

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

ANNUAL FINANCIAL REPORTS

June 30, 2021 and 2020

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

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Waterworks District No. 4 of St. Martin Parish, Louisiana, a component unit of the St. Martin Parish Government, as of and for the years ended June 30, 2021 and 2020, 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 effectiveness of 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 accounting 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 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. 4 as of June 30, 2021 and 2020, 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. 4 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

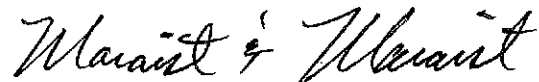
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Martin Parish Waterworks District No. 4's basic financial statements. The *Schedule of Compensation, Benefits, and Other Payments to Agency Head* on page 19 is presented for purposes 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 November 24, 2021 on our consideration of the St. Martin Parish Waterworks District No. 4'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 St. Martin Parish Waterworks District No. 4's internal control over financial reporting and compliance.



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St. Martinville, Louisiana
November 24, 2021

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

Exhibit A
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

<u>ASSETS</u>	<u>6/30/21</u>	<u>6/30/20</u>
Current Assets:		
Cash and cash equivalents	\$ 104,638	\$ 72,223
Accounts receivable	34,927	35,012
Due from other governments	-0-	-0-
Prepaid expenses	5,730	5,137
Insurance deposits	1,138	1,138
Total current assets	\$ 146,433	\$ 113,510
Noncurrent Assets:		
Restricted cash and cash equivalents	\$ 105,542	\$ 114,712
Capital Assets:		
Capital assets not being depreciated	\$ 29,600	\$ 29,600
Capital assets, net of accumulated depreciation	1,372,150	1,433,633
Capital Assets, net	\$ 1,401,750	\$ 1,463,233
TOTAL ASSETS	\$ 1,653,725	\$ 1,691,455
<u>LIABILITIES</u>		
Current Liabilities(from current assets):		
Accounts payable	\$ 12,434	\$ 8,640
Sales taxes payable	342	208
Payroll taxes payable	944	1,133
Total current liabilities (from current assets)	\$ 13,720	\$ 9,981
Current Liabilities(from restricted assets):		
Customer deposits	\$ 27,200	\$ 18,575
Accrued interest payable	6,096	6,262
Notes payable-RDA (current portion)	48,621	46,589
Total current liabilities (from restricted assets)	\$ 81,917	\$ 71,426
Long-Term Liabilities:		
Notes payable-RDA (long-term portion)	\$ 1,669,671	\$ 1,718,287
TOTAL LIABILITIES	\$ 1,765,308	\$ 1,799,694
<u>NET POSITION</u>		
Net investment in capital assets	\$ (322,638)	\$ (307,905)
Restricted for debt service/contingency	211,055	199,666
TOTAL NET POSITION	\$ (111,583)	\$ (108,239)
TOTAL LIABILITIES & NET POSITION	\$ 1,653,725	\$ 1,691,455

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the Years Ended June 30, 2021 and 2020

Exhibit B
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

<u>OPERATING REVENUES:</u>	<u>FYE 6/30/2021</u>	<u>FYE 6/30/2020</u>
Water sales	\$ 303,102	\$ 280,244
Garbage fees collected	200	2,021
Installations, connections, additions	15,512	10,725
Penalties & late charges	13,400	17,842
Miscellaneous revenues	10,793	11,866
TOTAL OPERATING REVENUES	\$ 343,007	\$ 322,698
 <u>OPERATING EXPENSE:</u>		
Water purchased	\$ 69,566	\$ 68,974
Garbage fees paid	-0-	154
Salaries	31,800	34,800
Payroll taxes	2,210	2,697
Insurance expense	12,320	9,128
Repair and maintenance	28,058	18,120
Depreciation expense	61,483	72,639
Meter reading	14,946	14,587
Professional fees	6,055	6,880
Contractual services	14,534	10,483
Telecommunications	3,761	2,729
Utilities	1,372	648
Safe water program & water tests	10,371	10,317
Office expense	7,416	11,999
Automotive expense	1,105	1,173
Miscellaneous expense	866	1,506
TOTAL OPERATING EXPENSES	\$ 265,863	\$ 266,834
 OPERATING INCOME/(LOSS)	\$ 77,144	\$ 55,864
 <u>NONOPERATING REVENUES/(EXPENSES)</u>		
Intergovernmental revenues	\$ -0-	\$ -0-
Interest expense	(80,488)	(82,594)
TOTAL NONOPERATING REVENUES/EXPENSES	\$ (80,488)	\$ (82,594)
 CHANGE IN NET POSITION	\$ (3,344)	\$ (26,730)
 NET POSITION, BEGINNING	(108,239)	(81,509)
 NET POSITION, ENDING	\$ (111,583)	\$ (108,239)

