

Sewerage District No. 2 of Rapides Parish

Alexandria, Louisiana

Auditor's Report

For the Year Ended December 31, 2017

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Paul Dauzat, CPA

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P.O. Box 12359
Alexandria, LA 71315

MEMBER
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Sewerage District No. 2 of Rapides Parish, Louisiana
Alexandria, Louisiana

Report on Financial Statements

I have audited the accompanying financial statements of the business-type activities and the major fund of the Sewerage District No. 2 of Rapides Parish, Louisiana, (the District) a component unit of the Rapides Parish Police Jury, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility

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 of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sewerage District No. 2 of Rapides Parish, Louisiana, as of December 31, 2017, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated June 25, 2018 on my consideration of Sewerage District No. 2 of Rapides Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my 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 intergral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Paul Dausat

Certified Public Accountant

Alexandria, Louisiana

June 25, 2018

FINANCIAL STATEMENTS - BUSINESS TYPE ACTIVITIES

SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA
BUSINESS - TYPE ACTIVITIES
STATEMENT OF NET POSITION
December 31, 2017

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 606,383
Accounts Receivable (Net)	15,799
Total Current Assets	622,182
Capital Assets	
Depreciable Capital Assets, Net of Accumulated Depreciation	541,353
Nondepreciable Capital Assets	19,500
Total Noncurrent Assets	560,853
TOTAL ASSETS	1,183,035
LIABILITIES	
Current Liabilities	
Accounts Payable	74,653
Payroll Liabilities	620
Total Liabilities	75,273
DEFERRED INFLOWS OF RESOURCES	8,785
Total Liabilities and Deferred Inflow of Resources	84,058
NET POSITION	
Investment in Capital Assets (Net of Debt)	560,853
Unrestricted	538,124
TOTAL NET POSITION	\$ 1,098,977

The accompanying notes are an integral part of this statement

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

BUSINESS - TYPE ACTIVITIES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For The Year Ended December 31, 2017

OPERATING REVENUES

Sewerage Service and Tap Fees	\$ 599,417
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OPERATING EXPENSES

Salaries	12,420
Payroll Taxes	950
Advertising	93
Bank Fees	82
Contract Labor	136,685
Disconnect Fees - Water	275
Dues, Subscriptions and Permits	10,836
Engineering Fees	29,451
Equipment Rental	1,574
Insurance	11,455
Legal and Accounting	71,322
Office and Postage	6,758
Rental Expense	2,400
Repairs and Maintenance	177,505
Telephone	1,160
Utilities	41,964
Depreciation	64,543
Total Operating Expenses	<u>569,473</u>

OPERATING INCOME

29,944

NONOPERATING REVENUES (EXPENSES)

Interest Income	146
Total Nonoperating Revenues (Expenses)	<u>146</u>

NET INCOME (LOSS)

30,090

NET POSITION, BEGINNING OF YEAR

1,068,887

NET POSITION, END OF YEAR

\$ 1,098,977

The accompanying notes are an integral part of this statement

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

BUSINESS - TYPE ACTIVITIES

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2017

Cash Flows From Operating Activities:

Cash From Operating Revenues	\$ 598,349
Cash Paid to Employees	(12,420)
Cash From Operating Expenses	(431,146)
Net Cash Provided by Operating Activities	154,783

Cash Flows From Capital Related Financing Activities:

Acquisition of Assets	(152,633)
Net Cash Provided (Used) by Capital Financing Activities	(152,633)

Cash Flows From Investing Activities:

Interest on Investments	146
Net Cash Used by Investing Activities	146

Net Increase (Decrease) in Cash and Cash Equivalents 2,296

Cash and Cash Equivalents, Beginning of the Year 604,087

Cash and Cash Equivalents, End of the Year \$ 606,383

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Required) by Operating Activities	
Operating Income	\$ 29,944
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Depreciation	64,543
Changes in Assets and Liabilities:	
(Increase) Decrease in Receivables	(1,626)
Increase (Decrease) in Payroll Taxes	248
Increase (Decrease) in Deferred Revenues	558
Increase (Decrease) in Accounts Payable	61,116
Total Adjustments	124,839
Net Cash Provided (Required) by Operating Activities	\$ 154,783

The accompanying notes are an integral part of this statement

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017**

NOTE A **SUMMARY OF ACCOUNTING POLICIES**

The accompanying financial statements of Sewerage District No. 2 of Rapides Parish, Louisiana, has been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Government Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are described below.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The Sewerage District No. 2 of Rapides Parish, Louisiana (hereinafter referred to as the District) was created by the Rapides Parish Police Jury under the authority of Louisiana Revised Statutes 33:381 to manage and operate sewerage systems within the District not served by municipal systems. A three-member board appointed by the Rapides Parish Police Jury governs the District, and therefore, the District is considered to be a component unit of the Rapides Parish Police Jury.

