

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

**ANNUAL FINANCIAL REPORTS**

June 30, 2019 and 2018

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

June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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

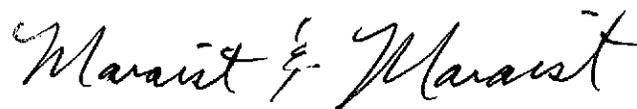
to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Compensation, Benefits, and Other Payments to Agency Head* 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 22, 2019 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.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report dated November 22, 2019 on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.



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St. Martinville, Louisiana  
November 22, 2019

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
**STATEMENTS OF NET POSITION**

June 30, 2019 and 2018

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

<u>ASSETS</u>	<u>6/30/19</u>	<u>6/30/18</u>
Current Assets:		
Cash and cash equivalents	\$ 59,632	\$ 34,998
Accounts receivable	55,493	44,531
Due from other governments	-0-	542
Prepaid expenses	4,686	4,387
Insurance deposits	1,138	1,138
Total current assets	\$ 120,949	\$ 85,596
Noncurrent Assets:		
Restricted cash and cash equivalents	\$ 121,533	\$ 119,633
Capital Assets:		
Capital assets not being depreciated	\$ 29,600	\$ 29,600
Capital assets, net of accumulated depreciation	1,506,272	1,589,681
Capital Assets, net	\$ 1,535,872	\$ 1,619,281
TOTAL ASSETS	\$ 1,778,354	\$ 1,824,510
	<u>LIABILITIES</u>	
Current Liabilities(from current assets):		
Accounts payable	\$ 23,341	\$ 30,741
Sales taxes payable	253	-0-
Payroll taxes payable	1,241	218
Total current liabilities (from current assets)	\$ 24,835	\$ 30,959
Current Liabilities(from restricted assets):		
Customer deposits	\$ 19,250	\$ 19,575
Accrued interest payable	6,420	6,570
Notes payable-RDA (current portion)	44,487	42,480
Total current liabilities (from restricted assets)	\$ 70,157	\$ 68,625
Long-Term Liabilities:		
Notes payable-RDA (long-term portion)	\$ 1,764,871	\$ 1,809,354
TOTAL LIABILITIES	\$ 1,859,863	\$ 1,908,938
	<u>NET POSITION</u>	
Net investment in capital assets	\$ (279,906)	\$ (239,123)
Restricted for debt service/contingency	198,397	154,695
TOTAL NET POSITION	\$ (81,509)	\$ (84,428)
TOTAL LIABILITIES & NET POSITION	\$ 1,778,354	\$ 1,824,510

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, 2019 and 2018

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

<u>OPERATING REVENUES:</u>	<u>FYE 6/30/2019</u>	<u>FYE 6/30/2018</u>
Water sales	\$ 312,727	\$ 301,660
Garbage fees collected	164,731	160,489
Installations, connections, additions	9,925	11,090
Penalties & late charges	22,135	20,503
Miscellaneous revenues	10,891	11,168
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 520,409</b>	<b>\$ 504,910</b>
<u>OPERATING EXPENSE:</u>		
Water purchased	\$ 68,049	\$ 70,960
Garbage fees paid	158,718	151,969
Salaries	34,800	34,800
Payroll taxes	2,662	2,592
Insurance expense	9,607	6,887
Repair and maintenance	49,671	45,913
Depreciation expense	83,409	83,309
Meter reading	14,136	13,766
Professional fees	5,570	5,095
Contractual services	8,784	11,898
Telecommunications	2,906	3,022
Utilities	689	956
Safe water program & water tests	7,738	12,896
Office expense	8,182	6,792
Automotive expense	1,619	3,064
Miscellaneous expense	2,049	9,637
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 458,589</b>	<b>\$ 463,556</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>\$ 61,820</b>	<b>\$ 41,354</b>
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Intergovernmental revenues	\$ 25,707	\$ -0-
Interest expense	(84,608)	(86,531)
<b>TOTAL NONOPERATING REVENUES/EXPENSES</b>	<b>\$ (58,901)</b>	<b>\$ (86,531)</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 2,919</b>	<b>\$ (45,177)</b>
<b>NET POSITION, BEGINNING</b>	<b>(84,428)</b>	<b>(39,251)</b>
<b>NET POSITION, ENDING</b>	<b>\$ (81,509)</b>	<b>\$ (84,428)</b>