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2021 and 2020

Exhibit C
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

	FYE 6/30/2021	FYE 6/30/2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 343,226	\$ 343,179
Payments to suppliers	(167,169)	(171,850)
Payments to employees	(34,199)	(37,605)
Other receipts/(payments)	-0-	(45)
	\$ 141,858	\$ 133,679
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Customer deposits received/ (refunded)	\$ 8,625	\$ (675)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	\$ -0-	\$ -0-
Repayment of loan principal	(46,584)	(44,482)
Interest paid on bonds/notes payable	(80,654)	(82,752)
Intergovernmental grant revenues	-0-	-0-
	\$ (127,238)	\$ (127,234)
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -0-	\$ -0-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 23,245	\$ 5,770
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	186,935	181,165
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 210,180	\$ 186,935
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating income/(loss)	\$ 77,144	\$ 55,864
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:		
Depreciation expense	61,483	72,639
Changes in net assets and liabilities:		
(Increase) decrease in accounts receivables, net	85	20,481
(Increase) decrease in prepaid expenses	(593)	(451)
Increase (decrease) in accounts payable	3,794	(14,701)
Increase (decrease) in sales tax payable	134	(45)
Increase (decrease) in payroll taxes payable	(189)	(108)
	\$ 141,858	\$ 133,679

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
Notes to Basic Financial Statements
June 30, 2021

(1) GENERAL STATEMENT & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Waterworks District No. 4 of St. Martin Parish, Louisiana is a component unit of the St. Martin Parish Government. The waterworks district was established in 1999 as authorized by Chapter 9 of Title 33 of the Louisiana Revised Statutes of 1950, to acquire and make improvements to the Catahoula Water System, in order to provide the rural areas of Catahoula and Isle Labbe with a quality water supply and distribution system to supply rural residents with potable drinking water for domestic, livestock, garden, industrial and commercial purposes. The basic operations of the Waterworks District are financed by charges to customers based upon water consumption. The Waterworks District is governed by a board of control 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 #4 of St. Martin Parish (the Waterworks District) conform to generally accepted accounting principles(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. 4

Catahoula, Louisiana

Notes to Basic Financial Statements(continued)

Section 2100 of the 2011 Governmental Accounting Standards Board(GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, "Defining the Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government's governing authority appoints a majority of board members of the potential component unit and is able to impose its will on the potential component unit or the potential component unit is fiscally dependent on the primary government.
3. Financial benefit/burden relationship between the primary government and the potential component unit.
4. The nature and significance of the relationship between the potential component unit with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Because the parish government appoints the District's governing body, the St. Martin Parish Waterworks District No. 4 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. 4 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. 4, as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

Notes to Basic Financial Statements(continued)

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. The St. Martin Parish Waterworks District No. 4 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.

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

Proprietary Fund(Enterprise Fund)

Proprietary funds are used to account for operations (a)that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b)where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

(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:

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

Notes to Basic Financial Statements(continued)

- (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.

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

In the Statement of Net Position, business-type activities 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. Unbilled and billed utility receivables are recorded at year-end. 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.

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.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 to customers. The principal operating revenues are charges to customers for sales and services. Principal operating expenses are the costs of providing goods or services, and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
Notes to Basic Financial Statements(continued)

(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 June 30, 2021 or 2020.

(F) Compensated Absences

Employees of the Waterworks District #4 are entitled to paid vacation and paid sick leave depending on job classification, length of service, and other factors. There is no formal policy on carrying over leave time not used. Therefore, there is no material accumulated leave at June 30, 2021 and 2020 and, accordingly, no liability has been recorded in the accompanying financial statements for compensated absences.

(G) Budgetary Accounting

The District is not required to adopt a budget for its Proprietary Fund under Louisiana Revised Statute 39:1303.

(2) CASH AND CASH EQUIVALENTS:

Under state law, the Waterworks District No. 4 may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal office in Louisiana. At June 30, 2021 and June 30, 2020, the District has cash and cash equivalents (book balances) totaling \$210,180 and \$186,935 respectively.

For purposes of the statements of cash flows, the Waterworks District No. 4 considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents on deposit with banks are stated at cost which approximates market. 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 the District will not be able to recover the collateral securities that are in the possession of an outside party. Under state law, these deposits (or the resulting bank balances) must be fully secured through the pledge of bank-owned securities or federal deposit insurance. The market value of

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
 Catahoula, Louisiana
Notes to Basic Financial Statements(continued)

the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the financial institution. These securities are held in the name of the pledging financial institution in a holding or custodial bank that is mutually acceptable to both parties. The District does not have a policy for custodial credit risk.

