

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana

ANNUAL FINANCIAL REPORTS

Years Ended December 31, 2020 and 2019

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana

December 31, 2020

CONTENTS

	<u>Exhibit</u>	<u>Page No.</u>
Independent Auditors' Report		1-3
Basic Financial Statements:		
Statements of Net Position	A	4
Statements of Revenues, Expenses and Changes in Net Position	B	5
Statements of Cash Flows	C	6
Notes to Basic Financial Statements		7-18
Other Information		19
Schedule of Compensation, Benefits and Other Payments to Agency Head		20
Internal Control, Compliance and Other Matters:		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		21-22
Schedule of Findings, Questioned Costs and Management's Corrective Action Plan		23-24
Summary Schedule of Prior Findings		25

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INDEPENDENT AUDITORS' REPORT

To the Board Members of the Waterworks
District No.3 of St. Martin Parish, LA
Cade, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the St. Martin Parish Waterworks District No. 3, a component unit of the St. Martin Parish Government, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the St. Martin Parish Waterworks District No. 3 as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

The St. Martin Parish Waterworks District No. 3 has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

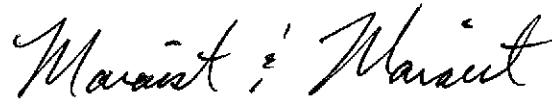
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Martin Parish Waterworks District No. 3's basic financial statements. The *Schedule of Compensation, Benefits, and Other Payments to Agency Head* on pages 19-20 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *Schedule of Compensation, Benefits, and Other Payments to Agency Head* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted

in the United States of America. In our opinion, the *Schedule of Compensation, Benefits, and Other Payments to Agency Head* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2021 on our consideration of the St. Martin Parish Waterworks District No. 3'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* in considering the District's internal control over financial reporting and compliance.



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St. Martinville, Louisiana
June 15, 2021

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3
STATEMENTS OF NET POSITION
December 31, 2020 and 2019

Exhibit A
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

<u>ASSETS</u>	<u>12/31/20</u>	<u>12/31/19</u>
Current Assets:		
Cash and cash equivalents	\$ 109,700	\$ 73,883
Accounts receivable	56,722	49,998
Prepaid expenses	7,666	7,322
Total current assets	\$ 174,088	\$ 131,203
Noncurrent Assets:		
Restricted cash and cash equivalents	837,058	782,525
Capital Assets, at cost, (net of accumulated depreciation of \$1,619,659 at 12/31/20 and \$1,505,483 at 12/31/19)	3,013,133	3,123,224
TOTAL ASSETS	\$ 4,024,279	\$ 4,036,952
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities(from current assets):		
Accounts payable	\$ 13,952	\$ 25,299
Sales tax payable	-0-	-0-
Intergovernmental payables-St. Martin Parish Gov't.	6,461	22,239
Total current liabilities (from current assets)	\$ 20,413	\$ 47,538
Current Liabilities (from restricted assets):		
Customer deposits	\$ 76,800	\$ 73,250
Accrued interest payable	2,848	2,917
Notes payable-RDA (current portion)	39,086	37,369
Total current liabilities (from restricted assets)	\$ 118,734	\$ 113,536
Long-Term Liabilities:		
Notes Payable-RDA (long-term portion)	\$ 1,501,180	\$ 1,540,268
TOTAL LIABILITIES	\$ 1,640,327	\$ 1,701,342
Net Position:		
Investment in capital assets	\$ 1,470,019	\$ 1,542,670
Restricted for debt service/contingency	432,769	398,900
Unrestricted/ (Deficit)	481,164	394,040
TOTAL NET POSITION	\$ 2,383,952	\$ 2,335,610

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the Years Ended December 31, 2020 and 2019

