

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

ANNUAL FINANCIAL REPORTS

June 30, 2017 and 2016

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

June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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

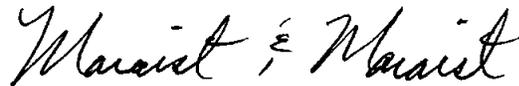
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Martin Parish Waterworks District No. 4's basic financial statements. The *Schedule of Compensation, Benefits, and Other Payments to Agency Head* on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The *Schedule of Expenditures of Federal Awards* on page 23 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award*, and is also not a required part of the basic financial statements.

The *Schedule of Compensation, Benefits, and Other Payments to Agency Head*, and the *Schedule of Expenditures of Federal Awards* are the responsibility of management

and were derived from and relate 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*, and the *Schedule of Expenditures of Federal Awards* are 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 October 16, 2017 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 District's internal control over financial reporting and compliance.



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St. Martinville, Louisiana
October 16, 2017

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENT OF NET POSITION

June 30, 2017 and 2016

Exhibit A
BUSINESS-TYPE ACTIVITIES
PROPRIETARY FUND

<u>ASSETS</u>	<u>6/30/17</u>	<u>6/30/16</u>
Current Assets:		
Cash and cash equivalents	\$ 30,462	\$ 20,825
Accounts receivable	41,853	31,809
Due from other governments	638	-0-
Prepaid expenses	4,118	4,033
Insurance deposits	1,138	1,138
Total current assets	\$ 78,209	\$ 57,805
Noncurrent Assets:		
Restricted cash and cash equivalents	\$ 120,433	\$ 124,294
Capital Assets:		
Capital assets not being depreciated	\$ 29,600	\$ 29,600
Capital assets, net of accumulated depreciation	1,672,990	1,757,025
Capital Assets, net	\$ 1,702,590	\$ 1,786,625
TOTAL ASSETS	\$ 1,901,232	\$ 1,968,724
<u>LIABILITIES</u>		
Current Liabilities(from current assets):		
Accounts payable	\$ 21,451	\$ 34,692
Accrued taxes payable	-0-	614
Total current liabilities (from current assets)	\$ 21,451	\$ 35,306
Current Liabilities (from restricted assets):		
Customer deposits	\$ 19,925	\$ 20,200
Accrued interest payable	6,714	6,852
Notes payable-RDA (current portion)	40,564	38,735
Total current liabilities (from restricted assets)	\$ 67,203	\$ 65,787
Long-Term Liabilities:		
Notes payable-RDA (long-term portion)	\$ 1,851,829	\$ 1,892,389
TOTAL LIABILITIES	\$ 1,940,483	\$ 1,993,482
<u>NET POSITION</u>		
Net investment in capital assets	\$ (196,518)	\$ (151,351)
Restricted for debt service/contingency	157,267	126,593
TOTAL NET POSITION	\$ (39,251)	\$ (24,758)

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

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

For the Years Ended June 30, 2017 and 2016

Exhibit B

BUSINESS-TYPE ACTIVITIES
 PROPRIETARY FUND

<u>OPERATING REVENUES:</u>	FYE 6/30/2017	FYE 6/30/2016
Water sales	\$ 294,626	\$ 298,602
Garbage fees collected	163,966	151,952
Installations, connections, additions	14,125	8,713
Penalties & late charges	21,250	19,299
Miscellaneous revenues	8,314	2,966
TOTAL OPERATING REVENUES	\$ 502,281	\$ 481,532
<u>OPERATING EXPENSE:</u>		
Water purchased	\$ 63,352	\$ 72,604
Garbage fees paid	143,539	144,800
Salaries	34,800	35,840
Payroll taxes	2,662	2,742
Insurance expense	6,114	7,842
Repair and maintenance	31,233	27,778
Depreciation expense	84,035	84,035
Meter reading	13,370	12,985
Professional fees	9,295	4,605
Contractual services	16,483	17,844
Telecommunications	3,032	3,841
Utilities	667	787
Safe water program & water tests	6,457	2,615
Office expense	6,950	7,065
Automotive expense	4,969	3,657
Miscellaneous expense	1,454	2,250
TOTAL OPERATING EXPENSES	\$ 428,414	\$ 431,290
OPERATING INCOME/(LOSS)	\$ 73,867	\$ 50,242
<u>NONOPERATING REVENUES/(EXPENSES)</u>		
Interest income	\$ 7	\$ -0-
Interest expense	(88,367)	(90,121)
TOTAL NONOPERATING REVENUES/EXPENSES	\$ (88,360)	\$ (90,121)
CHANGE IN NET POSITION	\$ (14,493)	\$ (39,879)
NET POSITION, BEGINNING	(24,758)	15,121
NET POSITION, ENDING	\$ (39,251)	\$ (24,758)