Deposits with banks(bank balances) are categorized to give an indication of the level of risk at June 30, 2021 and 2020 as follows:

	<u>6/30/21</u>	<u>6/30/20</u>
Federal Insurance(FDIC)	\$ 216,386	\$ 191,420

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

	<u>Book Balance</u>	
	<u>6/30/21</u>	<u>6/30/20</u>
<u>Unrestricted:</u>		
Petty cash	\$ 200	\$ 200
General account – checking	9,097	4,318
Revenue account – checking	95,341	67,705
<u>Restricted:</u>		
Depreciation/contingency fund – checking	525	11,395
Member deposit fund – checking	30,337	28,637
Reserve note fund – checking	74,680	74,680
	\$ 210,180	\$ 186,935

(3) ACCOUNTS RECEIVABLE AND UNCOLLECTIBLE CHARGES

The Waterworks District No. 4 does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and charged against customer deposits initially, and the remaining balance charged to uncollectible water revenues. Due to the small monetary amounts involved, and the availability of customer deposits to offset against any unpaid water bills, this method yields results which are not materially different from the allowance method of accounting for uncollectible receivables. St. Martin Waterworks District No. 4'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>6/30/21</u>	<u>6/30/20</u>
<u>Days</u>	<u>Amounts</u>	<u>Amounts</u>
0-30	\$ 33,560	\$ 30,221
31-60	861	2,680
61-90	291	645
Over 90	215	1,466
<u>Total</u>	\$ 34,927	\$ 35,012

St. Martin Parish Waterworks District No. 4
Catahoula, Louisiana
Notes to Basic Financial Statements(continued)

Breakdown of active customers:

Residential	874	881
Commercial	47	46
Total	921	927

The present water billing rate schedule, effective since May 1, 2021 follows:

Residential monthly billing	
First 2,000 gallons (minimum)	\$17.25
Over 2,000 gallons (per 1,000 gallons)	\$4.00
Commercial monthly billing	
First 5,000 gallons (minimum)	\$46.00
Over 5,000 gallons (per 1,000 gallons)	\$4.00

(4) PREPAID ITEMS

Payment made to insurance companies for insurance that will benefit future periods beyond June 30, 2021 are recorded as prepaid insurance.

(5) 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 incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

Interest costs during construction are not capitalized.

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
Notes to Basic Financial Statements(continued)

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2021:

	Beginning Balance 07/01/20	Increases	Decreases	Ending Balance 6/30/21
Capital assets not being depreciated:				
Land	\$ 29,600			\$ 29,600
Other capital assets:				
Treatment plants and buildings	94,940			94,940
Furniture, fixtures and equipment	83,097			83,097
Water distribution system	3,193,010			3,193,010
Totals	<u>\$ 3,400,647</u>			<u>\$ 3,400,647</u>
Less: Accumulated depreciation for				
Treatment plants and buildings	\$ 94,940			\$ 94,940
Furniture, fixtures and equipment	83,097			83,097
Water distribution system	1,759,377	\$ 61,483		1,820,860
Total accumulated depreciation	<u>\$ 1,937,414</u>	<u>\$ 61,483</u>		<u>\$ 1,998,897</u>
Capital assets, net	<u>\$ 1,463,233</u>	<u>\$ (61,483)</u>		<u>\$ 1,401,750</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2020:

	Beginning Balance 07/01/19	Increases	Decreases	Ending Balance 6/30/20
Capital assets not being depreciated:				
Land	\$ 29,600			\$ 29,600
Other capital assets:				
Treatment plants and buildings	94,940			94,940
Furniture, fixtures and equipment	83,097			83,097
Water distribution system	3,193,010			3,193,010
Totals	<u>\$ 3,400,647</u>			<u>\$ 3,400,647</u>
Less: Accumulated depreciation for				
Treatment plants and buildings	\$ 94,940			\$ 94,940
Furniture, fixtures and equipment	83,097			83,097
Water distribution system	1,686,738	\$ 72,639		1,759,377
Total accumulated depreciation	<u>\$ 1,864,775</u>	<u>\$ 72,639</u>		<u>\$ 1,937,414</u>
Capital assets, net	<u>\$ 1,535,872</u>	<u>\$ (72,639)</u>		<u>\$ 1,463,233</u>

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
Notes to Basic Financial Statements(continued)

(6) LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions and balances of the Waterworks District No. 4.

