

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

ANNUAL FINANCIAL REPORTS

Years Ended December 31, 2018 and 2017

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3

Cade, Louisiana

December 31, 2018

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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, 2018 and 2017, 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, 2018 and 2017, 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

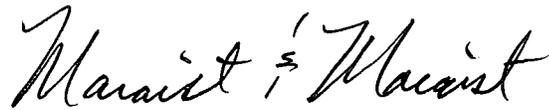
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Martin Parish Waterworks District No. 3's basic financial statements. The *Schedule of Compensation, Benefits, and Other Payments to Agency Head* on pages 19-20 is presented for 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 13, 2019 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 13, 2019

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3
STATEMENTS OF NET POSITION
December 31, 2018 and 2017

Exhibit A
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

<u>ASSETS</u>	<u>12/31/18</u>	<u>12/31/17</u>
Current Assets:		
Cash and cash equivalents	\$ 63,739	\$ 77,512
Accounts receivable	61,987	59,478
Prepaid expenses	7,312	7,109
Total current assets	\$ 133,038	\$ 144,099
Noncurrent Assets:		
Restricted cash and cash equivalents	714,281	524,261
Capital Assets, at cost, (net of accumulated depreciation of \$1,391,847 at 12/31/18 and \$1,278,303 at 12/31/17)	3,236,860	3,349,064
TOTAL ASSETS	\$ 4,084,179	\$ 4,017,424
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities(from current assets):		
Accounts payable	\$ 24,809	\$ 32,640
Sales tax payable	780	-
Intergovernmental payables-St. Martin Parish Gov't.	38,995	1,549
Total current liabilities (from current assets)	\$ 64,584	\$ 34,189
Current Liabilities (from restricted assets):		
Customer deposits	\$ 68,500	\$ 66,450
Accrued interest payable	2,785	2,641
Notes payable-RDA (current portion)	35,727	34,158
Total current liabilities (from restricted assets)	\$ 107,012	\$ 103,249
Long-Term Liabilities:		
Notes Payable-RDA (long-term portion)	\$ 1,577,640	\$ 1,613,370
TOTAL LIABILITIES	\$ 1,749,236	\$ 1,750,808
Net Position:		
Investment in capital assets	\$ 1,620,708	\$ 1,698,895
Restricted for debt service/contingency	354,871	194,526
Unrestricted/ (Deficit)	359,364	373,195
TOTAL NET POSITION	\$ 2,334,943	\$ 2,266,616

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, 2018 and 2017

Exhibit B
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

<u>OPERATING REVENUES:</u>	<u>FYE 12/31/18</u>	<u>FYE 12/31/17</u>
Water and waste fees	\$ 630,708	\$ 601,495
Meter sales	17,400	16,500
DOTD Utility Relocation Reimb.	69,842	-
TOTAL OPERATING REVENUES	\$ 717,950	\$ 617,995
<u>OPERATING EXPENSE:</u>		
Sewerage fees	\$ 15,183	\$ 12,293
Solid waste charges	149,378	140,777
Payroll expense	19,166	17,802
Chemicals	69,733	55,669
Insurance expense	19,925	19,542
Merchant fees	1,770	1,010
Repair and maintenance	14,022	9,775
Depreciation expense	113,544	110,679
Computer/internet fees	8,609	3,658
Professional fees	60,514	49,950
Supplies	26,923	14,095
Dues and subscriptions	2,998	1,394
Utilities and telephone	31,922	30,413
Contractual services	19,270	19,056
Office expense	10,113	12,635
Advertising expense	293	1,002
Equipment rental	4,017	4,709
Travel & training expense	8,662	3,865
TOTAL OPERATING EXPENSES	\$ 576,042	\$ 508,324
OPERATING INCOME/(LOSS)	\$ 141,908	\$ 109,671
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Intergovernmental transfer	\$ -0-	\$ -0-
Interest expense	(73,581)	(74,471)
TOTAL NONOPERATING REVENUES/EXPENSES	\$ (73,581)	\$ (74,471)
CHANGE IN NET POSITION	\$ 68,327	\$ 35,200
NET POSITION, BEGINNING	2,266,616	2,231,416
NET POSITION, ENDING	\$ 2,334,943	\$ 2,266,616