Exhibit B
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

<u>OPERATING REVENUES:</u>	<u>FYE 12/31/20</u>	<u>FYE 12/31/199</u>
Water and waste fees	\$ 490,297	\$ 548,376
Meter sales	9,665	11,705
DOTD Utility Relocation Reimb.	-0-	-0-
TOTAL OPERATING REVENUES	\$ 499,962	\$ 560,081
<u>OPERATING EXPENSE:</u>		
Sewerage fees	\$ 12,331	\$ 14,857
Solid waste charges	-0-	64,627
Payroll expense	34,778	27,421
Chemicals	43,669	64,575
Insurance expense	13,580	13,264
Merchant/bank fees	942	1,043
Repair and maintenance	15,833	6,682
Depreciation expense	114,176	113,636
Computer/internet fees	12,761	6,886
Professional fees	53,060	79,438
Supplies	13,707	18,519
Dues and subscriptions	2,948	1,315
Utilities and telephone	30,018	25,351
Contractual services	19,409	21,303
Office expense	8,541	9,457
Advertising expense	-0-	1,297
Equipment rental	5,710	4,120
Travel & training expense	-0-	4,978
TOTAL OPERATING EXPENSES	\$ 381,463	\$ 478,769
OPERATING INCOME/(LOSS)	\$ 118,499	\$ 81,312
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Intergovernmental transfer	\$ -0-	\$ (8,644)
Interest expense	(70,157)	(72,001)
TOTAL NONOPERATING REVENUES/EXPENSES	\$ (70,157)	\$ (80,645)
CHANGE IN NET POSITION	\$ 48,342	\$ 667
NET POSITION, BEGINNING	2,335,610	2,334,943
NET POSITION, ENDING	\$ 2,383,952	\$ 2,335,610

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

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3
STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2020 and 2019

Exhibit C
**BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND**

	<u>FYE 12/31/20</u>	<u>FYE 12/31/19</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 496,788	\$ 576,040
Receipts from operating grants	-0-	-0-
Payments to suppliers	(204,978)	(301,735)
Payments to employees	(34,778)	(27,421)
	<hr/>	<hr/>
Net cash provided/(used) by operating activities	\$ 257,032	\$ 246,884
	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Repayment of loan principal	\$ (37,371)	\$ (35,730)
Interest paid on bonds/notes payable	(70,226)	(71,869)
Repayment of intergovernmental loans	(55,000)	(60,897)
Acquisition of capital assets	(4,085)	-0-
	<hr/>	<hr/>
Net cash (used) by capital and related financing activities	\$ (166,682)	\$ (168,496)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	\$ -0-	\$ -0-
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 90,350	\$ 78,388
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	856,408	778,020
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 946,758	\$ 856,408
	<hr/>	<hr/>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating income/(loss)	\$ 118,499	\$ 81,312
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:		
Depreciation expense	114,176	113,636
Changes in net assets and liabilities:		
Receivables, net	(6,724)	11,989
Prepaid expenses	(344)	(10)
Accounts payable	(11,347)	490
Customer deposits	3,550	4,750
Sales tax payable	-	(780)
Payroll liabilities	-	-
Intergovernmental payables	39,222	35,497
	<hr/>	<hr/>
Net cash provided/(used) by operating activities	\$ 257,032	\$ 246,884
	<hr/>	<hr/>
Reconciliation of Total Cash:		
Current assets – cash	\$ 109,700	\$ 73,883
Restricted assets – cash	837,058	782,525
	<hr/>	<hr/>
Total Cash	\$ 946,758	\$ 856,408
	<hr/>	<hr/>

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3

Cade, Louisiana

Notes to Basic Financial Statements

December 31, 2020

(1) GENERAL STATEMENT & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Waterworks District No. 3 of St. Martin Parish, Louisiana is a component unit of the St. Martin Parish Government. The waterworks district was established in 2001 as authorized by Chapter 9 of Title 33 of the Louisiana Revised Statutes of 1950, to acquire and make improvements to the Cade Water System, in order to provide the rural areas of southwestern St. Martin Parish with a quality water supply and distribution system to supply rural residents with potable drinking water for domestic, livestock, garden, industrial and commercial purposes. The basic operations of the Waterworks District are financed by charges to customers based upon water consumption. The Waterworks District is governed by a board of control composed of five members which is appointed by the parish government. The members of the board of control serve without compensation.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Waterworks District #3 of St. Martin Parish (the Waterworks District) conform to generally accepted accounting principles as applicable to governments(GAAP). GAAP includes all relevant Governmental Accounting Standards Board(GASB) pronouncements. The Governmental Accounting Standards Board(GASB) is responsible for establishing GAAP for state and local governments through its pronouncements(Statements and Interpretations).