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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017 and 2016

	<u>Exhibit C</u>	
	BUSINESS-TYPE ACTIVITIES	
	PROPRIETARY FUND	
	<u>FYE 6/30/2017</u>	<u>FYE 6/30/2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 492,237	\$ 485,878
Payments to suppliers	(320,243)	(296,744)
Payments to employees	(38,076)	(38,744)
Other receipts/(payments)	(638)	(2,250)
	<hr/>	<hr/>
Net cash provided/(used) by operating activities	\$ 133,280	\$ 148,140
	<hr/>	<hr/>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Customer deposits received/ (refunded)	\$ (275)	\$ (675)
	<hr/>	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	\$ -0-	\$ -0-
Repayment of loan principal	(38,731)	(36,982)
Interest paid on bonds/notes payable	(88,505)	(90,252)
Interest earned on investments	7	-0-
	<hr/>	<hr/>
Net cash flows from capital and related financing activities	\$ (127,229)	\$ (127,234)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -0-	\$ -0-
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 5,776	\$ 20,231
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/> 145,119	<hr/> 124,888
CASH AND CASH EQUIVALENTS, END OF YEAR	<hr/> <u>\$ 150,895</u>	<hr/> <u>\$ 145,119</u>
	<hr/>	<hr/>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating income/(loss)	\$ 73,867	\$ 50,242
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:		
Depreciation expense	84,035	84,035
Changes in net assets and liabilities:		
Receivables, net	(10,682)	4,346
Prepaid expenses	(85)	(302)
Accounts payable	(13,241)	9,445
Accrued liabilities	(614)	374
	<hr/>	<hr/>
Net cash provided/(used) by operating activities	<u>\$ 133,280</u>	<u>\$ 148,140</u>
	<hr/>	<hr/>

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, 2017

(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.

Because the parish government appoints the District's governing body, the St. Martin Parish Waterworks District No. 4 was determined to be a component

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

Notes to Basic Financial Statements(continued)

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 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

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4

Catahoula, Louisiana

Notes to Basic Financial Statements(continued)

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:

- (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

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when

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

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

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

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

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

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increased in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from delayed recognition of expenditures or revenues, respectively. There were no deferred outflows of resources or deferred inflows of resources as of June 30, 2017 or 2016.

(F) Compensated Absences

The Waterworks District does not grant compensated absences to any of its employees, either in the form of sick leave or vacation leave.

(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

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

in certificates and time deposits of state banks organized under Louisiana law and national banks having principal office in Louisiana. At June 30, 2017 and June 30, 2016, the District has cash and cash equivalents (book balances) totaling \$151,095 and \$145,119 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 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.