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

Balance—6/30/19	\$ 1,809,358
Principal reductions-FYE 6/30/20	<u>(44,482)</u>
Balance—6/30/20	\$ 1,764,876
Principal reductions-FYE 6/30/21	<u>(46,584)</u>
Balance—6/30/21	<u><u>\$ 1,718,292</u></u>

The annual requirements to amortize revenue bonds outstanding at June 30, 2021, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Totals</u>
2022	\$ 127,235
2023	127,235
2024	127,235
2025	127,235
2026	127,235
2027—2031	636,174
2032—2036	636,174
2037—2041	636,174
2042—2043	<u>156,285</u>
Total principal & interest	\$ 2,700,982
Less: Interest	<u>982,690</u>
Balance at June 30, 2021	<u><u>\$ 1,718,292</u></u>

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
Notes to Basic Financial Statements(continued)

(7) RESTRICTED ASSETS

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

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

From the remaining funds in the General Revenue Account there shall be set aside into an account designated as the Reserve Account the sum of \$1,060 each month until there is accumulated in that account the sum of \$127,235 after which deposits may be suspended, except to replace withdrawals. An additional amount from the remaining funds in the General Revenue Account shall be set aside into an account designated as the Depreciation/Contingency Account in the amount of \$530 each month for the duration of the rural development loan repayment period. 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 deposit accounts represent refundable deposits collected from customers requesting service connection. The customer deposit accounts totaled \$27,200 and \$18,575 at June 30, 2021 and 2020. There is an amount due the general revenue account from the customer deposits account in the amount of \$3,137 at June 30, 2021. There is an amount due the general revenue account from the customer deposits account in the amount of \$10,062 at June 30, 2020.

Violation of Water Revenue Bonds Restrictions

The District is in compliance with all significant mandates set forth in the issuance of the outstanding water revenue bonds with the following exception:

- A. The District has not adequately funded the Revenue Bond Reserve Account, and the Revenue Bond Depreciation/Contingency Account, due to cash flow restrictions.

(8) RETIREMENT PLANS

All employees of the Waterworks District are members of the Social Security Retirement System. The Waterworks District and its employees contribute a

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

Notes to Basic Financial Statements(continued)

percentage of each employee's salary to the System. The Waterworks District's contribution during the years ended June 30, 2021 and 2020 amounted to \$2,433 and \$2,662, respectively.

(9) OTHER POST-EMPLOYMENT BENEFITS(OPEB)

The St. Martin Parish Waterworks District No. 4 does not provide any post-employment benefits to retirees, and therefore is not required to report under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*.

(10) RISK MANAGEMENT

The Waterworks District is exposed to risks of loss in the areas of workers' compensation, general liability, and property hazards. These risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverages during the current fiscal year, nor have settlements exceeded coverage for the current or prior two fiscal years. A summary of coverage maintained at June 30, 2021 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	\$ 127,234		12/15/21
Commercial General Liability	\$ 1,000,000	Each occurrence	4/2/22
	\$ 100,000	Fire damage limit	
	\$ 5,000	Medical expense limit	
	\$ 1,000,000	Personal injury limit	
	\$ 2,000,000	General aggregate limit	
	\$ 1,000,000	Products – completed operations aggregated	
Commercial Property	\$ 584,981	Buildings/water wells/tanks	4/2/22
Commercial Auto Coverage	\$ 1,000,000	Liability	8/14/21
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 1,000,000	Bodily injury	5/4/22

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, 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) COMPENSATION OF BOARD MEMBERS

The following five(5) member board of control receives no compensation or per diem payments:

<u>Name & Address</u>	<u>Term</u>	<u>Term Expires</u>
Charles Latiolais, Jr. 4416 Catahoula Hwy. St. Martinville, LA 70582	4 years	6/6/24
Travis Latiolais 1028 Alexson Road St. Martinville, LA 70582	1 years	1/8/22
Donnie Laviolette 1007 Camille Drive St. Martinville, LA 70582	5 years	7/7/25
Stacey Boudreaux 4447 Catahoula Hwy. St. Martinville, LA 70582	3 years	6/6/24
Nanette Theriot 1014-C Emile Road St. Martinville, LA 70582	2 years	6/6/22

(13) SUBSEQUENT EVENTS

Subsequent events were evaluated through November 24, 2021, which is the date the financial statements were available to be issued. As of November 24, 2021, there were no subsequent events noted.

Other Information

Waterworks District No. 4 of St. Martin Parish
Schedule of Compensation, Benefits, and Other Payments
To Agency Head
For the Year Ended June 30, 2021

Agency Head Name: Charles Latiolais, Jr.(Board President 7/1/20 – 6/30/21)

<u>Purpose</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 fees	-
Housing	-
Unvouchered expenses	-
Meals	-

Total	\$ -

There was no compensation, benefits or payments to agency head.