At December 31, 2017, the District had approximately 1,061 customers.

B. Basis of Presentation

The statement of net position and the statement of revenues, expenses and changes in net position have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units and as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board.

C. Fund Financial Statements

The District uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The District has only one fund, an enterprise fund.

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

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017**

Measurement of 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.

Basis of Accounting

Basis of accounting refers to when revenues and expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The District utilizes the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month are recorded in accounts receivable.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash, Cash Equivalents and Cash Flows

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and highly liquid investments maturing in three months or less.

For the purpose of the proprietary fund statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Business-type activities report customer’s utility service receivables as the major receivable. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available.

Bad Debts

The allowance method is used to recognize bad debts of accounts receivable. The allowance is determined based upon past history and the aging of accounts receivable as of year-end. The allowance for bad debts at December 31, 2017 is \$23,525.

Capital Assets

Fixed Assets are accounted for on a cost of services or “capital maintenance” measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Capital assets are depreciated using the straight-line method and estimated useful lives of 10 to 45 years.

Compensated Absences

The only employees of the District are it's Board of Commissioners and they do not receive any vacation, sick pay or any other benefits. Therefore, no accruals for compensated absences have been made in these financial statements.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenses) until then.

Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources, which is represented by the amount of prepaid fees for sewer services by the District's customers.

Proprietary Fund Net Position

Proprietary Fund Net Position are displayed in three components:

Net Investment in Capital Assets – Consist 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.

Restricted Net Position – Consists of net assets with constraints placed on the use by either (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – Consists of all other net assets that do not meet the definition of “net investment in capital assets” or “restricted”.

Revenues and Expenses

Revenues

Operating revenues and expenses for proprietary fund are those that result from providing services and producing and delivering goods. It also includes all revenue and expenses not related to capital and related financing, or investing activities.

Nonoperating revenues are funds provided by investing activities, such as interest income, gains on disposal of assets and other non-service fees.

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017**

Expenses

Operating expenses are expenses related to the production of operating revenue.

Nonoperating expenses are those expenses not directly related to operating revenue and would include such items as interest expense on debt and losses on disposal of assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B CASH, INTEREST BEARING DEPOSITS AND INVESTMENTS

Cash and certificates of deposit, at year end, totaled \$606,383 per the general ledger and \$624,643 per bank balances. These deposits are stated at cost, which approximates market value.

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance and 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. At December 31, 2017 the District's accounts were adequately secured from risk by FDIC insurance and pledged securities with a market value at December 31, 2017 totaling \$330,531. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 2017, the District had cash and certificates of deposit (book balances) as follows:

Petty Cash	\$ 25
Demand Deposits	540,070
Time and Certificates of Deposit	66,288
Total Cash	\$ 606,383

NOTE C RECEIVABLES

Receivables at December 31, 2017 consisted of the following:

Charges for services	\$ 39,324
Allowance for Doubtful Accounts	(23,525)
Total Receivables	\$ 15,799

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017**

NOTE D FIXED ASSETS

A summary of fixed assets and related depreciation at December 31, 2017 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Non-Depreciable Assets				
Land	\$ 15,000	\$ 4,500	\$ -	\$ 19,500
Depreciable Assets				
Sewerage System	1,456,144	148,133	(7,752)	1,596,525
Less Accumulated Depreciation	(998,381)	(64,543)	7,752	(1,055,172)
Total	<u>\$ 472,763</u>	<u>\$ 88,090</u>	<u>\$ -</u>	<u>\$ 560,853</u>

Depreciation expense for 2017 was \$64,543.

NOTE E ACCOUNTS PAYABLE

Accounts payable at December 31, 2017 represents amounts due to various vendors.

NOTE F DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources, represents the amount of prepaid sewer revenues by the District's customers.

NOTE G LITIGATION

At December 31, 2017, the District was not a defendant in any legal proceedings.

NOTE H RISK MANAGEMENT

The District is exposed to risks of loss in the areas of theft, torts, property hazards, general liability, errors and omissions, and natural causes. These risks are covered by commercial insurance coverage. All previous losses have not exceeded the insurance coverage.

NOTE I RETIREMENT COMMITMENTS

The District does not have retirement commitments or pension plan for its employees.