Deposits with banks are categorized to give an indication of the level of risk at June 30, 2017 and 2016 as follows:

	<u>6/30/17</u>	<u>6/30/16</u>
Federal Insurance(FDIC)	\$ 154,176	\$ 167,997

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

	<u>Book Balance</u>	
	<u>6/30/17</u>	<u>6/30/16</u>
<u>Unrestricted:</u>		
Petty cash	\$ 200	\$ 200
General account – checking	2,343	2,581
Revenue account – checking	27,918	18,044
<u>Restricted:</u>		
Depreciation/contingency fund – checking	22,429	28,964
Member deposit fund – checking	23,325	20,650
Reserve note fund – checking	74,680	74,680
	\$ 150,895	\$ 145,119

(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

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

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>Days</u>	<u>6/30/17</u>	<u>6/30/16</u>
	<u>Amounts</u>	<u>Amounts</u>
0-30	\$ 40,131	\$ 28,882
31 and older	1,722	2,927
<u>Total</u>	<u>\$ 41,853</u>	<u>\$ 31,809</u>
Breakdown of customers:		
Residential	863	858
Commercial	47	48
<u>Total</u>	<u>910</u>	<u>906</u>

The present water billing rate schedule, effective since October 1, 2010 is as 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) 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, 2017:

	Beginning Balance 07/01/16	Increases	Decreases	Ending Balance 6/30/17
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	\$ 92,841	\$ 715		\$ 93,556
Furniture, fixtures and equipment	82,543	621		83,164
Water distribution system	1,438,638	82,699		1,521,337
Total accumulated depreciation	<u>\$ 1,614,022</u>	<u>\$ 84,035</u>		<u>\$ 1,698,057</u>
Capital assets, net	<u>\$ 1,786,625</u>	<u>\$ (84,035)</u>		<u>\$ 1,702,590</u>

The following is a summary of the capital assets of the Proprietary Fund at June 30, 2016:

	Beginning Balance 07/01/15	Increases	Decreases	Ending Balance 6/30/16
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	\$ 92,126	\$ 715		\$ 92,841
Furniture, fixtures and equipment	81,922	621		82,543
Water distribution system	1,355,939	82,699		1,438,638
Total accumulated depreciation	<u>\$ 1,529,987</u>	<u>\$ 84,035</u>		<u>\$ 1,614,022</u>
Capital assets, net	<u>\$ 1,870,660</u>	<u>\$ (84,035)</u>		<u>\$ 1,786,625</u>

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

(5) LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions and balances of the Waterworks District No. 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—6/30/15	\$ 1,968,106
Principal reductions-FYE 6/30/16	<u>(36,982)</u>
Balance—6/30/16	\$ 1,931,124
Principal reductions-FYE 6/30/17	<u>(38,731)</u>
Balance—6/30/17	<u><u>\$ 1,892,393</u></u>

The annual requirements to amortize revenue bonds outstanding at June 30, 2017, are as follows:

Year Ended <u>June 30,</u>	<u>Totals</u>
2018	\$ 127,235
2019	127,235
2020	127,235
2021	127,235
2022	127,235
2023—2027	636,174
2028—2032	636,174
2033—2037	636,174
2038—2041	636,174
Thereafter	<u>28,569</u>
Total principal & interest	\$ 3,209,440
Less: Interest	<u>1,317,047</u>
Balance at June 30, 2017	<u><u>\$ 1,892,393</u></u>

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

(6) 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 \$19,925 and \$20,200 at June 30, 2017 and 2016. There is an amount due the general revenue account from the customer deposits account in the amount of \$3,600 at June 30, 2017. There is an amount due the customer deposits account from the general revenue account in the amount of \$450 at June 30, 2016.

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.

(7) 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, 2017 and 2016 amounted to \$2,662 and \$2,742, respectively.

(8) 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*.

(9) 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, 2017 consists of:

Coverage Provided For	Limits of Coverage (in dollars)	Description of limits	Expiration Date
Fidelity Bond	\$ 127,234		12/15/17
Commercial General Liability	\$ 1,000,000	Each occurrence	4/2/18
	\$ 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	4/2/18
Commercial Auto Coverage	\$ 1,000,000	Liability	8/14/17
	\$ 1,000,000	Uninsured motorist	
Workers Compensation	\$ 1,000,000	Bodily injury	5/4/18

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

(10) 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.

