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

**ANNUAL FINANCIAL REPORT**

June 30, 2004

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 2-23-05

**St. Martin Parish Waterworks District No. 4**  
Catahoula, Louisiana

June 30, 2004

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# MARAIST & MARAIST

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the Waterworks District No. 4 of St. Martin Parish, Louisiana, a component unit of the St. Martin Parish Government, as of and for the year ended June 30, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Waterworks District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Waterworks District No. 4 of St. Martin Parish, Louisiana, as of June 30, 2004, and the results of its operations and cash flows of its proprietary fund type, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As described in Note 1 to the general purpose financial statements, Waterworks District No. 4 adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of June 30, 2004. This results in a change in the format and content of the general purpose financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2005 on our consideration of the Waterworks District No. 4 of St. Martin Parish, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Waterworks District No. 4 of St. Martin Parish, Louisiana 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 general purpose financial statements.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Waterworks District No. 4 of St. Martin Parish, Louisiana, taken as a whole. The information listed as "Supplemental Information" in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

  
MARAIST & MARAIST  
CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2005

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
**STATEMENT OF NET ASSETS**  
June 30, 2004

Exhibit A

<u>ASSETS</u>	<u>6/30/04</u>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 10,990
Accounts receivable-customers	28,862
Prepaid expenses	9,171
Insurance deposits	<u>1,138</u>
Total current assets	\$ 50,161
<b>Noncurrent Assets:</b>	
Restricted cash and cash equivalents	\$ 1,539
Capital Assets, at cost, net of accumulated depreciation of \$581,842 at 6/30/04	<u>\$2,799,853</u>
<b>TOTAL ASSETS</b>	<u>\$2,851,553</u> =====

LIABILITIES AND NET ASSETS

<b>Current Liabilities (payable from current assets):</b>	
Accounts payable	\$ 15,626
Sales tax payable	<u>120</u>
Total current liabilities	<u>\$ 15,746</u>
<b>Current Liabilities (payable from restricted assets):</b>	
Customer deposits	\$ 31,318
Accrued interest payable	8,092
Notes payable-RDA (current portion)	<u>22,313</u>
Total restricted liabilities	<u>\$ 61,723</u>
<b>Long-Term Liabilities:</b>	
Notes Payable-RDA (long-term portion)	<u>\$2,256,411</u>
<b>TOTAL LIABILITIES</b>	<u>\$2,333,880</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	\$ 513,037
Restricted for debt service/contingency	1,539
Unrestricted	<u>3,097</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 517,673</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$2,851,553</u> =====

The accompanying notes are an integral part of this statement.

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS**

For the Year Ended June 30, 2004

Exhibit B

	<u>FYE 6/30/04</u>
<u>OPERATING REVENUES:</u>	
Water sales	\$ 270,190
Installation/connection charges	18,200
Penalties & late charges	11,666
Miscellaneous revenues	<u>3,650</u>
 TOTAL OPERATING REVENUES	 \$ <u>303,706</u>
<u>OPERATING EXPENSES:</u>	
Water purchased	\$ 35,002
Salaries	67,300
Payroll taxes	5,564
Insurance expense	15,102
Repair and maintenance	19,645
Depreciation expense	76,889
Chemicals and lime	12,634
Professional fees	6,219
Supplies	15,390
Telephone	3,465
Utilities	10,175
Safe water program testing	4,695
Office expense	5,441
Automotive Expense	2,574
Miscellaneous expenses	<u>1,720</u>
 TOTAL OPERATING EXPENSES	 \$ <u>281,815</u>
 OPERATING INCOME/(LOSS)	 \$ 21,891
<u>NON-OPERATING REVENUES/(EXPENSES)</u>	
USDA capital improvement grant	208,595
Interest expense	<u>(114,577)</u>
 TOTAL NON-OPERATING REVENUES/(EXPENSES)	 \$ <u>94,018</u>
 CHANGE IN NET ASSETS	 \$ 115,909
NET ASSETS, BEGINNING	<u>401,764</u>
NET ASSETS, ENDING	<u>\$ 517,673</u> =====

The accompanying notes are an integral part of this statement.