REQUIRED SUPPLEMENTARY INFORMATION

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

DECEMBER 31, 2017

T. J. Speir, Jr., President of the Board

<u>Purpose</u>		
Salary	\$	4,140
Benefits - Insurance		-
Benefits - Retirement		-
Benefits - Other		-
Car Allowance		-
Vehicle Provided by District		-
Per Diem		-
Reimbursements		-
Travel		-
Registration Fees		-
Conference Travel		-
Continuing Professional Education Fees		-
Housing		-
Unvouchered Expenses		-
Special Meals		-
Total Compensation, Benefits and Other Payments to Agency Head or Chief Executive Office	\$	<u>4,140</u>

INTERNAL CONTROL AND COMPLIANCE

Paul Dauzat, CPA

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**INDEPENDENT AUDITOR'S 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 Board of Commissioners
Sewerage District No. 2 of Rapides Parish, Louisiana
Rapides Parish Police Jury
Alexandria, Louisiana

I 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 Sewerage District No. 2 of Rapides Parish, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated June 25, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Sewerage District No. 2 of Rapides 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sewerage District No. 2 of Rapides Parish, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Sewerage District No. 2 of Rapides Parish, Louisiana's internal control over financial reporting.

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 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.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I considered to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewerage District No. 2 of Rapides Parish, Louisiana's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Sewerage District No. 2 of Rapides Parish, Louisiana's Board of Commissioners, and management, others within the organization and grant awarding agencies and the Legislative Auditor and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Paul Dauzat

Certified Public Accountant

Alexandria, Louisiana

June 25, 2018

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**Summary Schedule of Audit Findings and Responses
For the Year Ended December 31, 2017**

PART I - SUMMARY OF AUDITOR'S REPORTS

A. Auditor's Report - Financial Statements

My audit of the financial statements as of December 31, 2017, resulted in an unmodified opinion.

B. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weakness	_____	Yes	_____ <u>X</u> _____	No
Significant Deficiency	_____	Yes	_____ <u>X</u> _____	No

Compliance

Compliance Material to Financial Statements	_____	Yes	_____ <u>X</u> _____	No
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C. Federal Awards (Not Applicable)

PART II - FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ending December 31, 2017.

**SEWERAGE DISTRICT NO. 2 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**Summary Schedule of Prior Year Audit Findings and Responses
For the Year Ended December 31, 2017**

There were no audit findings for the year ending December 31, 2016.

Paul Dauzat, CPA

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To: T.J. Speir Jr., President
Sewer District No. 2
of Rapides Parish
Alexandria, Louisiana

I have performed the procedures enumerated below, which were agreed to by Sewer District No. 2 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 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, I 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 results are presented in the accompanying Schedule of Procedures, Results and Managements' response where applicable.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.



Paul Dauzat, CPA
Alexandria, Louisiana
June 29, 2018

Sewer District No.2 of Rapides Parish
 Statewide Agreed-Upon Procedures
 Schedule of Procedures,Results and Managements' Response
 For The Year Ended December 31, 2017

WRITTEN POLICIES AND PROCEDURES

Agreed-Upon Procedure	Results	Managements' Response
Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions: <ul style="list-style-type: none"> * Budgeting * Purchasing * Disbursements * Receipts * Payroll/Personnel * Contracting * Credit Cards * Travel and expense reimbursements * Ethics * Debt 	Reviewed the entity's written policies and procedures and ascertained that they addressed the following: <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;"></div> <div style="width: 15%; text-align: center;"> <p>no</p> <p>no</p> <p>no</p> <p>no</p> <p>no</p> <p>no</p> <p>n/a</p> <p>n/a</p> <p>no</p> <p>n/a</p> </div> </div>	Follow the Local Government Budget Act Will develop a written policy Will develop a written policy Will develop a written policy Will develop a written policy Will develop a written policy Will develop a policy

**Sewer District No.2 of Rapides Parish
 Statewide Agreed-Upon Procedures
 Schedule of Procedures, Results and Managements' Response
 For The Year Ended December 31, 2017**

Agreed-Upon Procedure	Board (or Finance Committee) Results	Managements' Response
<p>Obtain and review the board/committee minutes for the fiscal period, and:</p> <p>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.</p> <p>b) Report whether the minutes reference or included monthly budget to actual comparisons on the general fund and any funds identified as major funds in the entity prior audit (GAAP basis).</p> <p>If budgets are adopted that increase an existing deficit, is there a formal written plan to eliminate deficit spending and do the minutes indicate periodic monitoring of the plan?</p> <p>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.</p>	<p>yes</p> <p>n/a</p> <p>n/a</p> <p>yes</p>	

