of the following at September 30, 2012:

	Governmental Activities
Payroll taxes payable	\$ 2,527
Interest payable	8,932
Total accrued liabilities	\$ 11,459

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

Notes to Basic Financial Statements (continued)

(6) Changes in Long-Term Debt

	<u>Balance</u> <u>10/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2012</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	<u>\$ 2,935,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$2,755,000</u>	<u>\$ 190,000</u>

Bonds payable at September 30, 2012, 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%

\$ 2,755,000

The general obligation bond issue is secured by a pledge and dedication of a debt service bond millage and is being liquidated through the District's debt service fund.

The annual requirements to amortize all debt outstanding as of September 30, 2012 are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	190,000	103,388	293,388
2014	200,000	96,038	296,038
2015	210,000	88,708	298,708
2016	225,000	80,878	305,878
2017	235,000	72,480	307,480
2018-2022	1,375,000	205,191	1,580,191
2022-2023	<u>320,000</u>	<u>13,280</u>	<u>333,280</u>
	<u>\$ 2,755,000</u>	<u>\$ 659,963</u>	<u>\$ 3,414,963</u>

Interest expense in the amount of \$110,788 was charged to drainage works.

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

Notes to Basic Financial Statements (continued)

(7) Fund Balance

Fund balance is classified as nonspendable, restricted, committed, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints places on fund balance for the major governmental funds are presented as follows:

	General	Debt Service
Fund balances:		
Nonspendable -		
Prepaid expenditures	\$ 15,882	\$ -
Restricted for -		
Debt service	-	1,096,263
Unassigned	1,660,099	-
Total fund balances	\$ 1,675,981	\$ 1,096,263

(8) Compensation Paid to Board Members

For the year ended September 30, 2012, the following individuals served on the Board of Commissioners and received a per diem allowance as follows:

William Hidalgo, Jr.	\$ 660
Lee Felterman	660
Barry Broussard	660
Mike Ortiz	660
Jeffery LaGrange	600
Glen Elliott	600
Tony Hensgens	600
Total	\$ 4,440

(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, 2012, amounted to \$10,370.

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

Notes to Basic Financial Statements (continued)

(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, 2012. Settled claims have not exceeded the commercial coverage in any of the previous three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund
Budgetary Comparison Schedule
Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 453,783	\$ 534,000	\$ 531,991	\$ (2,009)
Intergovernmental-				
State of Louisiana-				
State Revenue Sharing	45,685	75,000	74,631	(369)
Miscellaneous	6,506	6,300	7,950	1,650
Total revenues	<u>505,974</u>	<u>615,300</u>	<u>614,572</u>	<u>(728)</u>
Expenditures:				
Current -				
Drainage works:				
Advertising	900	900	932	(32)
Deductions from ad valorem taxes	15,728	17,591	17,590	1
Electrical	500	500	451	49
Engineering	-	-	-	-
Insurance	32,000	32,000	32,960	(960)
Maintenance and repairs	80,000	172,000	193,942	(21,942)
Miscellaneous	-	100	80	20
Natural gas	65,000	60,000	64,878	(4,878)
Office supplies	200	400	360	40
Payroll tax expense	7,750	9,500	10,370	(870)
Per diem - board	4,080	4,560	4,440	120
Professional fees	5,040	6,100	6,085	15
Salaries and wages	170,000	120,775	131,425	(10,650)
Supplies	18,000	39,000	36,459	2,541
Car & truck	-	6,300	6,300	-
Telephone	12,000	1,400	1,330	70
Total drainage works	411,198	471,126	507,602	(36,476)
Capital outlay	-	2,200	2,200	-
Total expenditures	<u>411,198</u>	<u>473,326</u>	<u>509,802</u>	<u>(36,476)</u>
Net change in fund balance	94,776	141,974	104,770	(37,204)
Fund balance, beginning	<u>1,480,689</u>	<u>1,288,206</u>	<u>1,571,211</u>	<u>283,005</u>
Fund balance, ending	<u>\$1,575,465</u>	<u>\$1,430,180</u>	<u>\$ 1,675,981</u>	<u>\$ 245,801</u>

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

Notes 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.

(2) 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. 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.

(3) Excess of expenditures over appropriations

For the year ended September 30, 2012, expenditures exceed appropriations in the General Fund. The excess expenditures were covered by available fund balance in the fund.

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

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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 the major fund of 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 20, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2013. 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

Management of the District is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results and findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2012-1 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 tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit results and findings as item 2012-2.

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

This report is intended solely for the information and use of the District's Board of Commissioners, management and others within the organization, the St. Mary Parish Council and the Louisiana Legislative Auditor, 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
February 14, 2013

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

Schedule of Audit Results and Findings
Year Ended September 30, 2012

Part I: Summary of Auditor's Results

Financial Statements

- i.* An unqualified opinion was issued on the financial statements of the District's governmental activities and the major fund (General Fund).
- ii.* A deficiency in internal control over financial reporting was disclosed by the audit of the financial statements and the condition is considered a material weakness.
- iii.* A material instance of noncompliance required to be reported in accordance with *Government Auditing Standards* is included in Part II of this schedule.
- iv.* 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, 2012

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

A. Internal Control

2012-1 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: *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. The District’s internal control over financial reporting includes those policies and procedures that pertain to the District’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, 2012

B. Compliance

2012-2 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 for a political subdivision subject to public participation shall advise the governing authority or independently elected official in writing when:

(1) Total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more.

(2) Total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses 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 fund balance is being used to fund current year 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.

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, 2012

A. Internal Control –

2011-1 – 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 2012-1.

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, 2012

2012-1 - Segregation of Duties:

CONDITION: Accounting and financial functions are not adequately segregated

MANAGEMENT'S RESPONSE: Not considered necessary

2012-2 – 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.