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4  
STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2004

Exhibit C

	<u>FYE 6/30/04</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 298,506
Payments to suppliers	(85,623)
Payments to employees	(67,300)
Other receipts/(payments)	<u>(53,149)</u>
Net cash provided/(used) by operating activities	<u>\$ 92,434</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Customer deposits received	<u>\$ 325</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Repayment of loan principal	\$ (16,276)
Reduction in contracts payable	(51,225)
Capital grant proceeds received	259,820
Acquisition of capital assets	(161,746)
Interest paid on bonds/notes payable	<u>(185,293)</u>
Net cash provided by capital and related financing activities	<u>\$ (154,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>\$ -0-</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>\$ (61,961)</u>
<b>CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR</b>	<u>74,490</u>
<b>CASH AND CASH EQUIVALENTS-END OF YEAR</b>	<u>\$ 12,529</u> =====

The accompanying notes are an integral part of this statement.

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4  
STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2004

Exhibit C  
(continued)

FYE 6/30/04

RECONCILIATION OF OPERATING INCOME/(LOSS) TO  
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES

Operating income/(loss)	\$ 21,891
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:	
Depreciation expense	76,889
Changes in net assets and liabilities:	
Receivables, net	(5,200)
Prepaid expenses	(1,100)
Accounts payable	6,163
Accrued liabilities	<u>(6,209)</u>
Net cash provided/(used) by operating activities	\$ 92,434 =====

The accompanying notes are an integral part of this statement.



**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

(1) GENERAL STATEMENT & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Waterworks District No. 4 of St. Martin Parish, Louisiana is a political subdivision of the St. Martin Parish Government. The waterworks district was established in 1999 under the provisions of Louisiana Revised Statute 33:3811-3821 to acquire and make improvements to the Catahoula Water System in order to provide the rural St. Martin Parish areas of Catahoula and Isle Labbe with a quality water supply and distribution system to supply rural residents with potable drinking water for domestic, livestock, garden, industrial and commercial purposes. The basic operations of the Waterworks District are financed by charges to customers based upon water consumption. The Waterworks District is governed by a board of control which is appointed by the parish government. The members of the board of control serve without compensation.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Waterworks District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board(GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Government Units", and by the Financial Accounting Standards Board(when applicable). As allowed in Section P80 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards", the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

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

(A) Reporting Entity

These financial statements present the activities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, which is a component unit of the St. Martin Parish Government. As defined by GASBS No. 14, component units are legally

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

separate entities that are included in the Parish Government's reporting entity because of the significance of their operating or financial relationships with the Parish Government.

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

The Statement of Net Assets displays information on all of the non-fiduciary activities of the St. Martin Parish Waterworks District No. 4, as a whole. It includes the proprietary fund of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

(C) Fund Accounting

The accounts of the St. Martin Parish Waterworks District No. 4 are organized in one fund, which is considered a separate accounting entity. The operations of the fund are accounted for by self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. The fund presented in the financial statements is described as follows:

**1. Proprietary Fund**

Proprietary funds are used to account for operations that are financed and operated in a manner where the intent of the governing body is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

(D) Measurement Focus and 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

On the Statement of Net Assets, business-like activities are presented using the economic resources measurement focus. The proprietary fund utilizes an "economic resources measurement focus. The accounting objectives of this

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

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

In the Statement of Net Assets, business-like activities are presented using 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. Unbilled and billed utility receivables are recorded at year-end. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Purchases of operating supplies are regarded as expenditures at the time purchased and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year, unless material.