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

(A) Financial Reporting Entity

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

Because the parish government appoints the District's governing body, the St. Martin Parish Waterworks District No. 3 was determined to be a component unit of the St. Martin Parish Government, the financial reporting entity. The accompanying component unit financial statements present information only on the proprietary fund maintained by the District and do not present information on the parish government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

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

The accompanying financial statements of the Waterworks District No. 3 of St. Martin Parish have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

The statement of net position and statement of revenue, expenses and changes in net position display information about the St. Martin Parish Waterworks District No. 3, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. St. Martin Parish Waterworks District No. 3 does not have governmental activities. It's operation is a business-type activity.

(C) Fund Accounting

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

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

Proprietary Fund (Enterprise Fund)

Proprietary funds are used to account for operations that (a)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 the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(D) Measurement Focus/Basis of Accounting

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

Measurement Focus

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

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

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

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

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

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

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

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increased in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from delayed recognition of expenditures or revenues, respectively. There were no deferred outflows of resources or deferred inflows of resources as of December 31, 2020 or December 31, 2019.

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

(F) Compensated Absences

The Waterworks District does not grant compensated absences to any of its employees, either in the form of sick leave or vacation leave. The District utilizes a shared employee, who is employed of the St. Martin Parish Government. The District is billed monthly for an allocable portion of this employee’s payroll and benefit cost, but is not directly liable for benefit costs associated with the employee. Therefore, no liability for compensated absences has been recorded.

(2) CASH AND CASH EQUIVALENTS:

Cash includes amounts in demand deposits and interest-bearing deposits. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Custodial credit risk for deposits is the risk that in the event of the failure of the depository financial institution, the District’s deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting 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. The District does not have a policy for custodial credit risk.

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

	<u>Book Balance</u>	
<u>Unrestricted:</u>	12/31/20	12/31/19
Revenue account – checking	\$ 109,700	\$ 73,883
<u>Restricted:</u>		
Reserve note fund – checking	129,532	129,532
Contingency account fund – checking	303,237	269,368
Meter deposit fund – checking	221,448	211,683
Security deposit fund – checking	182,841	171,942
	\$ 946,758	\$ 856,408

Deposits with banks(collected bank balances) are categorized to give an indication of the level of risk at December 31, 2020 and 2019 as follows:

	12/31/20	12/31/19
Federal Insurance(FDIC)	\$ 250,000	\$ 250,000
Pledged securities held by custodial bank	716,252	609,316
Totals	\$ 966,252	\$ 859,316

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3

Cade, Louisiana

Notes to Basic Financial Statements(continued)

(3) ACCOUNTS RECEIVABLE AND UNCOLLECTIBLE CHARGES

The Waterworks District No. 3 does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged against customer deposits initially, and the remaining balance charged to uncollectible water revenues. Due to the small monetary amounts involved, and the availability of customer deposits to offset against any unpaid water bills, this method yields results which are not materially different from the allowance method of accounting for uncollectible receivables.