Sewer District No.2 of Rapides Parish
 Statewide Agreed-Upon Procedures
 Schedule of Procedures, Results and Managements' Response
 For The Year Ended December 31, 2017

Bank Reconciliations

Agreed-Upon Procedure	Results	Managements' Response
<p>Obtain a listing of client bank accounts from management:</p> <p>Using the listing provided by management, select a minimum of five (5) or all if less than five (5) and report whether:</p> <p>a) Bank reconciliations have been prepared.</p> <p>b) Bank reconciliations include evidence that a member of management or a board member has reviewed each reconciliation.</p> <p>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.</p>	<p>Obtained a listing of bank accounts with representation that the list was complete.</p> <p>Selected 3 bank accounts.</p> <p>yes</p> <p>no</p> <p>yes</p>	<p>Will have the Treasurer review bank reconciliations in the future.</p>

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Collections

Agreed-Upon Procedure	Results	Managements' Response
<p>Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.</p>	<p>Obtained a listing of all cash locations and representation that the list was complete.</p>	
<p>Using the list provided by management, select a minimum of five (5) or all if less than 5 cash locations and obtain written documentation and report whether:</p>	<p>Selected all cash locations which consisted of 1. Cash collections only consist of checks received at a Post Office Box.</p>	
<p>a) Each person responsible for collecting cash is:</p>		
<p>* bonded</p>	<p>yes</p>	
<p>* not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account.</p>	<p>yes</p>	
<p>* not required to share the same cash register or drawer with another employee.</p>	<p>no</p>	<p>Will change procedure</p>
<p>b) 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.</p>	<p>yes</p>	

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Collections

Agreed-Upon Procedure	Results	Managements' Response
<p>c) Select the highest dollar week of cash collections from the general ledger or other accounting records during the fiscal period and:</p> <p>* Report whether the deposits were made within one day of collection.</p> <p>* Verify that daily cash collections are completely supported by documentation.</p> <p>Obtain existing written documentation and report whether the entity has a process specifically defined to determine completeness of all collections by a person who is not responsible for collections.</p>	<p>Selected highest dollar week of collections</p> <p>yes</p> <p>yes</p> <p>no written document</p>	<p>Will create a written document.</p>

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Disbursements-General

Agreed-Upon Procedure	Results	Managements' Response
<p>Obtain a listing of entity disbursements from management.</p> <p>Using the disbursements population from above, randomly select 25 disbursements excluding credit card/debit card/fuel card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screen logs for each transaction and report whether the supporting documentation for each transaction demonstrated that:</p> <p style="padding-left: 40px;">a) Purchases were initiating using requisition/ purchase order system.</p> <p style="padding-left: 40px;">b) Purchase orders were approved by a person who did not initiate the purchase.</p> <p style="padding-left: 40px;">c) Payments for purchases were not processed without:</p> <p style="padding-left: 80px;">* An approved requisition and/or purchase order</p> <p style="padding-left: 80px;">* A receiving report showing receipt of goods purchased.</p> <p style="padding-left: 80px;">* An approved invoice.</p> <p>Using entity documentation report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursements system.</p>	<p>Obtained list of disbursements from disbursements journal.</p> <p>Selected 25 disbursements.</p> <p style="padding-left: 40px;">No requisition or purchase order system is used.</p> <p style="padding-left: 80px;">no</p> <p style="padding-left: 80px;">no</p> <p style="padding-left: 80px;">yes</p> <p style="padding-left: 80px;">no</p>	<p>Purchases are approved by the board.</p> <p>The actual invoice is used.</p> <p>Limited staff</p>

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Disbursements-General

Agreed-Upon Procedure	Results	Managements' Response
Using entity documentation report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.	no	Board approves all purchases.
Inquire of management and observe whether the supply of unused checks or blank check stock is maintained in a locked location, with access restricted to those persons that do not have signatory authority.	no	Checks are in the custody of the office manager and all checks require 2 signatures.
If a signature stamp or signature machine is used, inquire of the signer whether his or her signature and any signed checks are maintained under his or her control or is used only with the knowledge and consent of the signer.	Signature stamp is not used	

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Credit Cards/Debit Cards/Fuel Cards