Proprietary funds are reported in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting". This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, be applied to proprietary activities unless they conflict with or contradict GASB pronouncements. For the fiscal year ended June 30, 2004, St. Martin Parish Waterworks District No. 4 implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result an entirely new financial presentation format has been implemented.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for sales or services. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

GASB Statement No. 20 also states that for proprietary activities, management may elect to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the District have elected not to apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

**(E) Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Waterworks District No. 4 considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents on deposit with banks are fully secured through the pledge of bank-owned securities or federal deposit insurance. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

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

	<u>Book Balance</u>
Demand Deposits	\$ 12,529
	=====

Deposits with banks are categorized to give an indication of the level of risk at June 30, 2004 as follows:

	<u>Bank Balance</u>
Federal Insurance(FDIC)	\$ 27,297
	=====

**(F) Accounts Receivable and Uncollectible Charges**

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

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

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

<u>Days</u>	<u>Amounts</u>	<u># of Accounts</u>
0-90	\$ 5,059	47
91 and older	84	1
Unbilled receivables	<u>23,719</u>	899
Total	\$28,862	
	=====	

Breakdown of Customers:

Residential	847
Commercial	<u>52</u>
Total	899
	===

Current Water Rates:

Residential - \$13.50/2,000 Gal. + \$2.85/add'l. 1,000 Gal.  
Commercial - \$48.00/4,000 Gal. + \$2.50/add'l. 1,000 Gal.

(G) Capital Assets

Capital assets purchased or acquired with an original cost of \$300 or more are reported at historical costs or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

Interest costs during construction are not capitalized.

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

(H) Budget Accounting

The St. Martin Parish Waterworks District No. 4 is not required to adopt a budget for its proprietary fund.

(I) Encumbrances

The St. Martin Parish Waterworks District No. 4 does not employ the encumbrance system of accounting.

(J) Vacation and Sick Leave

The St. Martin Parish Waterworks District No. 4 has four employees. Employees earn one week of vacation after one year of service. They earn two weeks of vacation after five years of service. Vacation may not be accumulated. Employees are compensated at their hourly rate when sick.

(2) Restricted Assets

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

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

From the remaining funds in the General Revenue Account there shall be set aside into an account designated as the Reserve Account the sum of \$531 each month until there is accumulated in that account the sum of \$127,235 after which deposits may be suspended, except to replace withdrawals.

The customers' deposits accounts represent refundable deposits collected from customers requesting service connection. The customer deposit account totaled \$1,501 at June 30, 2004. There is an amount due the customer deposit account from the General Revenue Account in the amount of \$22,671 at June 30, 2004.

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

(3) Property, Plant and Equipment

Property, plant and equipment and the related accumulated depreciation for the year ended June 30, 2004 are as follows:

<u>Description</u>	<u>Balance</u> <u>6/30/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/04</u>
Water System	\$3,112,762	\$133,745	\$ -0-	\$3,246,507
Vehicles	24,800	-0-	-0-	24,800
Office Equipment	8,909		-0-	8,909
Office/Building	71,879		-0-	71,879
Land	<u>1,600</u>	<u>28,000</u>	<u>-0-</u>	<u>29,600</u>
Subtotal	<u>\$3,219,950</u>	<u>\$161,745</u>	<u>\$ -0-</u>	<u>\$3,381,695</u>
Accumulated Depreciation:				
Water System	\$ 451,988	\$ 67,119	\$ -0-	\$ 519,107
Vehicles	5,797	4,960	-0-	10,757
Office Equipment	3,200	1,336	-0-	4,536
Office/Building	43,968	3,474	-0-	47,442
Land	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Subtotal	<u>\$ 504,953</u>	<u>\$ 76,889</u>	<u>\$ -0-</u>	<u>\$ 581,842</u>
Totals	<u>\$2,714,997</u>	<u>\$ 84,856</u>	<u>\$ -0-</u>	<u>\$2,799,853</u>

(4) Long-Term Obligations

The following is a summary of the long-term debt transactions and balances of the Waterworks District No. 4 as of and for the year ended June 30, 2004:

\$2,295,000 Water Revenue Bonds, due in monthly installments of \$10,602.90 through Sept. 20, 2042, bearing interest of 4 5/8%, to be retired from excess annual water revenues.

