

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
ANNUAL FINANCIAL REPORT
FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016



TWRU
CPAs & Financial Advisors

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA

105 GISELE STREET

NEW ROADS, LA 70760

(225) 638-4501

COMMISSIONERS

Marvin Losavio. Chairman

Van J. Debetaz

Mark Major

Tommy Montgomery

Kelly Rivet

MEETING DATE:

2nd Monday of Every Month
5:00 PM - Police Jury Office

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA

FOR THE YEARS ENDED DECEMBER 31, 2017 and 2016

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Board of Directors
Waterworks District No. 2 of Pointe Coupee Parish, LA
New Roads, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Waterworks District No. 2 of Pointe Coupee Parish, LA, (a component unit of the Parish of Pointe Coupee) (the District) as of and for the years ended December 31, 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 from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 from 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 auditors' judgment, including the assessment of the 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 the 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.

Opinions

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 District, as of December 31, 2017 and 2016, and the respective change in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by U.S. Department of Agriculture on pages 25-27 and the supplementary information required by the Louisiana Legislative Auditor on page 28 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information required by the Louisiana Legislative Auditor is the responsibility of management and was 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, reimbursement, benefits and other payments to agency head, political subdivision head, or chief executive officer is fairly stated, in all material respects, in relation to the basis financial statements as a whole.

The supplemental information required by USDA has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the District'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 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.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
June 25, 2018



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

INTRODUCTION

This annual report consists of --

- Our independent auditors' report on the financial statements in which they rendered an unmodified opinion.
- Management's discussion and analysis which provides in plain language an overview of our financial activities for the year.
- The basic financial statements which consists of proprietary fund financial statements, and the notes to those financial statements.
- Supplementary information required by USDA.
- Our independent auditors' report on the District's compliance with laws and regulations and how management applied internal controls over its financial operations. The results of those tests and observations did not indicate any violations that they considered to be in noncompliance or conditions that required to be disclosed that could affect our operations.
- Supplementary information required by Louisiana Legislative Auditor.

Management's Discussion and Analysis

As management of the District, we are pleased to provide an overview of our financial activities for the year ended December 31, 2017. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations of significant economic factors, and the status of infrastructure and its effects on our debt and operation. When referring to prior years data in this analysis we will be drawing upon information from last year's audited financial report.

Financial Highlights

- The District's net position decreased by \$145,135 from \$3,301,238 in 2016 to \$3,156,103 in 2017.
- Utility operating revenues decreased by \$2,422 from \$596,133 to \$598,555.
- Cash decreased by \$90,102 for the year ended December 31, 2017.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which are comprised of three components: (1) proprietary fund financial statements, (2) notes to the financial statements, and (3) other required supplementary information in addition to the basic financial statements themselves required by USDA.

Financial Statements

The District's Financial Statements report functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). When the District charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

The Financial Statements, presented on pages 8 through 10, are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statements of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Statements of Cash Flows presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements

The notes, presented on pages 11 through 21, provide additional narrative and tabular information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are a required part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information required by USDA, on pages 25 and 27, and supplementary information required by I.L.A, on page 28.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At the end of the most recent year, the assets of the District exceeded its liabilities and deferred outflows by \$3,156,103.

The District's total assets are composed of \$472,554 (6.7%) in cash and receivables, \$6,591,516 (93.2%) investment in capital assets (land, buildings, utility systems, vehicles and equipment, etc.), and \$8,784 (0.1%) in prepaid and other assets. The District uses these capital assets to provide various services to residents and businesses in the incorporated area, these assets are not available for future spending.

Statements of Net Position

| | Total 2017 | Total 2016 | % Change |
|---|---------------------|---------------------|----------|
| Current and Other Assets | \$ 481,338 | \$ 574,768 | -16.3% |
| Capital Assets | <u>6,604,624</u> | <u>6,748,661</u> | -2.1% |
| Total Assets | <u>7,085,962</u> | <u>7,323,429</u> | -3.2% |
| Current and Other Liabilities | 277,855 | 268,405 | 3.5% |
| Long-term Debt | <u>3,638,806</u> | <u>3,742,788</u> | -2.8% |
| Total Liabilities | <u>3,916,661</u> | <u>4,011,193</u> | -2.4% |
| Deferred Inflows of Resources | <u>\$ 13,198</u> | <u>\$ 10,998</u> | 20.0% |
| Net Position – | | | |
| Invested in Capital assets, Net of Related Debt | 2,861,840 | 2,906,169 | -1.5% |
| Restricted | 414,273 | 369,335 | 12.2% |
| Unrestricted – (Deficit) | <u>(120,010)</u> | <u>25,734</u> | -566.3% |
| Total Net Position | <u>\$ 3,156,103</u> | <u>\$ 3,301,238</u> | -4.4% |

Changes in Net Position

| | Total <u>2017</u> | Total <u>2016</u> | % Change <u></u> |
|------------------------------|----------------------|----------------------|---------------------|
| Revenues: | | | |
| Charges for Services | \$ 598,555 | \$ 596,133 | 0.4% |
| Interest Earned | 202 | 162 | 24.7% |
| Grant Income | <u>27,000</u> | <u>-</u> | 100.0% |
| Total Revenues | <u>625,757</u> | <u>596,295</u> | 4.9% |
| Functions/Program Expenses – | | | |
| Taxes, Licenses, and Permits | - | 2,074 | -100.0% |
| Administrative | 14,974 | 17,943 | -16.5% |
| Professional Fees | 60,996 | 59,287 | 2.9% |
| Utility Operator | 133,756 | 122,133 | 9.5% |
| Maintenance | 111,549 | 82,616 | 35.0% |
| Utilities | 25,826 | 28,533 | -9.5% |
| Insurance | 16,564 | 18,527 | -10.6% |
| Depreciation | 266,044 | 263,763 | 0.9% |
| Interest on Long-term Debt | <u>141,183</u> | <u>145,276</u> | -2.8% |
| Total Expenses | <u>770,892</u> | <u>740,152</u> | 4.2% |
| Decrease in Net Position | (145,135) | (143,857) | -0.9% |
| Beginning Net Position | 3,301,238 | 3,486,742 | -5.3% |
| Prior Period Adjustment | <u>-</u> | <u>(41,647)</u> | 100.0% |
| Ending net position | <u>\$ 3,156,103</u> | <u>\$ 3,301,238</u> | -4.4% |

Capital Assets

At December 31, 2017 and 2016, the District had \$10,932,598 and 10,814,591 respectively, invested in a broad range of capital assets, including land, buildings, utility systems, vehicles, and equipment.