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, 2018 and 2017

Exhibit C
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

	FYE 12/31/18	FYE 12/31/17
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 647,649	\$ 619,717
Receipts from operating grants	69,842	-0-
Payments to suppliers	(413,140)	(370,866)
Payments to employees	(19,166)	(17,802)
	<hr/>	<hr/>
Net cash provided/(used) by operating activities	\$ 285,185	\$ 231,049
	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Repayment of loan principal	\$ (34,161)	\$ (32,661)
Interest paid on bonds/notes payable	(73,437)	(74,938)
Acquisition of capital assets	(1,340)	(152,065)
	<hr/>	<hr/>
Net cash (used) by capital and related financing activities	\$ (108,938)	\$ (259,664)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	\$ -0-	\$ -0-
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 176,247	\$ (28,615)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	601,773	630,388
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 778,020	\$ 601,773
	<hr/> <hr/>	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating income/(loss)	\$ 141,908	\$ 109,671
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:		
Depreciation expense	113,544	110,679
Changes in net assets and liabilities:		
Receivables, net	(2,509)	222
Prepaid expenses	(203)	(78)
Accounts payable	(7,831)	17,891
Customer deposits	2,050	1,500
Sales tax payable	780	-
Payroll liabilities	-	-
Intergovernmental payables	37,446	(8,836)
Net cash provided/(used) by operating activities	\$ 285,185	\$ 231,049
	<hr/>	<hr/>
Reconciliation of Total Cash:		
Current assets – cash	\$ 63,739	\$ 77,512
Restricted assets – cash	714,281	524,261
Total Cash	\$ 778,020	\$ 601,773
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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, 2018

(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, 2018 or December 31, 2017.

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>	12/31/18	12/31/17
Revenue account – checking	\$ 63,739	\$ 77,512
<u>Restricted:</u>		
Reserve note fund – checking	129,532	129,532
Contingency account fund – checking	225,339	64,994
Meter deposit fund – checking	199,978	181,978
Security deposit fund – checking	159,432	147,757
	\$ 778,020	\$ 601,773

Deposits with banks(collected bank balances) are categorized to give an indication of the level of risk at December 31, 2018 and 2017 as follows:

	12/31/18	12/31/17
Federal Insurance(FDIC)	\$ 250,000	\$ 250,000
Pledged securities held by custodial bank	528,020	351,773
Totals	\$ 778,020	\$ 601,773

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>12/31/18</u>	<u>12/31/17</u>
<u>Days</u>	<u>Amounts</u>	<u>Amounts</u>
0-90	\$ 57,747	\$ 58,433
91 and older	4,240	1,045
<u>Total</u>	<u>\$ 61,987</u>	<u>\$ 59,478</u>
Breakdown of active customers:		
Residential	883	861
Commercial	178	174
<u>Total</u>	<u>1,061</u>	<u>1,035</u>

The present water billing rate schedule is as follows:

<u>Residential monthly billing</u>	
First 2,000 gallons (minimum)	\$13.27
Over 2,000 gallons (per 1,000 gallons)	\$2.95
<u>Commercial monthly billing</u>	
First 2,000 gallons (minimum)	\$17.00
Over 2,000 gallons (per 1,000 gallons)	\$3.50

(4) CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$1,000 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, 2017:

	Beginning Balance 01/01/17	Increases	Decreases	Ending Balance 12/31/17
Capital assets not being depreciated:				
Land	\$ 198,000	1,000		\$ 199,000
Other capital assets:				
Treatment plants and buildings and water distribution system	4,274,371	151,065		4,425,436
Office equipment	2,931			2,931
Totals	<u>\$ 4,475,302</u>	<u>152,065</u>		<u>\$ 4,627,367</u>
Less: Accumulated depreciation for				
Treatment plants and buildings and water distribution system	\$ 1,164,693	\$ 110,679		\$ 1,275,372
Office equipment	2,931			2,931
Total accumulated depreciation	<u>\$ 1,167,624</u>	<u>\$ 110,679</u>		<u>\$ 1,278,303</u>
Capital assets, net	<u>\$ 3,307,678</u>	<u>\$ 41,386</u>		<u>\$ 3,349,064</u>

The following is a summary of the capital assets of the Proprietary Fund at December 31, 2018:

	Beginning Balance 01/01/18	Increases	Decreases	Ending Balance 12/31/18
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	2,931	1,340		4,271
Totals	<u>\$ 4,627,367</u>	<u>\$ 1,340</u>		<u>\$ 4,628,707</u>
Less: Accumulated depreciation for				
Treatment plants and buildings and water distribution system	\$ 1,275,372	\$ 113,448		\$ 1,388,820
Office equipment	2,931	96		3,027
Total accumulated depreciation	<u>\$ 1,278,303</u>	<u>\$ 113,544</u>		<u>\$ 1,391,847</u>
Capital assets, net	<u>\$ 3,349,064</u>	<u>\$ (112,204)</u>		<u>\$ 3,236,860</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 12/31/18</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.	\$1,135,484
\$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.	352,082
\$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.	125,802
Total	<u>\$ 1,613,368</u>
Balance—12/31/16	\$ 1,680,189
Principal reductions-FYE 12/17	<u>(32,661)</u>
Balance—12/31/17	\$ 1,647,528
Principal reductions-FYE 12/18	<u>(34,161)</u>
Balance—12/31/18	<u>\$ 1,613,367</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, 2018, are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Totals</u>
2019	\$ 107,598
2020	107,598
2021	107,598
2022	107,598
2023	107,598
2024—2028	537,990
2029—2033	537,990
2034—2038	537,990
2039—2043	537,990
2044	<u>622</u>
Total principal & interest	\$ 2,690,572
Less: Interest	<u>1,077,205</u>
Balance at December 31, 2018	<u>\$ 1,613,367</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 \$159,432 at December 31, 2018. There is an amount due the general revenue account from the customer security deposit account in the amount of \$90,932 at December 31, 2018.

Compliance with Water Revenue Bonds Restrictions

As of December 31, 2018, 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:

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

John Hayes - Board Member
1012 Donald Dr.-St. Martinville, LA
(337)367-1567

Greta Pickney – Vice President
1125 Elliot Loop-St. Martinville, LA
(337)394-5023

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

Cynthia Robertson/Victor – Board Member
P. O. Box 147-Cade, LA (337)519-1136

All board members serve concurrently for a term of three years. The term of the current board of directors expires on July 2, 2020.

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, 2018 consists of:

<u>Coverage Provided For</u>	<u>Limits of Coverage (in dollars)</u>	<u>Description of limits</u>	<u>Expiration Date</u>
Fidelity Bond	\$ 107,598	Per officer	07/12/19
Commercial General Liability	\$ 1,000,000	Each occurrence	07/22/19
	\$ 100,000	Fire damage limit	
	\$ 5,000	Medical expense limit	
		Personal and advertising	
	\$ 1,000,000	injury limit	
	\$ 3,000,000	General aggregate limit	
	\$ 1,000,000	Products – completed operations aggregated	
Commercial Property	\$ 1,306,669	Buildings, water wells, and Tanks	07/22/19
Commercial Auto Coverage	\$ 1,000,000	Liability	07/22/19
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 500,000	Bodily injury	07/23/19

(10) CONTINGENT LIABILITIES

The Waterworks District has no contingent liability exposure of which management is aware as of 12/31/18.

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, 2018, 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) LEASES

The Waterworks District No. 3 is party to a copier equipment operating lease agreement which commenced on 9/21/15. The term of the lease is sixty(60) months, with a monthly payment of \$189.15. Payments under this lease were \$2,270 during fiscal year 2018. Minimum future rentals to be paid on this lease agreement are \$3,783 payable as follows:

2019	\$2,270
2020	<u>1,153</u>
Total	<u>\$3,783</u>

(14) SUBSEQUENT EVENTS

Subsequent events were evaluated through June 13, 2019, which is the date the financial statements were available to be issued. As of June 13, 2019, 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, 2018

Agency Head Name: Roland J. Kerlegan

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits-insurance	-
Benefits-retirement	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Per diem	210
Reimbursements	-
Conference travel	143
Continuing professional education fees	360
Housing	-
Unvouchered expenses	-
Meals	<u>-</u>
Total	<u>\$ 713</u>

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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, 2018 and 2017, 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 13, 2019.

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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, questioned costs, and management's corrective action plan, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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 entity'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 findings, questioned costs, and management's corrective action plan (Item 18/1) to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings, questioned costs, and management's corrective action plan (Item 18/2) 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 13, 2019

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, 2018

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. Two significant deficiencies 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 18/1 is considered to be a material weakness.
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, 2018.
5. There was no single audit required under the 2CFR 200.516(a) (Uniform Guidance).

Part II: 2018 FINDINGS – FINANCIAL STATEMENT AUDIT

Internal Control:

18/1 – Inadequate Segregation of Accounting Duties

Condition

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

Criteria

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

Cause

Only one employee performs accounting duties for the Waterworks District.

Effect

Inadequate segregation of duties within the accounting function.

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.

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, 2018

18/2 – Internal Control Over Financial Reporting

Condition

The Waterworks District No. 3 does not have a staff person who has the training to apply generally accepted accounting principles(GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Criteria

District management must maintain a system of internal control over financial statement preparation and reporting, including note disclosure.