Balance-6/30/03	\$2,295,000
Principal reductions	<u>(16,276)</u>
Balance-6/30/04	<u>\$2,278,724</u>

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

The annual requirements to amortize revenue bonds outstanding at June 30, 2004, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Totals</u>
2005	\$ 127,235
2006	127,235
2007	127,235
2008	127,235
2009	127,235
2010-2014	636,174
2015-2019	636,174
2020-2024	636,174
2025-2029	636,174
Thereafter	<u>1,685,861</u>
Total principal & interest	\$4,866,732
Less: Interest	<u>2,588,008</u>
Balance at June 30, 2004	<u>\$2,278,724</u> =====

(5) RETIREMENT PLANS

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

(5) SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

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

(6) RISK MANAGEMENT

The Waterworks District is exposed to risks of loss in the areas of health care, workers' compensation, general and auto liability, and property hazards. These risks are handled by purchasing commercial insurance. There have been no significant reductions in these insurance coverages during



**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2004

the current fiscal year, nor have settlements exceeded insurance coverage for the current or prior two fiscal years.

The Waterworks District was protected by insurance as follows:

Fire and Extended Coverage (Subject to 90% co-insurance) on water treatment plant, tower, tank, service pump and buildings, with policy expiration date of April 12, 2005.

Fire hydrants  
Water pump and controls  
Well controls

Total	\$ 478,682 =====
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Flood Insurance-Expiration date of November 26, 2004.

Building	\$ 61,300 =====
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Contents	\$ 5,900 =====
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Comprehensive general and automobile liability as follows, with policy expiration date of August 14, 2004:

Bodily Injury:	
Each Person	\$ 300,000
Each Accident	\$ 300,000
Property Damage	\$ 300,000

Standard Workmen's compensation with limits of \$100,000/\$500,000/\$100,000

Employee's Fidelity Bond-Renewable December 15, 2004:

Inclusive of all employees	\$ 55,000 =====
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(6) LITIGATION

There is no litigation pending against the Waterworks District at June 30, 2004. Furthermore, the Waterworks District's management believes that any potential lawsuits would be adequately covered by insurance.

# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Waterworks District No. 4 of St. Martin Parish, Louisiana, as of June 30, 2004 and for the year then ended, and have issued our report thereon dated January 14, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Waterworks District No. 4 of St. Martin Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 two instances of non-compliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings, questioned costs, and management's corrective action plan as items 04-1 and 04-2.

### Internal Control Over Financial Reporting

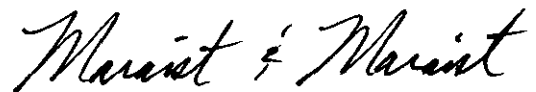
In planning and performing our audit, we considered the Waterworks District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

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

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Waterworks District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings, questioned costs, and management's corrective action plan as item 04/3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition identified above is not a material weakness.

This report is intended solely for the information and use of the management, board members, others within the organization, federal awarding agencies and pass-through entities of the Waterworks District No. 4 of St. Martin Parish, Louisiana. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.



MARAIST AND MARAIST  
CERTIFIED PUBLIC ACCOUNTANTS

January 14, 2005

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
FOR THE YEAR ENDED JUNE 30, 2004

<u>FEDERAL GRANTOR/PASS-THRU GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
None		

The Waterworks District No. 4 of St. Martin Parish, Louisiana has a single revenue bond/loan outstanding with USDA Rural Development at June 30, 2004 as follows:

<u>Revenue Bond</u>	<u>Outstanding Balance</u>
Series R-1	\$2,278,724 =====

**WATERWORKS DISTRICT NO. 4**  
of St. Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs  
and Management's Corrective Action Plan**  
Year Ended June 30, 2004

Part I: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the St. Martin Parish Waterworks District No. 4.
2. Two instances of noncompliance relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. One reportable condition relating to the audit of the financial statements was reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
4. There was no single audit required under OMB Circular A-133.