St. Martin Waterworks District No. 3's accounts receivable consist of uncollected billed utility services. An accounts receivable aging schedule, together with pertinent water system operating data, is as follows:

<u>Days</u>	<u>12/31/20</u>	<u>12/31/19</u>
	<u>Amounts</u>	<u>Amounts</u>
0-90	\$ 48,014	\$ 42,661
91 and older	8,708	7,337
<u>Total</u>	<u>\$ 56,722</u>	<u>\$ 49,998</u>
 Breakdown of active customers:		
Residential	914	903
Commercial	181	161
<u>Total</u>	<u>1,095</u>	<u>1,064</u>

The present water billing rate schedule is as follows:

Residential monthly billing	
First 2,000 gallons (minimum)	\$14.00
Over 2,000 gallons (per 1,000 gallons)	\$2.95
Commercial monthly billing	
First 2,000 gallons (minimum)	\$17.27
Over 2,000 gallons (per 1,000 gallons)	\$3.50

(4) CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical costs or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

incurred. Interest costs during construction are not capitalized. Depreciation on all assets is computed on the straight-line basis over the following service lives:

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

The following is a summary of the capital assets of the Proprietary Fund at December 31, 2019:

	Beginning Balance 01/01/19	Increases	Decreases	Ending Balance 12/31/19
Capital assets not being depreciated:				
Land	\$ 199,000			\$ 199,000
Other capital assets:				
Treatment plants and buildings and water distribution system	4,425,436			4,425,436
Office equipment	4,271			4,271
Totals	<u>\$ 4,628,707</u>			<u>\$ 4,628,707</u>
Less: Accumulated depreciation for				
Treatment plants and buildings and water distribution system	\$ 1,388,820	\$ 113,445		\$ 1,502,265
Office equipment	3,027	191		3,218
Total accumulated depreciation	<u>\$ 1,391,847</u>	<u>\$ 113,636</u>		<u>\$ 1,505,483</u>
Capital assets, net	<u>\$ 3,236,860</u>	<u>\$ (113,636)</u>		<u>\$ 3,123,224</u>

The following is a summary of the capital assets of the Proprietary Fund at December 31, 2020:

	Beginning Balance 01/01/20	Increases	Decreases	Ending Balance 12/31/20
Capital assets not being depreciated:				
Land	\$ 199,000			\$ 199,000
Other capital assets:				
Treatment plants and buildings and water distribution system	4,425,436			4,425,436
Office equipment	4,271	4,085		8,356
Totals	<u>\$ 4,628,707</u>	<u>\$ 4,085</u>		<u>\$ 4,632,792</u>
Less: Accumulated depreciation for				
Treatment plants and buildings and water distribution system	\$ 1,502,265	\$ 113,449		\$ 1,615,714
Office equipment	3,218	727		3,945
Total accumulated depreciation	<u>\$ 1,505,483</u>	<u>\$ 114,176</u>		<u>\$ 1,619,659</u>
Capital assets, net	<u>\$ 3,123,224</u>	<u>\$ (110,091)</u>		<u>\$ 3,013,133</u>

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

(5) LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions and balances of the Waterworks District No. 3.

	<u>Balance</u> <u>12/31/20</u>
\$1,390,000 Water Revenue Bonds, due in monthly installments of \$6,310.60 through January 16, 2044, bearing interest of 4 ½%, to be retired from excess annual water revenues.	\$1,084,035
\$431,000 Water Revenue Bonds, due in monthly installments of \$1,956.74 through January 16, 2044, bearing interest of 4 ½%, to be retired from excess annual water revenues.	336,129
\$154,000 Water Revenue Bonds, due in monthly installments of \$699.16 through January 16, 2044, bearing interest of 4 ½% to be retired from excess annual water revenues.	120,102
Total	<u>\$ 1,540,266</u>
Balance—12/31/18	\$ 1,613,367
Principal reductions-FYE 12/19	<u>(35,730)</u>
Balance—12/31/19	\$ 1,577,637
Principal reductions-FYE 12/20	<u>(37,371)</u>
Balance—12/31/20	<u>\$ 1,540,266</u>

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

The annual requirements to amortize revenue bonds outstanding at December 31, 2020, are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Totals</u>
2021	\$ 107,598
2022	107,598
2023	107,598
2024	107,598
2025	107,598
2026—2030	537,990
2031—2035	537,990
2036—2040	537,990
2041—2044	<u>323,400</u>
Total principal & interest	\$ 2,475,360
Less: Interest	<u>935,094</u>
Balance at December 31, 2020	<u><u>\$ 1,540,266</u></u>

(6) RESTRICTED ASSETS

Certain assets of the Waterworks District No. 3 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 \$449 each month until there is accumulated in that account the sum of \$107,598 after which deposits may be suspended, except to replace withdrawals. Similarly, there shall be set aside into an account designated as the Contingency Account the sum of \$449 each month until the amount on deposit in the Reserve Account reaches \$107,598, after which deposits into the Contingency Account will increase to \$897 per month.