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, 2019 and 2018

Exhibit C  
BUSINESS-TYPE ACTIVITIES  
PROPRIETARY FUND

	FYE 6/30/2019	FYE 6/30/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 509,447	\$ 502,328
Payments to suppliers	(343,119)	(333,930)
Payments to employees	(38,484)	(37,174)
Other receipts/(payments)	542	96
	<u>\$ 128,386</u>	<u>\$ 131,320</u>
Net cash provided/(used) by operating activities	\$ 128,386	\$ 131,320
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Customer deposits received/ (refunded)	\$ (325)	\$ (350)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	\$ -0-	\$ -0-
Repayment of loan principal	(42,476)	(40,559)
Interest paid on bonds/notes payable	(84,758)	(86,675)
Intergovernmental grant revenues	25,707	-0-
	<u>\$ (101,527)</u>	<u>\$ (127,234)</u>
Net cash flows from capital and related financing activities	\$ (101,527)	\$ (127,234)
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -0-	\$ -0-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 26,534	\$ 3,736
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	154,631	150,895
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 181,165</u>	<u>\$ 154,631</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating income/(loss)	\$ 61,820	\$ 41,354
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:		
Depreciation expense	83,409	83,309
Changes in net assets and liabilities:		
(Increase) decrease in accounts receivables, net	(10,420)	(2,582)
(Increase) decrease in prepaid expenses	(299)	(269)
Increase (decrease) in accounts payable	(7,400)	9,290
Increase (decrease) in sales tax payable	253	-0-
Increase (decrease) in payroll taxes payable	1,023	218
	<u>\$ 128,386</u>	<u>\$ 131,320</u>
Net cash provided/(used) by operating activities	\$ 128,386	\$ 131,320

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, 2019

(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, 2019 or 2018.

(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, 2019 and 2018 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, 2019 and June 30, 2018, the District has cash and cash equivalents (book balances) totaling \$181,165 and \$154,631 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, 2019 and 2018 as follows:

	<u>6/30/19</u>	<u>6/30/18</u>
Federal Insurance(FDIC)	\$ 203,119	\$ 177,365

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

	<u>Book Balance</u>	
	<u>6/30/19</u>	<u>6/30/18</u>
<u>Unrestricted:</u>		
Petty cash	\$ 200	\$ 200
General account – checking	5,144	3,001
Revenue account – checking	54,288	31,797
<u>Restricted:</u>		
Dcpreciation/contingency fund - checking	20,116	20,116
Member deposit fund – checking	26,737	24,837
Reserve note fund – checking	74,680	74,680
	\$ 181,165	\$ 154,631

(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>6/30/19</u>	<u>6/30/18</u>
<u>Days</u>	<u>Amounts</u>	<u>Amounts</u>
0-30	\$ 27,624	\$ 40,972
31-60	16,241	3,559
61-90	5,005	-
Over 90	6,623	-
<u>Total</u>	\$ 55,493	\$ 44,531

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

The present water billing rate schedule, effective since October 1, 2010 follows:

<u>Residential monthly billing</u>	
First 2,000 gallons (minimum)	\$15.00
Over 2,000 gallons (per 1,000 gallons)	\$3.50
<u>Commercial monthly billing</u>	
First 5,000 gallons (minimum)	\$40.00
Over 5,000 gallons (per 1,000 gallons)	\$3.00

(4) PREPAID ITEMS

Payment made to insurance companies for insurance that will benefit future periods beyond June 30, 2019 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, 2019:

	Beginning Balance 07/01/18	Increases	Decreases	Ending Balance 6/30/19
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	\$ 94,230	\$ 710		\$ 94,940
Furniture, fixtures and equipment	83,097			83,097
Water distribution system	1,604,039	82,699		1,686,738
Total accumulated depreciation	<u>\$ 1,781,366</u>	<u>\$ 83,409</u>		<u>\$ 1,864,775</u>
Capital assets, net	<u>\$ 1,619,281</u>	<u>\$ (83,409)</u>		<u>\$ 1,535,872</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2018:

	Beginning Balance 07/01/17	Increases	Decreases	Ending Balance 6/30/18
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	\$ 93,556	\$ 674		\$ 94,230
Furniture, fixtures and equipment	83,164	(67)		83,097
Water distribution system	1,521,337	82,702		1,604,039
Total accumulated depreciation	<u>\$ 1,698,057</u>	<u>\$ 83,309</u>		<u>\$ 1,781,366</u>
Capital assets, net	<u>\$ 1,702,590</u>	<u>\$ (83,309)</u>		<u>\$ 1,619,281</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—6/30/17	\$ 1,892,393
Principal reductions-FYE 6/30/18	<u>(40,559)</u>
Balance—6/30/18	\$ 1,851,834
Principal reductions-FYE 6/30/19	<u>(42,476)</u>
Balance—6/30/19	<u><u>\$ 1,809,358</u></u>

The annual requirements to amortize revenue bonds outstanding at June 30, 2019, are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Totals</u>
2020	\$ 127,235
2021	127,235
2022	127,235
2023	127,235
2024	127,235
2025—2029	636,174
2030—2034	636,174
2035—2039	636,174
2040—2043	<u>410,301</u>
Total principal & interest	\$ 2,954,998
Less: Interest	<u>1,145,640</u>
Balance at June 30, 2019	<u><u>\$ 1,809,358</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 \$530 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 \$19,475 and \$19,575 at June 30, 2019 and 2018. There is an amount due the general revenue account from the customer deposits account in the amount of \$7,487 at June 30, 2019. There is an amount due the general revenue account from the customer deposits account in the amount of \$5,262 at June 30, 2018.

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, 2019 and 2018 amounted to \$2,662 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, 2019 consists of:

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Fidelity Bond	\$ 127,234		12/15/19
Commercial General Liability	\$ 1,000,000	Each occurrence	4/2/20
	\$ 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	4/2/20
Commercial Auto Coverage	\$ 1,000,000	Liability	8/14/19
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 1,000,000	Bodily injury	5/4/20

**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 &amp; Address</u>	<u>Term</u>	<u>Term Expires</u>
Charles Latiolais, Jr. 4416 Catahoula Hwy. St. Martinville, LA 70582	2 years	6/6/20
Travis Latiolais 1030 Alexson Road St. Martinville, LA 70582	1 year	1/8/20
Charles Durand 1100 Isle Labbe Road St. Martinville, LA 70582	2 years	6/6/20
Stacey Boudreaux 4447 Catahoula Hwy. St. Martinville, LA 70582	3 years	6/6/21
Gary Carter 1038 Banker Road St. Martinville, LA 70582	2 years	6/6/20

(13) SUBSEQUENT EVENTS

Subsequent events were evaluated through November 22, 2019, which is the date the financial statements were available to be issued. As of November 22, 2019, there were no subsequent events noted.

(14) PENDING LITIGATION

There is no litigation pending against the Waterworks District No. 4 at June 30, 2019.

## **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, 2019

Agency Head Name: Charles Durand(Board President)

<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	 <u>\$ -</u>

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

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## 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, 2019 and 2018, 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 22, 2019.

### 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 certain deficiencies in internal control, described in the accompanying schedule of current year audit findings, and management's corrective action plan that we consider to be significant deficiencies in internal control, and are referenced as items 19/1 and 19/2.

#### 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 19/3.

#### 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 22, 2019

  
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, 2019

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. Two significant deficiencies 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 them to be material weaknesses.
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, 2019.
5. There was no single audit required under the 2CFR 200.516(a)(Uniform Guidance).

Part II: 2019 FINDINGS – FINANCIAL STATEMENT AUDIT

Internal Control:

19/1 – 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, 2019

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.

19/2 – Internal Control Over Financial Reporting

Condition

The Waterworks District No. 4 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.