During 2017, the District made the following capital outlays --

| | |
|-----------|--------------------------------------|
| \$108,507 | Improvements to water system |
| \$ 13,500 | Construction of Chlorinator Building |

Further detail on capital assets is presented in Note 4 on page 16.

| | Business-type Activities | |
|-------------------------------|-----------------------------|---------------------|
| | 2017 | 2016 |
| Land | \$ 148,358 | \$ 148,358 |
| Buildings | 13,500 | 4,000 |
| Utility property | 10,770,740 | 10,662,233 |
| Less Accumulated Depreciation | (4,327,974) | (4,065,930) |
| Totals | <u>\$ 6,604,624</u> | <u>\$ 6,748,661</u> |

Economic Factors and Utility Rates

The District relies on user charges for the operations; therefore, activities are impacted by the number of users served and the consumption of water.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Edward Merrick, CPA at (225) 638-4501 or write to the District at 105 Gisele Street, New Roads, LA 70760.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.



WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
STATEMENTS OF NET POSITION
(See Independent Auditors' Report and Accompanying Notes to Financial Statements)

| | December 31, | |
|---|--------------|--------------|
| <u>ASSETS</u> | 2017 | 2016 |
| CURRENT ASSETS: | | |
| Cash | \$ 40,721 | \$ 98,267 |
| Accounts Receivable (Net of Allowance of \$33,795 and \$33,084) | 17,560 | 20,286 |
| Prepaid Expenses | 8,784 | 9,386 |
| TOTAL CURRENT ASSETS | 67,065 | 127,939 |
| RESTRICTED ASSETS: | | |
| Consumer Meter Deposits | - | 77,494 |
| USDA Restricted Reserves | 414,273 | 369,335 |
| TOTAL RESTRICTED ASSETS | 414,273 | 446,829 |
| NON-CURRENT ASSETS: | | |
| Capital Assets (Net of Accumulated Depreciation) | 6,604,624 | 6,748,661 |
| TOTAL NON-CURRENT ASSETS | 6,604,624 | 6,748,661 |
| TOTAL ASSETS | \$ 7,085,962 | \$ 7,323,429 |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES: | | |
| Accounts Payable | \$ 48,998 | \$ 46,150 |
| Current Portion of Long-Term Debt | 103,978 | 99,704 |
| Accrued Interest Payable | 10,680 | 11,001 |
| TOTAL CURRENT LIABILITIES | 163,656 | 156,855 |
| NON-CURRENT LIABILITIES: | | |
| Consumer Meter Deposits Payable | 114,199 | 111,550 |
| Long-Term Debt (Net of Current Portion) | 3,638,806 | 3,742,788 |
| TOTAL NON-CURRENT LIABILITIES | 3,753,005 | 3,854,338 |
| TOTAL LIABILITIES | 3,916,661 | 4,011,193 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Unearned Water Sales | 13,198 | 10,998 |
| <u>NET POSITION</u> | | |
| NET POSITION: | | |
| Invested in Capital Assets | 2,861,840 | 2,906,169 |
| Restricted - USDA Funds | 414,273 | 369,335 |
| Unrestricted (Deficit) | (120,010) | 25,734 |
| TOTAL NET POSITION | \$ 3,156,103 | \$ 3,301,238 |



WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 (See Independent Auditors' Report and Accompanying Notes to Financial Statements)

| | For the Year Ended December 31, | |
|---|---------------------------------|---------------------|
| | 2017 | 2016 |
| OPERATING REVENUES: | | |
| Charges for Services | | |
| Water Charges | \$ 577,623 | \$ 578,173 |
| Miscellaneous Charges | 3,416 | 286 |
| Penalties | 17,516 | 17,674 |
| TOTAL OPERATING REVENUES | 598,555 | 596,133 |
| OPERATING EXPENSES: | | |
| Accounting and Billing Fees | 47,895 | 46,727 |
| Board Member Compensation and Travel Reimbursements | 7,858 | 6,415 |
| Chemicals | 7,298 | 10,068 |
| Depreciation | 266,044 | 263,763 |
| Grass Cutting | 6,870 | 6,060 |
| Insurance | 16,564 | 18,527 |
| Meter Readers | 23,632 | 23,212 |
| Miscellaneous | 5,237 | 6,874 |
| Professional and Technical Services | 13,101 | 12,560 |
| Publishing | 1,168 | 624 |
| Repairs, Maintenance and Supplies | 73,749 | 43,276 |
| Taxes and Licenses | - | 2,074 |
| Uncollectible Accounts | 711 | 4,030 |
| Utilities | 25,826 | 28,533 |
| Utility Operator | 133,756 | 122,133 |
| TOTAL OPERATING EXPENSES | 629,709 | 594,876 |
| NET OPERATING (LOSS) INCOME | (31,154) | 1,257 |
| NONOPERATING (EXPENSES) REVENUES: | | |
| Grant Income | 27,000 | - |
| Interest Income | 202 | 162 |
| Interest on Long-Term Debt and Other Charges | (141,183) | (145,276) |
| TOTAL NONOPERATING EXPENSES | (113,981) | (145,114) |
| CHANGE IN NET POSITION | (145,135) | (143,857) |
| NET POSITION - BEGINNING | 3,301,238 | 3,486,742 |
| Prior Period Adjustment | - | (41,647) |
| NET POSITION - ENDING | \$ 3,156,103 | \$ 3,301,238 |



WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
STATEMENTS OF CASH FLOWS
(See Independent Auditors' Report and Accompanying Notes to Financial Statements)

| | For the Year Ended December 31, | |
|---|---------------------------------|-------------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from Customers | \$ 602,770 | \$ 587,017 |
| Payments to Suppliers | (373,004) | (322,162) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>229,766</u> | <u>264,855</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Meter Deposits Received net of Refunds | 2,649 | 1,350 |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | <u>2,649</u> | <u>1,350</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchase of Capital Assets | (81,507) | (21,453) |
| Principal Paid on Capital Debt | (99,708) | (95,622) |
| Interest Paid on Capital Debt | (141,504) | (145,583) |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(322,719)</u> | <u>(262,658)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest Earned | 202 | 162 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>202</u> | <u>162</u> |
| NET (DECREASE) INCREASE IN CASH | (90,102) | 3,709 |
| CASH - BEGINNING OF YEAR | 545,096 | 541,387 |
| CASH - END OF YEAR | <u>\$ 454,994</u> | <u>\$ 545,096</u> |
| RECONCILIATION OF OPERATING INCOME TO | | |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u> | | |
| Operating (Loss) Income | \$ (31,154) | \$ 1,257 |
| Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by Operating Activities | | |
| Cash Flows Reported in Other Categories | | |
| Depreciation expense | 266,044 | 263,763 |
| Bad Debt Expense | 711 | 4,030 |
| (Increase) Decrease in Assets and Increase (Decrease) in Liabilities: | | |
| Accounts Receivable | 2,015 | (9,098) |
| Prepaid Expenses | 602 | 1,534 |
| Accounts Payable | (10,652) | 3,387 |
| Unearned Water Charges | 2,200 | (18) |
| Net Cash Provided by Operating Activities | <u>\$ 229,766</u> | <u>\$ 264,855</u> |



WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA

NOTES TO BASIC FINANCIAL STATEMENTS

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WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Waterworks District No. 2 of Pointe Coupee Parish, LA (the “District”) was created by an ordinance of the Pointe Coupee Parish Police Jury on August 25, 1987 and October 13, 1987 under the authority of the provisions of Article VI, Section 19 of the 1974 Louisiana Constitution and R.S. 33:3811 et seq. The District provides potable water to portions of the Parish of Pointe Coupee. The District is governed by a board of five commissioners, who are residents of the District, appointed by the Pointe Coupee Parish Police Jury (PCP PJ) under the authority of R.S. 33:3813. All commissioners serve at the pleasure of the governing authority of the parish.

Financial Reporting Entity

The District is a component of the Parish of Pointe Coupee, the financial reporting entity. The Parish of Pointe Coupee is financially accountable for the District because it appoints a voting majority of the Board and has the ability to impose its will on the District. The District is economically dependent on the Parish of Pointe Coupee.

The accompanying financial statements present information only on the fund maintained by the District and do not present information on the Parish of Pointe Coupee, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying component unit financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the District are discussed below.

Financial Statements

The District has adopted the provisions of Statement No. 34 (“Statement 34”) of the Governmental Accounting Standards Board *“Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments”*. This statement provides that special purpose governments engaged only in business-type activities should present only the financial statements required for enterprise funds. For these governments, basic financial statements and required supplemental information (RSI) consist of:

- Management's Discussion and Analysis (MD&A)
- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to the Financial Statements
- RSI other than MD&A, if applicable



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, deferred inflows, deferred outflows, net position, revenues and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. The emphasis in fund financials is on the major funds in the business type activities. GASB No.34 sets forth minimum criteria for the determination of major funds. The District does not have any non-major funds.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City reports an Enterprise fund type.

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The Water Enterprise fund operates the City's water distribution system, which primarily serves Pointe Coupee Parish residents.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Business-type activities in the proprietary fund financial statements are presented on the accrual basis of accounting. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred. Non-exchange revenues, including grants, are reported when all eligibility requirements have been met.

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operation. The operating revenues of the District consists of water sales to residential and commercial users, including penalty charges, connection fees, and late charges. Operating expenses for District include the cost to distribute water, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Proprietary fund net positions are divided into three components:

Invested in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of borrowings that are attributable to the acquisition, construction, or improvement of those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – This component of net position consists of assets that are restricted by the District's creditors, by the state enabling legislation, by grantors, and by other contributors. This includes cash reserve funds as required by the loan agreements with USDA and cash for customer deposits.

Unrestricted net position - This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets."

Fair Value Financial Statements

The carrying value of cash, accounts receivable and operating liabilities approximate fair value due to the short-term maturity of these instruments.

Deferred Inflows of Resources

The District's statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. Deferred inflows of resources are reported in the statements of net position for unearned water revenue. The District will not recognize the related revenues until they are available under accrual basis accounting.

Cash, Cash Equivalents, and Investments

Cash includes amounts in demand deposit accounts. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana and investments in United States bonds, treasury notes and bills.

Cash is classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at market value. As of December 31, 2017 and 2016, the District has no cash equivalents.

Restricted Assets

Restricted assets on the balance sheet represents funds held for accounts required by U.S. Department of Agriculture - Rural Development (reserve account, short lived asset account, and depreciation and contingency account).



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Bad Debts

Accounts receivable represent amounts owed to the District from customer water usage net of the allowance for doubtful accounts. The District establishes an allowance equal to account balances of terminated customers.