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

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

The customer security deposit account represents refundable deposits collected from customers requesting service connection. The customer security deposit account totaled \$182,841 at December 31, 2020. There is an amount due the general revenue account from the customer security deposit account in the amount of \$106,041 at December 31, 2020.

Compliance with Water Revenue Bonds Restrictions

As of December 31, 2020, the Waterworks District No. 3 is in compliance with all significant limitations and restrictions set forth in the issuance of the outstanding water revenue bonds.

(7) RETIREMENT PLANS

The District is allocated the costs of a shared employee, who is employed by the St. Martin Parish Government. That employee is a member of the Parochial Employee Retirement System. The District is billed monthly for an allocable portion of this employee's payroll and benefit cost, but is not directly liable for benefit costs associated with the employee. The District maintains no supplemental retirement or pension plans with respect to this employee.

(8) COMPENSATION OF BOARD MEMBERS

The names and contact information for the members of the board of control, who do not receive compensation or per diem payments, are as follows:

Cynthia Victor – President
P. O. Box 147 - Cade, LA
(337)519-1136

John Hayes – Vice President
1012 Donald Dr. - St. Martinville, LA
(337)367-1567

Roland Kerlegan – Member
P. O. Box 816 - St. Martinville, LA
(337)277-4448

Nikki Girouard - Board Member
1688 Smede Hwy.- Cade, LA
(337)367-1567

Brigid Zacharie – Board Member
P. O. Box 96-Cade, LA (337)364-3861

All board members serve concurrently for a term of three years. The term of the current board of directors expires on July 2, 2023.

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

(9) RISK MANAGEMENT

The Waterworks District is exposed to risks of loss in the areas of health care, workers' compensation, general and auto liability, and property hazards. These risks are handled by purchasing commercial insurance. There have been no significant reductions in these insurance coverages during the current fiscal year, nor have settlements exceeded insurance coverage for the current or prior two fiscal years. A summary of coverage maintained at December 31, 2020 consists of:

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Fidelity Bond	\$ 107,598	Per officer	07/12/21
Commercial General Liability	\$ 1,000,000	Each occurrence	07/22/21
	\$ 100,000	Fire damage limit	
	\$ 5,000	Medical expense limit	
	\$ 1,000,000	Personal and advertising injury limit	
	\$ 3,000,000	General aggregate limit	
Commercial Property	\$ 1,000,000	Products – completed operations aggregated	07/22/21
	\$ 1,306,669	Buildings, water wells, and Tanks	
Commercial Auto Coverage	\$ 1,000,000	Liability	07/22/21
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 500,000	Bodily injury	07/23/21

(10) CONTINGENT LIABILITIES

The Waterworks District has no contingent liability exposure of which management is aware as of 12/31/20.

ST MARTIN PARISH WATERWORKS DISTRICT NO. 3
Cade, Louisiana
Notes to Basic Financial Statements(continued)

(11) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual costs could differ from those estimates.

(12) OTHER POST-EMPLOYMENT BENEFITS(OPEB)

For the year ended December 31, 2020, GASB 45 requires all governmental agencies to disclose life, health, and deferred compensation benefits to retirees. When an employee retires from the Water District, there are no future costs incurred by the District for other post-employment benefits. Due to this fact, OPEB has no impact on the Statement of Net Position or the Statement of Revenues, Expenses, and Changes in Net Position of the St. Martin Parish Waterworks District No. 3.

(13) SUBSEQUENT EVENTS

Subsequent events were evaluated through June 15, 2021, which is the date the financial statements were available to be issued. As of June 15, 2021, there were no subsequent events noted.