Compliance:

19/3 – Noncompliance with Office of Rural Development loan reserve requirements.

Condition

At June 30, 2019, stipulated Rural Development loan reserve account balance was underfunded and in arrears due to an approved withdrawal.

**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, 2019

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.

Part IV: MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 19/1

Inadequate segregation of accounting functions.

Planned Corrective Action-None required

Finding 19/2

Internal control over financial reporting.

Planned Corrective Action-None required

Finding 19/3

The Waterworks District No. 4 was not in compliance with loan 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, 2019

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, 2019.

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

**Summary Schedule of Prior Year Audit Findings**  
Year Ended June 30, 2019

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

18/1 – 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.

18/2 – Internal Control over Financial Reporting

The Waterworks District No. 4 has evaluated the cost 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 financial statements in accordance with GAAP to its independent auditors, subject to management review and acceptance.

18/3 – 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.

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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Members of the Waterworks  
District No. 4 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. 4 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 July 1, 2018 through June 30, 2019. 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,

*The District has no formal written policies and procedures for budgeting; however, the District is not required to have a budget.*

- 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.

*The District has no formal written policies and procedures for purchasing.*

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

*The District has no formal written policies and procedure for disbursements.*

- 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 billings after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

*The District has no formal written policies and procedures for receipts/collections.*

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

*The District has no formal written policies for payroll/personnel.*

- 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

*The District has no formal written policies and procedures for contracting.*

- 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, and (4) required approvers, and (5) monitoring card usage

*The District does not have any credit cards, and therefore there are no formal written policies and procedures for credit cards.*

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

*The District has no formal written policies and procedures for travel and expense reimbursement.*

- 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 that they have read the entity's ethics policy.

*The District has no formal written policies and procedures for ethics.*

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

*The District has no formal written policies and procedures for debt service. The District uses the guidelines and requirements provided by the USDA.*

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backup, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of available

system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

*The District has no formal written policies and procedures for disaster recovery/ business continuity.*

### **Board(or Finance Committee, if applicable)**

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.

*The board meets with a quorum on a monthly basis.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included the 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. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

*The District is not required to have a budget; therefore monthly budget-to-actual comparisons are not presented at the board meetings. However, the secretary/bookkeeper presents the board with financial reports on a monthly basis.*

- 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.

*Not applicable. The District only has one fund, which is a proprietary fund.*

### **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 each selected account, and observe that:

- a) Bank reconciliations include evidence they have been prepared within 2 months of the related statement closing date (e.g., initiated and dated, electronically logged);

*Bank reconciliations were dated within one month after 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

*Bank reconciliations were signed and dated by the president of the board.*

- 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.

*Obtained bank statements and reconciliations for all months in the fiscal period noting that 1 out of 5 bank accounts had checks that have been outstanding for more than 12 months from the statement closing date. The majority of the outstanding checks are refund checks. The District sends old outstanding checks to the state for unclaimed property on an annual basis.*

### 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 cash collection locations and management's representation that the listing is complete. The District only has one collection location.*

- 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. 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:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

*The District has one employee collecting cash and working out of a single cash register drawer.*

- 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.

*The District has one employee collecting cash. That one employee is responsible for depositing the cash in the bank, recording the related transaction and reconciling the related bank statement.*

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

*The District does not have a person responsible for posting collection entries to the general ledger that is independent of the cash collections.*

- 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.

*The District does not have a person reconciling cash collections to the general ledger that is independent of the cash collections.*

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

*The District has one employee who has access to cash, and that employee is bonded.*

- 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.

*Selected two deposit dates from each of the two bank accounts with deposit activity, and verified that the receipts are sequentially pre-numbered.*

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

*For the meter deposit account: traced collection amount to the deposit slip, bank receipt of deposit, and deposit report. For the revenue account: traced collection amount to daily payment register, deposit slip, and bank receipt of deposit.*

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

*For both of the bank accounts, the deposit slip total was traced to the actual deposit per the bank statement.*

- 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).

*For both of the bank accounts, each deposit selected was made within one business day of receipt at the collection location.*

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

*For both bank accounts, each actual deposit per the bank statement was traced to the general ledger amount.*

*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 and management's representation that the listing is complete. The District only has one location that processes payments.*

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.