Cause

As is common in small organizations, Waterworks District accounting personnel do not possess sufficient technical expertise to adequately prepare its financial statements in accordance with generally accepted accounting principles. As such, management has chosen to engage its auditors to prepare the annual financial statements.

Effect

Based on this decision, adequate internal controls over financial statement preparation and reporting have not been established.

Recommendation

Management of the Waterworks District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Part III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not Applicable

Part IV: MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 18/1

Inadequate segregation of accounting functions.

Planned Corrective Action-None required

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, 2018

Part IV: MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 18/2

Internal control over financial reporting.

Planned Corrective Action-None required

WATERWORKS DISTRICT NO. 3
of St. Martin Parish, Louisiana
Cade, Louisiana
Summary Schedule of Prior Findings
Year Ended December 31, 2018

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

17/1 – 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.

17/2 – 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.

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 3

STATEWIDE AGREED-UPON PROCEDURES REPORT

Year Ended December 31, 2018

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Waterworks District No. 3 and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained and do not address the functions noted above.

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Written policies and procedures were obtained and do not address the functions noted above.

c) **Disbursements**, including processing, reviewing, and approving

Written policies and procedures were obtained and do not address the functions noted above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Written policies and procedures were obtained and do not address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and do not address the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Written policies and procedures were obtained and do not address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Written policies and procedures were obtained and do not address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Written policies and procedures were obtained and do not address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Written policies and procedures were obtained and do not address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained and do not address the functions noted above.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board scheduled and met monthly, except in instances when a quorum could not be assembled.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Obtained and reviewed minutes of the managing board for the fiscal period and noted that the board discussed monthly revenue and expenditure totals and annually reviewed the financial statements of the District's proprietary fund.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

The District has only one fund, which is an enterprise fund. Observed that the District's prior year unrestricted net position in its enterprise fund was not negative.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
Obtained bank reconciliations noting that they were not prepared within 2 months of the related statement closing date.
- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
Obtained bank reconciliations noting that they do not include evidence of review by a member of management/board member who does not handle cash, post ledgers, or issue checks.
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
There is no documentation that management has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
Obtained a listing of deposit sites for the fiscal period where deposits are prepared and management's representation that the listing is complete.
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
For each deposit site selected, obtained a listing of collection locations and management's representation that the listing is complete.
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
Employees that are responsible for cash collection do share cash drawers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Employee responsible for collecting cash is also responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employee responsible for collecting cash is also responsible for posting collection entries to the general ledger.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Employee responsible for reconciling cash collections to the general ledger is also responsible for collecting cash.

- 6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Through inquiry with management, all employees who have access to cash are covered by an insurance policy for theft.

- 7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day) *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Receipts are sequentially pre-numbered.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Traced supporting documentation to the deposit slips, noting no exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Traced the deposit slip to the actual deposit per the bank statement, noting no exceptions.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Observed that of the deposits tested, all were made within one business day of receipt.

- e) Trace the actual deposit per the bank statement to the general ledger.

Traced the actual deposit per the bank statement to the general ledger, noting no exceptions.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

- b) At least two employees are involved in processing and approving payments to vendors.

At least two employees are involved in processing and approving payments to vendors.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

The employee responsible for processing payments is not prohibited from adding/modifying vendor files without another employee periodically reviewing changes to vendor files.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The employee responsible for co-signing checks also mails the payment.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Disbursements matched the related original invoice/billing statement.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Disbursement documentation did not include evidence of segregation of duties tested.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

The District has no active credit cards, bank debit cards, fuel cards or P-cards for the period tested.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

The District has no active credit cards/bank debit cards/fuel cards or P-cards for the period tested.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

The District has no active credit cards/bank debit cards/fuel cards or P-cards for the period tested, nor any related charges or fees.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

The District has no active credit cards/bank debit cards/fuel cards or P-cards for the period tested.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Procedure Results-Not required due to no exceptions in this area in the prior year.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Procedure Results-not required due to no exceptions in this area in the prior year.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
 - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Procedure Results-Not required due to no exceptions in this area in the prior year.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure Results-Not required due to no exceptions in this area in the prior year.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Procedure Results-Not required due to no exceptions in this area in the prior year.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management has asserted that the District did not have any misappropriation of public funds or assets.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Required notice was posted on the District's premises. The District does not maintain an independent website.

Management's Response

Management of the St. Martin Parish Waterworks District No. 3 concurs with the exceptions and are working to address the deficiencies identified.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Maraist & Maraist
Certified Public Accountants

St. Martinville, Louisiana
June 13, 2019