Part II: 2004 FINDINGS-FINANCIAL STATEMENT AUDIT

Compliance:

04/1-Noncompliance with Office of Rural Development  
loan reserve requirements.

Condition

At June 30, 2004, stipulated Rural Development Loan reserve balances are deficient and in arrears in the aggregate amount of \$4,248.

Criteria

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

**WATERWORKS DISTRICT NO. 4**  
of St. Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs  
and Management's Corrective Action Plan**  
Year Ended June 30, 2004

Cause

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

Effect

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

Recommendation

As additional cash flows are generated thru future operating revenues, supplemental additions to the reserve fund should be made, to bring the reserve balances into compliance with the loan agreement levels.

04/2-Noncompliance with (LSA-R.S. 24:513)

Condition

The St. Martin Parish Waterworks District No. 4 did not comply with the requirements of Louisiana Revised Statute 24:513.

Criteria

This statute requires that annual audited financial statements be completed within six months of the close of the entity's fiscal year.

Cause

Conversion of financial statement presentation to the GASB 34 reporting format produced considerable delay in the projected audit completion date. This was coupled with an unanticipated severe illness on the part of the audit staff principal in late December, 2004 which significantly compounded the delay in report submission.

**WATERWORKS DISTRICT NO. 4**  
of St. Martin Parish, Louisiana

**Schedule of Findings, Questioned Costs  
and Management's Corrective Action Plan**  
Year Ended June 30, 2004

Effect

Failure to meet the financial reporting due dates proscribed by LSA R. S. 24:513.

Recommendation

Future audit scheduling should be advanced to insure that sufficient completion time will be allowed to meet any unforeseen circumstances that may unexpectedly occur.

Internal Control:

04/3-Inadequate Segregation of Accounting Duties

Finding:

Due to the small number of employees, the Waterworks District No. 4 did not have adequate segregation of functions within the accounting system.

Management's Corrective Action Plan:

The Waterworks District No. 4 has determined that it is not cost effective to completely segregate accounting functions. However, management will periodically review the financial records to insure that their integrity is maintained. No management plan beyond this periodic review is considered necessary.

Part III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Part IV: MANAGEMENT LETTER

None

**WATERWORKS DISTRICT NO. 4**  
of St. Martin Parish, Louisiana

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2003

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

03/1-Inadequate Segregation of Accounting Functions

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

Part II: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No prior year findings.

Part III: MANAGEMENT LETTER

No prior year findings.



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ST. MARTIN PARISH WATER  
DISTRICT #4

CORRECTIVE ACTION PLAN

February 15, 2005

Louisiana Legislative Auditor  
P. O. Box 94397  
Baton Rouge, LA 70804-9397

The Waterworks District No. 4 of St. Martin Parish, Louisiana respectfully submits the following corrective action plan for the year ended June 30, 2004.

Name and address of independent public accounting firm: Maraist & Maraist, CPA's-1411 N. Main Street-St. Martinville, LA 70582.

Audit period: Year ended June 30, 2004

The findings from the 2004 audit report are discussed below. The findings are numbered consistently with the numbers assigned in the report.

FINDINGS

04/1 Non-Compliance with Office of Rural Development loan reserve requirements.

Action Taken: The Waterworks District No. 4 has implemented a revised water rate billing schedule, which when coupled with a reduction in water production costs associated with an agreement by the St. Martin Parish Government to provide excess water at a reduced cost, the Waterworks District plans to restore loan reserves to required levels by June 30, 2005.

04/2 Non-Compliance with LSA-R.S. 24:513

Action Taken: The governing board of the Waterworks District No. 4 of St. Martin Parish will work with the independent auditors to accelerate the annual scheduling of audit work, and move up the date of the annual meeting of the directors of the waterworks district, in order to allow sufficient lead time should unanticipated events delay projected completion and approval of the annual financial audit.

04/3 Inadequate Segregation of Accounting Duties

Action Taken: No management action was considered necessary.

Sincerely,

*Melanie C. Albert*

Waterworks District No. 4 of  
St. Martin Parish, Louisiana