(11) 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	6/6/20
Leland Guidry 1076 David Road St. Martinville, LA 70582	1 year	12/6/17
Charles Durand 1100 Isle Labbe Road St. Martinville, LA 70582	4 years	6/6/20
Stacey Boudreaux 4447 Catahoula Hwy. St. Martinville, LA 70582	2 years	6/6/18
Gary Carter 1038 Banker Road St. Martinville, LA 70582	2 years	6/6/18

(13) SUBSEQUENT EVENTS

Subsequent events were evaluated through October 16, 2017, which is the date the financial statements were available to be issued. As of October 16, 2017, there were no subsequent events noted.

(14) PENDING LITIGATION

There is no litigation pending against the Waterworks District No. 4 at June 30, 2017.

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, 2017

Agency Head Name: Charles Latiolais, Jr.(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	 \$ _____ -

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, 2017 and 2016, 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 October 16, 2017.

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 17/1 and 17/2.

Compliance and Other Matters

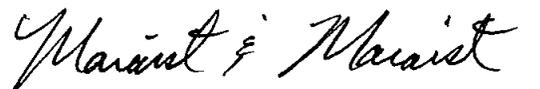
As part of obtaining reasonable assurance about whether the Waterworks District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and 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 17/3.

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.


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St. Martinville, Louisiana
October 16, 2017

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
 Catahoula, Louisiana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2017

<u>FEDERAL GRANTOR/ PASS-THRU GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
United States Department of Agriculture/Water and Waste Disposal Systems for Rural Communities	10.760	-0-

The Waterworks District No. 4 of St. Martin Parish, Louisiana has a single revenue bond/loan outstanding with USDA Rural Development at June 30, 2017 as follows:

<u>Revenue Bond</u>	<u>Outstanding Balance</u>
Series R-1	<u>1,892,393</u>

ST. MARTIN PARISH WATERWORKS DISTRICT NO. 4
Catahoula, Louisiana
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE (1) – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal award programs of the St. Martin Parish Waterworks District No. 4. The Waterworks District's reporting entity is defined in Note 1 to the St. Martin Parish Waterworks District No. 4's financial statements.

NOTE (2) – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the St. Martin Parish Waterworks District No. 4's financial statements.

NOTE (3) – RELATIONSHIP TO FINANCIAL STATEMENTS

The bonds payable are reported in the St. Martin Parish Waterworks District No. 4's financial statements as a liability.

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, 2017

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, 2017.
5. There was no single audit required under OMB Circular A-133 or the Uniform Guidance.

Part II: 2017 FINDINGS – FINANCIAL STATEMENT AUDIT

Internal Control:

17/1 – 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, 2017

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.

17/2 – 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:

17/3 – Noncompliance with Office of Rural Development loan reserve requirements.

Condition

At June 30, 2017, stipulated Rural Development loan reserve account balance was underfunded and in arrear 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, 2017

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.

Effect

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

Recommendation

As additional cash flows are generated 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

None

Part IV: MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 17/1

Inadequate segregation of accounting functions.

Planned Corrective Action-None required

Finding 17/2

Internal control over financial reporting.

Planned Corrective Action-None required

Finding 17/3

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, 2017

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, 2017.

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

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2017

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

16/1 – 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.

16/2 – 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.

16/3 – 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

No prior year findings.

Part III: MANAGEMENT LETTER

No prior year findings.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Management of the Waterworks
District No. 4 of St. Martin Parish, LA

We have performed the procedures enumerated below, which were agreed to by the management of the Waterworks District No. 4 of St. Martin Parish, LA and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the Waterworks District No. 4's compliance with certain laws, regulations and best practices during the year ended June 30, 2017. Management of the Waterworks District No. 4 is responsible for its financial records and compliance with applicable laws and regulations.

This agreed-upon procedures engagement was performed 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 the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the 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.