*There is only one employee involved in initiating a purchase. However, the board is responsible for approving all purchases.*

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

*The secretary/bookkeeper is responsible for processing payments to vendors and the board is responsible for 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 person responsible for processing payments is not prohibited from adding vendors to the District's system.*

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

*The secretary/bookkeeper has the ability to process payments and also has signature authority. However, each check requires two signatures so the secretary/bookkeeper and a board member usually are the ones to sign each check. Board members have no responsibility for processing payments; they are responsible for approving payments and signing checks.*

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.

*Examined the related original invoice and verified that the disbursement amount matched the amount on the general ledger.*

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

*Examined supporting documentation for each of the 5 selected disbursements and found all payments were processed after approval by the board. At each meeting, the secretary/bookkeeper presents the board with all invoices that need to be paid for the month. The board approves each invoice and signs each check in order for the secretary/bookkeeper to process payment.*

### Travel and Expense Reimbursement

11. Obtain from management a listing of all travel and 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 established by the U. S. General Services Administration ([www.gsa.gov](http://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.

*The District had no reimbursements or expenses incurred for travel or travel-related expenses during the fiscal year.*

### Contracts

12. Obtain a listing from management of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, 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 selected one payment from the fiscal period for each of the five 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.

*The District did not have any contracts in effect during the fiscal period.*

**Payroll and Personnel**

13. Obtain a listing of employees/elected officials employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employecs/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

*Obtained a payroll journal from management with representation that the listing was complete. The District only has two employees. The District does not have personnel files but all compensation was paid in accordance with the board members approval per the minutes.*

14. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #13 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employecs/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 clcted official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave).

*No exceptions noted. Only one employee gets vacation and sick time.*

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

*There was documentation showing the attendance and leave was approved by a board member.*

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records.

*All leave taken during the pay period was fully reflected in the entity's cumulative employee leave records.*

15. 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' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*No employees were terminated during the fiscal period.*

16. 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 the required deadlines.

*Obtained supporting documentation relating to payroll taxes during the fiscal period and no exceptions were noted. Workers compensation premiums to Louisiana Workers Compensation Corporation have been paid. The District does not make retirement contributions and does not pay health insurance premiums.*

#### **Ethics (excluding nonprofits)**

17. Using the five randomly selected employees/officials from procedure #13 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.

*No exceptions noted. All employees selected had ethics compliance documentation.*

- 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.

*The District did not have an ethics policy during the fiscal period.*

#### **Debt Service (excluding nonprofits)**

18. 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.

*No bonds/notes were issued during the fiscal period.*

19. 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.

*The District made all scheduled debt service payments as required by their outstanding Rural Development Loan. Loan reserves are not completely in compliance with required loan reserve levels stipulated by the Rural Development loan agreement.*

Other

20. 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.

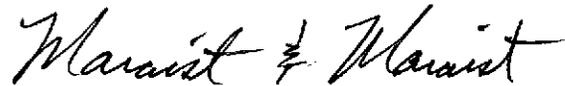
*Management has asserted that the District did not have any misappropriations of public funds or assets.*

21. 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 is properly posted on the District's premises, next to the collection window.*

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  
November 22, 2019

**ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4**  
Catahoula, Louisiana  
For the Year Ended June 30, 2019

Management's responses to the following agreed-upon procedures exceptions:

**Written Policies and Procedures:**

1b-f, h-i,k. Management will consider adopting written policies for the above but, due to the size of the District, we consider it to be impractical in many instances.

**Collections:**

5a-d. Management is aware of and has evaluated these exceptions 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 of duties.

**Non-Payroll Disbursements:**

9c-d. Management is aware of and has evaluated these exceptions 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 of duties.

**Ethics:**

17b. Management will consider adopting written policies for the above, but due to the size of the District, we consider it to be impractical in many instances.

**Debt Service:**

19. Management is under a loan reserve workout agreement with the Office of Rural Development, which should ultimately restore compliance with loan reserve/contingency requirements.