Other Information

Waterworks District No. 3 of St. Martin Parish
Schedule of Compensation, Benefits, and Other Payments
To Agency Head
For the Year Ended December 31, 2020

Board President

Agency Head Name:

Roland J. Kerlegan / Cynthia Victor
1/1/20 – 6/30/20 7/1/20 – 12/31/20

<u>Purpose</u>	<u>Amount</u>	<u>Amount</u>
Salary	\$ -	\$ -
Benefits-insurance	-	-
Benefits-retirement	-	-
Benefits-other	-	-
Car allowance	-	-
Vehicle provided by government	-	-
Per diem	-	-
Reimbursements	-	-
Conference travel	-	-
Continuing professional education	-	-
Housing	-	-
Unvouchered expenses	-	-
Meals	-	-
	_____	_____
Total	\$ -	\$ -

MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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CHARLES M. MARAIST, CPA *

REGINA B. MARAIST, CPA *

* A PROFESSIONAL ACCOUNTING CORPORATION

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board Members of the Waterworks
District No. 3 of St. Martin Parish, Louisiana
Cade, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Waterworks District No. 3 of St. Martin Parish, Louisiana, a component unit of the St. Martin Parish Government, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Waterworks District's basic financial statements, and have issued our report thereon dated June 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Waterworks District No. 3 of St. Martin Parish, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Waterworks District No. 3 of St. Martin Parish, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Waterworks District No. 3 of St. Martin Parish, Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be *material weaknesses* or *significant deficiencies* and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be *material weaknesses*. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings, questioned costs, and management's corrective action plan as Item 20/1, which we consider to be a *significant deficiency*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waterworks District's financial statements are free from 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Waterworks District No. 3 of St. Martin Parish's Response to Findings

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

Purpose of this Report

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


MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

St. Martinville, Louisiana
June 15, 2021

WATERWORKS DISTRICT NO. 3
of St. Martin Parish, Louisiana
Cade, Louisiana
Schedule of Findings, Questioned Costs
And Management's Corrective Action Plan
Year Ended December 31, 2020

Part I: SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the St. Martin Parish Waterworks District No. 3.
2. One significant deficiency in internal control over financial reporting relating to the audit of the financial statements were reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Item 20/1 is considered to be a significant deficiency.
3. No instances of noncompliance relating to the audit of the financial statements are reported in the *Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
4. No management letter was issued for the St. Martin Parish Waterworks District No. 3 as of and for the year ended December 31, 2020.
5. There was no single audit required under the 2CFR 200.516(a) (Uniform Guidance).

Part II: 2020 FINDINGS – FINANCIAL STATEMENT AUDIT

Internal Control Over Financial Reporting:

20/1 -- Inadequate Segregation of Accounting Duties

Condition

The Waterworks District No. 3 does not have an adequate segregation of duties over cash collections.

Criteria

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

Cause

The cause of the condition is the fact that the District does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

WATERWORKS DISTRICT NO. 3
of St. Martin Parish, Louisiana
Cade, Louisiana
Schedule of Findings, Questioned Costs
And Management's Corrective Action Plan (Continued)
Year Ended December 31, 2020

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

Based upon the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties within the accounting system. Management should, whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1)authorization; (2)custody; (3)record keeping; (4)reconciliation.

Part III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not Applicable

Part IV: MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 20/1

Inadequate segregation of accounting functions.

Planned Corrective Action-The District has provided as much segregation as possible with the resources available.

WATERWORKS DISTRICT NO. 3
of St. Martin Parish, Louisiana
Cade, Louisiana
Summary Schedule of Prior Findings
Year Ended December 31, 2020

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

19/1 – 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.

19/2 – Internal Control Over Financial Reporting

Management has evaluated the costs versus benefits of establishing completely adequate internal control over financial reporting and has determined that it is most cost effective to outsource the preparation of its financial statements in accordance with GAAP to its independent auditors, subject to management review and acceptance.

Part II: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

Part III: MANAGEMENT LETTER

No prior year findings.