MARAIST & MARAIST

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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. 4 of
St. Martin Parish, Louisiana
Catahoula, 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. 4 of St. Martin Parish, Louisiana, a component unit of the St. Martin Parish Government, as of and for the years ended June 30, 2021 and 2020, 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 November 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Waterworks District No. 4 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. 4 of St. Martin Parish, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Waterworks District No. 4 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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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 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. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of current year audit findings, and management's corrective action plan that we consider to be a significant deficiency in internal control, and is referenced as items 21/1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waterworks District's financial statements are free of material misstatement, we performed test 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 test disclosed one instance of non-compliance or other matters that is required to be reported under Government Auditing Standards, and which is described in the accompanying schedule of current year audit findings, and management's corrective action plan and referenced as item 21/2.

Waterworks District No. 4 of St. Martin Parish's Responses to Findings

The Waterworks District's responses to the findings identified in our audit are described in the accompanying summary schedule of current year audit findings, and management's corrective action plan. The Waterworks District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

This 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.

St. Martinville, Louisiana
November 24, 2021


MARAIST & MARAIST
CERTIFIED PUBLIC ACCOUNTANTS

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

**Schedule of Current Year Audit Findings
And Management's Corrective Action Plan**
Year Ended June 30, 2021

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. 4.
2. One significant deficiency 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*, however we did not consider it to be a material weakness.
3. One instance of noncompliance relating to the audit of the financial statements was 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 Waterworks District No. 4 of St. Martin Parish as of and for the year ended June 30, 2021.
5. There was no single audit required under the 2CFR 200.516(a)(Uniform Guidance).

Part II: 2021 FINDINGS – FINANCIAL STATEMENT AUDIT

Internal Control:

21/1 – Inadequate Segregation of Accounting Duties

Condition

The Waterworks District No. 4 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 person performs accounting duties for the Waterworks District.

Effect

Inadequate segregation of duties within the accounting function.

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

**Schedule of Current Year Audit Findings
And Management's Corrective Action Plan (Continued)**
Year Ended June 30, 2021

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.

Compliance:

21/2 – Noncompliance with Office of Rural Development loan reserve requirements.

Condition

At June 30, 2021, stipulated Rural Development loan reserve and depreciation/contingency account balances were underfunded and in arrears due to an approved withdrawal, and suspension of monthly reserve contributions.

Criteria

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

Cause

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

Effect

Use of reserve and contingency fund balances of the Waterworks District to meet the interim lump sum debt service payment, and recent approved withdrawals for system repairs, has caused it to fall behind scheduled loan reserve payments.

Recommendation

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

Part III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

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

**Schedule of Current Year Audit Findings
And Management's Corrective Action Plan (Continued)**
Year Ended June 30, 2021

Part IV: MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 21/1

Inadequate segregation of accounting functions.

Planned Corrective Action-None required

Finding 21/2

The Waterworks District No. 4 was not in compliance with loan reserve requirements.

Planned Corrective Action – In fiscal year ended 6/30/14, the Waterworks District No. 4 instituted a workout plan with the USDA's Office of Rural Development to restore loan reserve compliance through increased monthly contributions to its reserve and depreciation/contingency accounts. Implementation of these increased monthly contribution amounts has reduced the level of noncompliance significantly as of June 30, 2021. Also, effective May of 2021, the District implemented a 15% rate increase, which should enable further restoration of compliance with these reserve requirements.

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

**Schedule of Current Year Audit Findings
And Management's Corrective Action Plan (Continued)**
Year Ended June 30, 2021

Part IV: MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 21/1

Inadequate segregation of accounting functions.

Planned Corrective Action-None required

Finding 21/2

The Waterworks District No. 4 was not in compliance with loan reserve requirements.

Planned Corrective Action – In fiscal year ended 6/30/14, the Waterworks District No. 4 instituted a workout plan with the USDA's Office of Rural Development to restore loan reserve compliance through increased monthly contributions to its reserve and depreciation/contingency accounts. Implementation of these increased monthly contribution amounts has reduced the level of noncompliance significantly as of June 30, 2021. Also, effective May of 2021, the District implemented a 15% rate increase, which should enable further restoration of compliance with these reserve requirements.

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

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2021

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

20/1 – 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.

20/2 – Non-compliance with Office of Rural Development loan reserve requirements

The Waterworks District No. 4 has implemented a plan of action to restore loan reserve requirements through increased operating revenues due to water rate increases, coupled with reductions in water production costs, which will provide the requisite funding over time to reinstate compliance with Rural Development loan reserve requirements.

Part II: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

Part III: MANAGEMENT LETTER

No prior year findings.