The District requires a deposit on account from its customers as a source of collateral.

The District bills customers for other user fees charged by the Parish. When collected, the District remits these funds to the PCP PJ. These receivables are not recognized in the assets of the District since the District has no claim on these funds. Once funds are collected from the customer, the District records a payable to the PCP PJ in its current liabilities. The District included in accounts payable amounts collected from customers but owed to PCP PJ totaling \$7,469 and \$7,823, for the years ended December 31, 2017 and 2016, respectively.

Capital Assets

Additions to the utility plan in service are recorded at cost or, if contributed property, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; additions, improvements, and other capital assets with an original cost of \$5,000 or more are capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|--------------|---------------|
| Water System | 10 – 50 Years |
| Buildings | 20 Years |

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts and depreciation.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward unrestricted resources and then toward restricted resources. Due to the nature of the restricted resources, all use of restricted resources must be approved by USDA.



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Corporation extends credit to its customers, including governmental agencies, private homeowners and businesses. Although the majority of these customers are located in New Roads, Louisiana, the District does not believe that it is exposed to any significant credit risk in connection with the extension of credit to its customers.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose deposits that are insured with no custodial credit risk. GASB Statement 40 requires only the separate disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either: 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer. The deposits at December 31, 2017, consisted of the following:

| | <u>Cash</u> | <u>Nonnegotiable Certificates Of Deposits</u> | <u>Money Market Demand Accounts</u> | <u>Total</u> |
|--|-------------|---|---|--------------|
| Deposits in bank accounts per bank | \$ 462,739 | \$ - | \$ - | \$ 462,739 |
| Bank balances exposed to custodial credit risk: | | | | |
| a) Uninsured and uncollateralized | 212,739 | - | - | 212,739 |
| b) Uninsured and collateralized with securities held by the pledging institution | 212,739 | - | - | 212,739 |
| c) Uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name | - | - | - | - |



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts Receivable consisted of the following as of December 31,

| | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|
| Water Customers | \$ 51,355 | \$ 53,370 |
| Accounts Billed on Behalf of PCP PJ | <u>7,818</u> | <u>5,390</u> |
| Accounts Receivable, Gross | 59,173 | 58,760 |
| Less: Amounts Billed on Behalf of PCP PJ | (7,818) | (5,390) |
| Less: Allowance for Doubtful Accounts | <u>(33,795)</u> | <u>(33,084)</u> |
| Accounts Receivable, Net | <u>\$ 17,560</u> | <u>\$ 20,286</u> |

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets follows:

| | <u>01/01/2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>12/31/2017</u> |
|--------------------------|---------------------|---------------------|-------------------|---------------------|
| Land (not depreciated) | \$ 148,358 | \$ - | \$ - | \$ 148,358 |
| Buildings | 4,000 | 13,500 | (4,000) | 13,500 |
| Utility Property | <u>10,662,233</u> | <u>108,507</u> | - | <u>10,770,740</u> |
| | 10,814,591 | <u>\$ 122,007</u> | <u>\$ (4,000)</u> | 10,932,598 |
| Accumulated Depreciation | <u>(4,065,930)</u> | <u>\$ (266,044)</u> | <u>\$ -</u> | <u>(4,327,974)</u> |
| | <u>\$ 6,748,661</u> | | | <u>\$ 6,604,624</u> |
| | <u>01/01/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>12/31/2016</u> |
| Land (not depreciated) | \$ 148,358 | \$ - | \$ - | \$ 148,358 |
| Buildings | 4,000 | - | - | 4,000 |
| Utility Property | <u>10,640,780</u> | <u>21,453</u> | - | <u>10,662,233</u> |
| | 10,793,138 | <u>\$ 21,453</u> | <u>\$ -</u> | 10,814,591 |
| Accumulated Depreciation | <u>(3,802,167)</u> | <u>\$ (263,763)</u> | <u>\$ -</u> | <u>(4,065,930)</u> |
| | <u>\$ 6,990,971</u> | | | <u>\$ 6,748,661</u> |



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT OBLIGATIONS

The District's debt consists of USDA Bonded Debt. The following summarizes debt transactions for the year ended December 31, 2017:

| | Balance 01/01/2017 | Additions | Reductions | Balance 12/31/2017 | Due Within One Year |
|---------------------|-----------------------|-------------|--------------------|-----------------------|------------------------|
| \$451,300 Revenue | \$ 258,610 | \$ - | \$ (15,618) | \$ 242,992 | \$ 16,621 |
| \$110,000 Revenue | 84,854 | - | (2,288) | 82,566 | 2,392 |
| \$556,000 Revenue | 428,896 | - | (11,561) | 417,335 | 12,091 |
| \$356,000 Revenue | 284,067 | - | (6,576) | 277,491 | 6,877 |
| \$1,250,000 Revenue | 841,413 | - | (30,870) | 810,543 | 32,285 |
| \$2,050,000 Revenue | <u>1,944,652</u> | <u>-</u> | <u>(32,795)</u> | <u>1,911,857</u> | <u>33,712</u> |
| | <u>\$ 3,842,492</u> | <u>\$ -</u> | <u>\$ (99,708)</u> | <u>\$ 3,742,784</u> | <u>\$ 103,978</u> |

Long-term debt obligations for the District at December 31, 2017 are comprised of the following:

Revenue Bonds:

| | |
|--|---------------------------|
| \$451,300 Waterworks Revenue Bonds, dated April 3, 1989, due in monthly installments of \$2,612 beginning April 1992 through August 2028, including interest at 6.25% | \$ 242,992 |
| \$110,000 U.S. Department of Agriculture – RUS, dated April 3, 2001, due in monthly installments of \$505 beginning May 2001 through February 2039, including interest at 4.5% | 82,566 |
| \$556,000 U.S. Department of Agriculture – RUS, dated April 3, 2001, due in monthly installments of \$2,552 beginning May 2001 through February 2039, including interest at 4.5% | 417,335 |
| \$356,000 U.S. Department of Agriculture – RUS, dated June 7, 2001, due in monthly installments of \$1,602 beginning June 2001 through May 2041, including interest at 4.5% | 277,491 |
| \$1,250,000 U.S. Department of Agriculture – RUS, dated February 15, 2005, due in monthly installments of \$5,675 beginning February 2005 through January 2035, including interest at 4.5% | 810,543 |
| \$2,050,000 Waterworks Revenue Bonds, dated July 24, 2012, due in monthly installments of \$7,155 beginning August 2013 through July 2052, including interest at 2.75%. | <u>1,911,857</u> |
| Total Indebtedness | <u>\$3,742,784</u> |



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT OBLIGATIONS (Continued)

Debt Service Requirements to Maturity

The annual requirements to amortize debt outstanding at December 31, 2017, are as follows:

| Year Ending December 31, | Principal | Interest | Total |
|--------------------------|---------------------|---------------------|---------------------|
| 2018 | \$ 103,978 | \$ 137,228 | \$ 241,206 |
| 2019 | 108,451 | 132,755 | 241,206 |
| 2020 | 113,132 | 128,074 | 241,206 |
| 2021 | 118,031 | 123,175 | 241,206 |
| 2022 | 123,159 | 118,047 | 241,206 |
| 2023-2027 | 701,588 | 504,440 | 1,206,028 |
| 2028-2032 | 714,704 | 354,496 | 1,069,200 |
| 2033-2037 | 633,518 | 216,776 | 850,294 |
| 2038-2042 | 409,319 | 126,490 | 535,809 |
| 2043-2047 | 354,130 | 75,170 | 429,300 |
| 2048-2052 | 362,774 | 66,526 | 429,300 |
| | <u>\$ 3,742,784</u> | <u>\$ 1,983,177</u> | <u>\$ 5,725,961</u> |

Bond Restrictions

In accordance with the indentures governing the revenue bonds, cash is periodically deposited into accounts administered by a trustee bank. These bonds are a direct liability to be serviced by the earnings of the District. Deposits are made to these trust accounts in accordance with the requirements as follows: All revenue derived from operations are to be deposited in a "Revenue Fund" in a bank that is a member of Federal Deposit Insurance Corporation as long as any of the bonds are outstanding. Required transfers are made on a monthly basis to designated trust accounts.

Required monthly transfers from the "Revenue Fund" are to be made into a "Bond Fund" to provide payment of the next maturing interest and principal of the revenue bonds. The District has opted to make monthly payments on the bonds instead of annual payments; therefore, the use of the "Bond Fund" is not required.

Required monthly transfers of \$874 are to be made from the "Revenue Fund" into a "Reserve Fund" until a sum equal to the highest annual principal and interest on all outstanding bonds of the District. As of December 31, 2017, this is \$241,206 until the year 2027. This fund is restricted to payment of principal and interest in case of default. At December 31, 2017, \$135,915 has accumulated in this fund.

Required monthly transfers of \$874 are to be made from the "Revenue Fund" into a "Depreciation and Contingency Fund". This fund is restricted to payments for unusual or extraordinary maintenance and repairs. Replacement and extensions and improvements that will either enhance its revenue producing capacity or provide improved service. It will also be used to pay principal and interest if there are not sufficient funds in the "Bond Fund" or "Reserve Fund". At December 31, 2017, \$121,566 has accumulated in this fund.



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – LONG-TERM DEBT OBLIGATIONS (Continued)

Required monthly transfers of \$3,013 are to be made from the "Revenue Fund" into a "Short Lived Asset Fund". This fund is restricted to payments for replacement and repairs of assets. At December 31, 2017, \$156,792 has accumulated in this fund.

| | Short Lived Asset Fund | Reserve Fund | Depreciation & Contingency Fund |
|---|------------------------------|-----------------|---------------------------------------|
| Balance – December 31, 2016 | \$ 120,566 | \$ 131,555 | \$ 117,214 |
| Monthly Deposits | 36,156 | 4,293 | 4,293 |
| Interest Earned | 70 | 67 | 59 |
| Distribution(s) Authorized by USDA | - | - | - |
| Transfer(s) between Restricted Accounts | - | - | - |
| | | | |
| Balance – December 31, 2017 | \$ 156,792 | \$ 135,915 | \$ 121,566 |
| Amount Required by Bond Resolutions | 81,351 | 124,297 | 126,390 |
| | | | |
| Surplus – December 31, 2017 | \$ 75,441 | \$ 11,618 | \$ (4,824) |

NOTE 6 – CONTINGENCIES**Litigation**

There is no pending litigation against the District.

Environmental Contingencies

Management of the District is not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the water systems on a regular basis and providing the test results to the proper environmental authorities.

NOTE 7 – COMPENSATION PAID TO BOARD MEMBERS

In compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, compensation paid to the board members is as follows:

| | 2017 | 2016 |
|------------------|-----------------|-----------------|
| Van J. Debetaz | \$ 1,200 | \$ 1,100 |
| Marvin Losavio | 1,200 | 1,000 |
| Mark Major | 1,300 | 1,100 |
| Tommy Montgomery | 1,400 | 1,100 |
| Kelly Rivet | 1,400 | 1,100 |
| | <u>\$ 6,500</u> | <u>\$ 5,500</u> |



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 8 - MAINTENANCE AGREEMENT

The District entered into a maintenance agreement with M & C Water, L.L.C. ("Contractor") for the maintenance of all service lines to minimum standards of the State of Louisiana, maintenance of eight wells, after hour call outs for necessary repairs and maintenance, disconnect water service, and attendance at board meetings. The Contractor is to be paid \$4.55 per meter or approximately \$6,320 per month for all routine service, \$150 or \$200 per new service taps, \$100 per hour for repairs, \$1 per meter for readings, \$20 per disconnect service, and \$100 per hour to repair hydrants. The Agreement was renewed on November 1, 2008 and renewed again in November, 2011. Fees incurred under the agreement for the year ended December 31, 2017 and 2016 were \$133,756 and \$122,133, respectively.