- c) **Disbursements**, including processing, reviewing, and approving
- d) **Receipts**, including receiving, recording, and preparing deposits
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- 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
- g) **Credit Cards (and debit card, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Finding: The District does not have any written policies concerning the above financial and administrative procedures.

Management Response: The District will develop the necessary policies and procedures to address the above financial and administrative areas. The District will put such policies in a written document and implement these policies and procedures.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Finding: We obtained a copy of the Waterworks District No. 4's board/committee minutes for the fiscal period. The board increased the frequency of its meeting in January, 2017 to monthly. During our review, we noted no budget to actual monthly comparisons.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the

transactions associated with the bank account) has reviewed each bank reconciliation; and

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Finding: A member of management or board of commissioners has not reviewed the bank reconciliations. Additionally, several old utility deposit refunds are outstanding in excess of 6 months at the end of the fiscal period.

Management Response: Management and or the board of commissioners will implement the policy of reviewing the monthly bank statement reconciliations. All old outstanding reconciling items will be researched to determine their proper ultimate disposition.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register of drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Finding: The District has only one administrative employee. That person is responsible for depositing cash, recording the related transaction, and reconciling the bank accounts, and maintains a single cash drawer. All cash collections are deposited intact daily. All reconciliations of cash collections to the general and subsidiary accounts receivable ledgers are performed by this same employee.

Management Response: Efforts will be made to inject a measure of management review of these conflicting functions, in order to achieve a greater degree of internal control over collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g.

purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchases orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
 11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
 12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
 13. If a signature stamp or signature machine is used inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Finding: No purchase order system is in place. The person processing payments can also add new vendors to the system. The persons with signatory authority have no responsibility for initiating or recording purchases.

All unused checks are maintained in a locked location by persons with no signatory authority. A signature stamp or signature machine is not utilized.

Management Response: The District will begin the implementation of a purchase order system. The District will also continue to monitor any "new" vendors added to accounts payable.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.
16. Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
 - a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
17. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:

An original itemized receipt (i.e., identifies precisely what was purchased)

Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances, or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Findings: The District does not have any active credit cards, bank debit cards, fuel cards or P-cards.

Travel and Expense Reimbursement

- 18. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
- 19. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amount that exceed GSA rates.
- 20. Using the listing or general ledger from #18 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
 - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to

the GSA rates (#19 above) and report each reimbursement that exceeds those rates.

- b) Report whether each expense is supported by:

An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating.)

Other documentation as may be required by written policy (e.g., authorization from travel, conference brochure, certificate of attendance.)

- c) Compare the entity's documentation of the business/public to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transactions as an exception.
- d) Report whether each expense and related documentation as reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Findings: No exceptions.

Contracts

21. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
22. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on the state contract and excluding payment to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law and Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Findings: No exceptions.

Payroll and Personnel

- 23. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

24. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
25. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
26. Obtain supporting documentation (e.g. cancelled check, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Findings: No exceptions.

Ethics

27. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
28. Inquire of management whether any alleged ethics violation were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the

corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Findings: Ethics compliance documentation was not retained for 2 of 2 employees tested. Management asserted that they have received no allegations during the fiscal period.

Managements Response: The District will improve its efforts to maintain ethics compliance documentation.

Debt Service

29. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
30. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
31. If the entity had tax millages relating to debt service, obtain supporting documentation from the entity and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Findings: Waterworks District No. 4 of St. Martin Parish, LA 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 Rural Development.

Management Response: The District is currently in a workout plan with Rural Development to restore loan reserve compliance, and should achieve same by fiscal year ended June 30, 2018.

Other

32. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
33. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

34. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Findings: No exceptions.

We were not engaged to perform, and did not perform, an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the Statewide Agreed-Upon Procedures. 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.

This report is intended solely to describe the scope of testing performed on those control and compliance areas identified in the Statewide Agreed-Upon Procedures, 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 Louisiana Legislative Auditor as a public document.



Maraist & Maraist
Certified Public Accountants

St. Martinville, LA
October 16, 2017