Agreed-Upon Procedure	Results	Managements' Response
<p>Obtain from management a listing of all active credit cards, bank debit cards and fuel cards. Select the monthly statement or combined statement with the largest dollar activity for each card:</p> <p>a) Is there evidence that the monthly statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.</p> <p>b) Report whether finance charges and/or late fees were assessed on the selected statements.</p> <p>Using the monthly statements or combined statements selected, obtain supporting documentation for all transactions for each of the cards selected.</p> <p>a) Obtain supporting documentation for all transactions for each card selected by:</p> <ul style="list-style-type: none"> * An original itemized receipt * Documentation of the business purpose. * Other documentation that may be required by written policy. <p>b) Compare the transaction's detail to the entity's written purchasing/disbursement policies and the La. Public Bid Law.</p> <p>c) Compare the entity's documentation of the business purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution.</p>	<p>No credit, debit or fuel cards used.</p>	

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Travel and Expense Reimbursement

Agreed-Upon Procedure	Results	Managements' Response
<p>Obtain from management a listing of all travel and related expense reimbursements, by person.</p> <p>Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration and report any amounts that exceeded the GSA rates.</p> <p>Using the listing or general ledger, select 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:</p> <p>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 entity does not have written policies, compare to the GSA rates and report each reimbursement that exceeded those rates.</p> <p>b) Report whether each expense is supported by:</p> <ul style="list-style-type: none"> * An original itemized receipt that identifies precisely what was purchased. * Documentation of the business purpose. * Other documentation as may required by written policy. 	<p>No travel and expense reimbursements.</p>	

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Travel and Expense Reimbursement

Agreed-Upon Procedure	Results	Managements' Response
<p>Compare the entity's documentation of the business 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, report the transaction as an exception.</p> <p>Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.</p>		

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Contracts

Agreed-Upon Procedure	Results	Managements' Response
<p>Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort for contract payments. Obtain management's representation that the list is complete.</p> <p>Select five (5) 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 contracts and payments and:</p> <p>a) Report whether there is a formal/written contract that supports the services and amount paid.</p> <p>b) Compare each contract's detail to the La. Public Bid Law or Procurement Code. Report whether each contract is subject to the La. Public Bid Law or Procurement Code.</p> <p>c) Report whether the contract was amended. Report the scope and dollar amount of any amendments and whether the contract provided for such an amendment.</p> <p>d) Select the largest payment from each of the contracts and compare the payment to the contract terms and report compliance with the terms of the contract.</p> <p>e) Obtain board minutes and report whether there is documentation of board approval.</p>	<p>Obtained listing of contracts. Only 1 contract.</p> <p>Selected 1 contract vendor and obtained contract and payments.</p> <p>yes</p> <p>yes</p> <p>No amendments</p> <p>yes</p> <p>yes</p>	

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Payroll and Personnel

Agreed-Upon Procedure	Results	Managements' Response
<p>Obtain a listing of employees (elected officials, if applicable) with their related salaries, and obtain management's representation that the list is complete. Randomly select 5 (or one third if greater than 5 employees) , obtain their personnel files, and:</p>	<p>Obtained a listing of all employees with related compensation amounts and a representation that the list was complete. Selected 3 employees and obtain personnel files.</p>	
<p>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.</p>	<p>yes</p>	
<p>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.</p>	<p>No changes made.</p>	
<p>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 one-third of employees/officials if less than 25) during the fiscal period and:</p>	<p>No leave policy</p>	
<p>a) Report whether all selected employees/ officials documented their daily attendance and leave. (if an elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave).</p>		
<p>b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.</p>		

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Payroll and Personnel

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<p>c) Report whether there is written documentation that the entity maintained written leave records (e.g. hours earned, hours used, and the balance available) on those selected employees/officials that earn leave.</p> <p>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 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.</p> <p>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.</p>	<p>No terminated employees.</p> <p>Obtained payroll tax returns and cancelled checks and ascertained that returns were timely filed and the correct payments were made by deadlines.</p> <p>yes</p>	

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Ethics

Agreed-Upon Procedure	Results	Managements' Response
<p>Using the randomly selected employees/officials, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.</p> <p>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.</p>	<p>Documentation was evidenced for the Board Members</p> <p>Employees do not attend ethics training.</p> <p>no violations reported</p>	

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Debt Service

Agreed-Upon Procedure	Results	Managements' Response
<p>If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.</p>	<p>no debt issued during the year ended</p>	
<p>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.</p>	<p>no outstanding debt</p>	
<p>If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceeded 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.</p>	<p>no tax millages related to debt service</p>	

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<p>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.</p> <p>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.</p> <p>If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.</p>	<p>inquired no misappropriations discovered or reported</p> <p>yes</p> <p>none noted</p>	