NOTE 9 - FINANCIAL SERVICES & BILLING AGREEMENTS

The District has entered into a financial service and billing agreement with Merrick & Hogan, CPAs for accounting and billing services. For the year ended December 31, 2017 and 2016, fees and reimbursed costs incurred under the agreements amounted to \$47,895 and \$46,727, respectively.

NOTE 10 - LEASE AGREEMENT

On April 4, 1989, a lease was obtained from Perry Glenn Gustin for a certain lot of land for the purpose of constructing and operating a water district plant and system. The lease was made and accepted for a term of fifty (50) years, effective April 3, 1989, and ending April 3, 2039. The agreement was amended on November 30, 1989 and then again on July 1, 1999. The rental for the use of this property is free water usage for his present household and shop building during the term of the lease at the rate of \$42 per month or \$502 per annum.

NOTE 11 - GRANT AGREEMENT

As part of the USDA financing of the new water well project, USDA also awarded a \$625,000 grant to cover development costs in excess of the loan amount. During 2017 and 2016, \$27,000 and \$0, respectively, of these funds were awarded to the District. The District placed the new water well into service in December 2015.

NOTE 12 - STATE FEES

Certain fees required by the Louisiana Department of Health and Hospitals are passed on to the District's customers. These fees are billed, collected, and remitted to the appropriate state agency and are not included in the revenues and expenses of the District.



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 13 – RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation. Prior year accounts receivable and accounts payable were reduced by the amounts billed to customers, as discussed in Note 3, but not yet collected from customers. None of these reclassifications affected the prior year net position.

NOTE 14 – NONCASH FINANCING AND INVESTING ACTIVITIES

Noncash investing and financing activities in 2017 consist of a \$27,000 grant paid by PCP PJ to a vendor for costs of water improvements and financing the cost of buildings through a \$13,500 trade account. In addition, the District disposed of a building with a cost and accumulated depreciation of \$4,000.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

During the preparation of the financial statements it was discovered that the unamortized bond costs, net of amortization, was overstated in 2016 and 2015. This resulted in an understatement of unrestricted net position and an overstatement of amortization expense. This was corrected in the current presentation of the 2016 financial statements with a \$41,647 reduction of 2015 ending unrestricted net position.

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 25, 2018, which is the date the financials were available to be issued.



OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control and on compliance with laws and regulations and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the basic financial statements and includes, where appropriate, any reportable conditions and/or material misstatements in internal control or compliance matters that would be material to the presented financial statements.



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*

Board of Directors
Waterworks District No. 2 of Pointe Coupee Parish, LA
New Roads, Louisiana

We have audited, in accordance with the 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 Waterworks District No. 2 of Pointe Coupee Parish, LA (the District), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TWRU

CPAs & Financial Advisors
Baton Rouge, Louisiana
June 25, 2018



WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2017

Section A – Summary of Auditors’ Reports

- The auditors’ report expresses an unmodified opinion on the financial statements of the Waterworks District No. 2 of Pointe Coupee Parish, LA.
- No deficiencies were disclosed during the audit of the financial statements.
- No instances of noncompliance were disclosed during the audit of the financial statements.

Section B - Financial Statement Findings

Current Year – None

Prior Year – None



Supplemental Information Required by USDA

(Unaudited)



TWRU
CPAs & Financial Advisors

WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA

Supplemental Information Required by USDA (Unaudited)

December 31, 2017 and 2016

Water Customers and Rates

At December 31, 2017, the District billed the following number of customers:

| <u>Rate Code/Description</u> | | <u>Customers</u> | <u>Rate</u> |
|------------------------------|-------|---|--|
| W1 – Residential | 1,374 | \$ 14.00 – 1 st 2,000 gallons | \$ 4.00 – per thousand, over 2,000 gallons |
| W2 – Commercial | 22 | \$ 41.00 – 1 st 10,000 gallons | \$ 4.00 – per thousand, over 10,000 gallons |
| W4 – Industrial | 2 | \$ 864.00 – 1 st 1,000,000 gallons | \$ 4.00 – per thousand, over 1,000,000 gallons |
| W5 – Batchelor Elementary | 1 | \$ 450.00 – per month flat rate | |
| W6 – P. C. Central High | 1 | \$ 1,500.00 – per month flat rate | |
| W7 – Camps | 39 | \$ 14.00 – 1 st 2,000 gallons | \$ 4.00 – per thousand, next 8,000 gallons |
| | | \$ 4.00 – per thousand, over 10,000 gallons | |
| W8 – Farmers | 41 | \$ 21.50 – 1 st 2,000 gallons | \$ 4.00 – per thousand, over 2,000 gallons |
| W9 – Sheriff | 1 | \$ 21.50 – 1 st 2,000 gallons | \$ 4.00 – per thousand, over 2,000 gallons |
| W10 – Governmental | 0 | \$ 41.00 – 1 st 10,000 gallons | \$ 4.00 – per thousand, over 10,000 gallons |

Aged Accounts Receivable

At December 31, 2017, the receivables due from customers are as follows:

| | <u>0-30 Days</u> | <u>31-60 Days</u> | <u>61-90 Days</u> | <u>91-120 Days</u> | <u>Over 120 Days</u> | <u>Total</u> |
|-----------|------------------|-------------------|-------------------|--------------------|----------------------|--------------|
| Gross | \$ 12,501 | \$ 3,861 | \$ 1,704 | \$ 945 | \$ 32,344 | \$ 51,355 |
| Allowance | (457) | (666) | (923) | (711) | (31,038) | (33,795) |
| Net | \$ 12,044 | \$ 3,195 | \$ 781 | \$ 234 | \$ 1,306 | \$ 17,560 |



WATERWORKS DISTRICT NO. 2 OF POINTE COUPEE PARISH, LA
 Supplemental Information Required by USDA (Unaudited)
 December 31, 2017 and 2016

| Dates | Issuer/Insurer | Insurance in Force | | Coverage | Effective | |
|-------|---|---|--|----------------------------|---------------------|--|
| | | Type of Insurance | Limit Description | | | |
| | | | | | 07/31/17 – 07/31/18 | |
| | Cazayoux Insurance Agency/ American Alternative Insurance Corporation | General Liability: Bodily injury and property damage | Per occurrence | \$ 1,000,000 | | |
| | | | Aggregate | \$ 3,000,000 | | |
| | | | Medical expense | | | |
| | | | Per accident | \$ 10,000 | | |
| | | | Personal injury and advertising injury | Per person or organization | \$ 1,000,000 | |
| | | | | Aggregate | \$ 3,000,000 | |
| | | | Professional liability | Per claim | \$ 1,000,000 | |
| | | | | Aggregate | \$ 3,000,000 | |
| | | | Directors and Officers | Occurrence | \$ 1,000,000 | |
| | | | Cyber Liability | Occurrence | \$ 1,000,000 | |
| | | | Umbrella Policy | Per person | \$ 1,000,000 | |
| | | | | Aggregate | 1,000,000 | |
| | | | Property | Replacement Cost | \$ 5,354,853 | |
| | | | | Loss of Income | \$ 250,000 | |
| | L. Bouanchaud Insurance Agency, Inc. CAN Surety | Fidelity Bond | | | 05/15/17 – 05/15/18 | |
| | | | Per Occurrence | \$ 241,206 | | |



Board of Directors

Van J. Debetaz
6411 Normandy Road
Batchelor, LA 70715
(225) 492-2850
Term expires December 2018

Marvin Losavio
PO Box 855
Innis, LA 70747
(225) 718-2059
Term expires December 2020

Mark Major
4103 W. Major Road
Livonia, LA 70755
(225) 637-2208
Term expires December 2018

Tommy Montgomery
PO Box 178
Lottie, LA 70756
(225) 718-5724
Term expires December 2018

Kelly Rivet
7544 Morganza Hwy.
Morganza, LA 70759
(225) 718-0726
Term expires December 2019



Other Supplemental Information



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CPAs & Financial Advisors

WATERWORKS DISTRICT NO.2 OF POINTE COUPEE PARISH, LA

SCHEDULES OF COMPENSATION, REIMBURSEMENTS, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD, POLITICAL SUBDIVISION HEAD, OR CHIEF EXECUTIVE OFFICER

For the Year Ended December 31, 2017 and 2016

Agency Head Name: There is no agency head, political subdivision head or chief executive officer.

Board Members were paid the following in non-employee compensation for attending board meetings.

| | <u>2017</u> | <u>2016</u> |
|------------------|-----------------|-----------------|
| Van J. Debetaz | \$ 1,200 | \$ 1,100 |
| Marvin Losavio | 1,200 | 1,000 |
| Mark Major | 1,300 | 1,100 |
| Tommy Montgomery | 1,400 | 1,100 |
| Kelly Rivet | 1,400 | 1,000 |
| | <u>\$ 6,500</u> | <u>\$ 5,300</u> |

Board Members were paid the following in travel reimbursement for attending board meetings.

| | <u>2017</u> | <u>2016</u> |
|------------------|-----------------|-----------------|
| Van J. Debetaz | \$ 309 | \$ 283 |
| Marvin Losavio | 309 | 257 |
| Mark Major | 167 | 142 |
| Tommy Montgomery | 328 | 257 |
| Kelly Rivet | 245 | 176 |
| | <u>\$ 1,358</u> | <u>\$ 1,115</u> |



INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Waterworks District No.2 of Pointe Coupee Parish, LA and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Waterworks District No.2 of Pointe Coupee Parish, LA (District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. 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 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
Exception: The District did not have any policies on budgeting.
Management's Response/Corrective Action: Management will work to establish written policies.
 - 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.
Exception: The District did not have any policies on purchasing.
Management's Response/Corrective Action: Management will work to establish written policies.
 - c) **Disbursements**, including processing, reviewing, and approving
Exception: The District did not have any policies on disbursements.
Management's Response/Corrective Action: Management will work to establish written policies.
 - d) **Receipts**, including receiving, recording, and preparing deposits
Exception: The District did not have any policies on receipts.
Management's Response/Corrective Action: Management will work to establish written policies.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Not Applicable.
- 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
Exception: The District did not have any policies on contracting.
Management's Response/Corrective Action: Management will work to establish written policies.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
Not Applicable.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
Exception: The District did not have any policies on travel and expense reimbursements.
Management's Response/Corrective Action: Management will work to establish written policies.
- 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.
Exception: The District did not have any policies on ethics.
Management's Response/Corrective Action: Management will work to establish written policies.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Exception: The District did not have any policies on debt service.
Management's Response/Corrective Action: Management will work to establish written policies.

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.
No Exceptions Noted.
 - 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.
No Exceptions Noted.

- 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.

No Exceptions Noted.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

No Exceptions Noted.

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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* 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;

Exception: Four of the five bank accounts did not have monthly reconciliations prepared.

Management's Response/Corrective Action: The four accounts that are not reconciled are adjusted monthly to tie to the bank statement but no formal bank reconciliation is performed – only monthly activity is a transfer into the account and interest earned. We will do monthly reconciliations on all accounts and present them to the board monthly for review and approval.

- 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

Exception: The reconciliations did not show any sign of review by a board member.

Management's Response/Corrective Action: We will present monthly reconciliations to the board for review and approval.

- 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.

Exception: There was no documentation showing that outstanding items have been researched.

Management's Response/Corrective Action: Management will review outstanding checks at least twice a year and keep documentation of items researched.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

No Exceptions Noted.

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). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. 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 or drawer with another employee.

No Exceptions Noted.

- 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.

Exception: There was no documentation to support a process to reconcile cash collections to the general ledger by revenue source.

Management's Response/Corrective Action: Management will establish a form to document that we verify that all receipts are deposited in the bank and posted to the general ledger.

- 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.

No Exceptions Noted.

- 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.

No Exceptions Noted.

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.

Exception: There was no written documentation to support a process specifically designed to determine completeness of all collections for each revenue source.

Management's Response/Corrective Action: Management will establish a form to reconcile change in accounts receivable from beginning balance to ending balance showing customer billings and receipts and tie the receipts back to the bank reconciliation.

Disbursements – General

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.

No Exceptions Noted.

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.

Exception: The district does not use purchase orders.

Management's Response/Corrective Action: Due to the small nature of the entity management feels a purchase order system would not be cost effective.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Exception: The district does not use purchase orders.

Management's Response/Corrective Action: Due to the small nature of the entity management feels a purchase order system would not be cost effective.

- 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.

Exception: The district does not use purchase orders or receiving reports. The invoices did not show any sign of approval, but the board minutes each month mention that invoices were presented to the Board by the outside CPA for approval.

Management's Response/Corrective Action: The CPA firm receives the bills and cuts checks for payment. They do not have signature authority on any of the accounts. An authorized signer must review the invoice and approves it by signing the check. Management feels this is sufficient control.

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.

Exception: There was no documentation prohibiting the person responsible for processing payments from adding vendors.

Management's Response/Corrective Action: Due to the small nature of the District and limited personnel working on the account, it is not cost effective to have a different person add vendors. The CPA firm receives the bills and adds vendors as necessary. They do not have signature authority on any of the accounts. An authorized signer must review the invoice and approves it by signing the check. Management feels this is sufficient control.

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.

No Exceptions Noted.

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.

No Exceptions Noted.

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.

Not Applicable.

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.

Not Applicable.

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. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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.

Not Applicable.

16. 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.)

Not Applicable.

- 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.

Not Applicable.

- 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.

Not Applicable.

Travel and Expense Reimbursement

17. 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.

No Exceptions.

18. 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 amounts that exceed GSA rates.

Exception: The district does not have any written policies regarding travel and expense reimbursements.

Management's Response/Corrective Action: The only travel paid is to reimburse board members for travel to meetings. Management will establish a policy.

19. Using the listing or general ledger from #17 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 (#18 above) and report each reimbursement that exceeded those rates.

No Exceptions Noted.

- 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.]

Exception: None of the reimbursements tested had supporting documentation.

Management's Response/Corrective Action: Reimbursement is paid based on attendance as recorded in the minutes. No official supporting document is maintained. We will have board members sign a statement once a year stating the total miles they travel from home to the meeting.

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

Exception: None of the reimbursements tested had supporting documentation.

Management's Response/Corrective Action: Reimbursement is paid based on attendance as recorded in the minutes. No official supporting document is maintained. Management feels the meeting minutes are sufficient documentation.

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

Not Applicable.

- c) 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. 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 transaction as an exception.

No Exceptions Noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Exception: None of the reimbursements tested had supporting documentation.

Management's Response/Corrective Action: Reimbursement is paid based on attendance as recorded in the minutes. No official supporting document is maintained. Management feels the meeting minutes are sufficient documentation. We will establish a policy that an authorized signer cannot sign checks written to themselves.

Contracts

20. 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.

No Exceptions Noted.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments 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.

Exception: One of the contracts tested was from 2013 and required written consent to extend the contract.

Management's Response/Corrective Action: Contract is on ongoing contract for accounting services. Management will get the contract approved and signed as quickly as possible.

- 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 or 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.

Not Applicable.

- 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.

Not Applicable.

- 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.

No Exceptions Noted.

- 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).

No Exceptions Noted.

Payroll and Personnel

- 22. 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.

Not Applicable.

- 23. 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.

Not Applicable.

- 24. 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.

Not Applicable.

- 25. Obtain supporting documentation (e.g. cancelled checks, 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.

Not Applicable.

Ethics (excluding nonprofits)

26. 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.
Exception: Four of the five board members did not complete ethics training during 2017.
Management’s Response/Corrective Action: Management will discuss ethics training requirement with board members.
27. Inquire of management whether any alleged ethics violations 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.
No Exceptions Noted.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
Not Applicable.
29. 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.
Exception: One of the debt reserve accounts was underfunded.
Management’s Response/Corrective Action: Management has been in discussions with USDA regarding the debt related accounts. While the contingency and depreciation account is underfunded, the reserve account has a surplus balance that exceeds the underfunded amount. Management will ask USDA to move funds to make both accounts adequately funded.
30. If the entity had tax millages relating to debt service, obtain supporting documentation 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.
Not Applicable.

Other

31. 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.
No Exceptions Noted.
32. 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.
Not Applicable.

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

No Exceptions Noted.

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.

The image shows a handwritten signature in black ink that reads "TWRU". The letters are stylized and somewhat irregular, with the 'T' being the tallest and the 'U' having a long, sweeping tail.

CPAs & Financial Advisors
Baton Rouge, Louisiana
June 25, 2018