

**LAFAYETTE PARISH  
WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED  
GOVERNMENT OF LAFAYETTE, LOUISIANA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED AUGUST 31, 2017**

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Commissioners  
Lafayette Parish Waterworks District South  
Lafayette, Louisiana

We have audited the accompanying financial statements of the business-type activities of Lafayette Parish Waterworks District South, A Component Unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Lafayette Parish Waterworks District South'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Lafayette Parish Waterworks District South, as of August 31, 2017, and the changes in its financial position and its cash flows for the year 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 4-8 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 an opinion on the financial statements that collectively comprise Lafayette Parish Waterworks District South's basic financial statements. The List of Board of Commissioners and Schedule of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The List of Board of Commissioners and Schedule of Operating Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the List of Board of Commissioners and Schedule of Operating Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, L.L.C.*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, L.L.C.  
Certified Public Accountants

February 26, 2018  
Lafayette, Louisiana

## LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH



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### LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH Lafayette Parish Management's Discussion and Analysis (Unaudited) FYE August 31, 2017

Our discussion and analysis of Lafayette Parish Waterworks District South's performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2017. Please read it in conjunction with the District's basic financial statements, which begin on page 9.

#### ***FINANCIAL HIGHLIGHTS***

- The District's net assets increased by \$416,261 from \$6,301,235 in 2016 to \$6,717,496 in 2017, as a result, of this year's operations.
- The District's operating revenues exceeded operating expenses by \$276,615 for the year ended August 31, 2017.
- Cash and cash equivalents decreased by \$575,112 for the year ended August 31, 2017.
- There were no major changes to property, plant and equipment during the current year, but construction in progress increased by \$135,565 for the year ended August 31, 2017.

#### ***USING THIS ANNUAL REPORT***

This annual report consists of three parts – *management's discussion and analysis, the basic financial statements, and supplementary information*. The basic financial statements consist of the fund financial statements and the note to the financial statements. The fund financial statements focus on individual parts of the District, offering short and long-term financial information about the activities that the government operates *like businesses*.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2017

***FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE***

The District's net assets increased by \$434,799 between the fiscal years 2016 and 2017. Our analysis below focuses on the net assets (Table 1) and the changes in net assets (Table 2) of the District's business-type activities.

TABLE 1  
SUMMARY OF NET ASSETS

	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Current and Other Assets	\$2,029,811	\$1,433,025	-29.4%
Capital Assets	<u>7,611,905</u>	<u>8,267,154</u>	8.6%
Total Assets	9,641,716	9,700,179	.6%
 Total Deferred Outflows of Resources	 18,046	 14,548	 -19.4%
Current and Other Liabilities	495,527	512,231	3.4%
Non-current Liabilities	<u>2,863,000</u>	<u>2,485,000</u>	-13.2%
Total Liabilities	3,358,527	2,997,231	-10.8%
 Net Assets-			
Invested in Capital Assets, Net of Related Debt	\$4,839,717	\$5,090,630	5.2%
Restricted for Debt Service	718,153	750,833	4.6%
Unrestricted	<u>743,365</u>	<u>876,033</u>	17.8%
Total Net Assets	<u>\$6,301,235</u>	<u>\$6,736,034</u>	6.6%

Net assets for the District increased by 6.6 percent. Net assets are restricted as to the purpose they can be used for or are invested in capital assets (buildings, water equipment, etc.). Unrestricted net assets can be used to meet the District's ongoing obligations to customers and creditors.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2017

The following table provides a summary of the District's changes in net assets:

TABLE 2  
SUMMARY OF CHANGES IN NET ASSETS

Revenues:	<u>2016</u>	<u>2017</u>	<u>% Change</u>
Operating -			
Charges for Services	\$1,882,921	\$1,942,237	3.2%
Capital Grants and Contributions	32,498	242,025	644.7%
Non-Operating -			
Membership Fees	6,800	6,650	-2.2%
Installation Fees	91,320	97,800	7.1%
Contributed Infrastructure		60,923	100.0%
Miscellaneous Income	21,918	42,746	95.0%
Interest Income	6,011	11,339	88.6%
Gain on Disposition		<u>6,493</u>	100.0%
Total Revenues	<u>2,041,468</u>	<u>2,410,213</u>	18.1%
 Expenses:			
Operating	1,741,094	1,907,647	9.6%
Non-Operating -			
Interest	100,740	82,807	-17.8%
Amortization of Debt Expense	<u>3,408</u>	<u>3,498</u>	2.6%
Total Expenses	<u>1,845,242</u>	<u>1,993,952</u>	8.1%
Changes in Net Assets	<u>\$ 196,226</u>	<u>\$ 416,261</u>	112.1%

The District's total revenues increased by 18.1% in 2017. Total expenses increased due to an increase in operating expenses.

***CAPITAL ASSET AND DEBT ADMINISTRATION***

Capital Assets

At August 31, 2016 and 2017, the District had \$11,016,824 and \$11,934,080, respectively, invested in a broad range of capital assets, including buildings, water lines, furniture and fixtures, and construction in progress. There was an increase in capital assets of \$917,256 during 2017. Accumulated depreciation on these capital assets was \$3,404,919 and \$3,666,926 respectively, for these years.

Long Term Debt

At August 31, 2016, the District had \$3,230,000 in bonds outstanding versus \$2,863,000 at August 31, 2017.

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2017

TABLE 3  
OUTSTANDING DEBT AT YEAR-END

	<u>2016</u>	<u>2017</u>	<u>% Change</u>
<b>Water Revenue Refunding Bonds:</b>			
Current	\$ 367,000	\$ 378,000	2.9%
Long-term	<u>2,863,000</u>	<u>2,485,000</u>	-13.2%
Total	<u>\$3,230,000</u>	<u>\$2,863,000</u>	-11.3%

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

The Lafayette Utilities System (LUS) adjusted wholesale rates in January 2016 from \$1.92 per thousand gallons to \$2.15 per thousand gallons. This rate is valid for 2016 and 2017. LPWDS adjusted rates in January 2016. LPWDS will evaluate rates in 2017 and decide if a rate increase will be needed in 2018.

***SCHEDULE OF NUMBER OF UTILITY CUSTOMERS AND MONTHLY WATER RATES***

Records maintained by the Lafayette Parish Waterworks District South indicated the following numbers of customers were being serviced as of August 31, 2017.

Residential Customers	4,319
Commercial Customers	<u>18</u>
Total	4,337

The water rates of the Lafayette Parish Waterworks District South as of August 31, 2017 are as follows:

- ¾" Meter - \$17.00 for the first 2,000 gallons, \$4.10 per 1,000 gallons thereafter
- 1" Meter - \$28.00 per month plus \$4.10 per 1,000 gallons used
- 1½" Meter - \$40.00 per month plus \$4.10 per 1,000 gallons used
- 2" Meter - \$80.00 per month plus \$4.10 per 1,000 gallons used

LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
Lafayette Parish  
Management's Discussion and Analysis (Unaudited) (Continued)  
FYE August 31, 2017

***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our 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 the Lafayette Parish Waterworks District South office.

**BASIC FINANCIAL STATEMENTS**

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF NET POSITION  
AUGUST 31, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 272,208
Accounts Receivable, Net	251,053
Inventory	78,886
Prepaid Insurance	<u>3,191</u>
Total Current Assets	<u>605,338</u>

**RESTRICTED ASSETS**

Cash - Restricted:	
Water Revenue Bond and Interest Sinking Fund	76,340
Water Revenue Reserve Fund	203,164
Water Depreciation and Contingency Fund	476,191
2013 Water System Improvements Account	<u>71,992</u>
Total Restricted Assets	<u>827,687</u>

**CAPITAL ASSETS**

Land and Construction in Progress	641,816
Other Capital Assets	11,292,264
Less: Accumulated Depreciation	<u>(3,666,926)</u>
Total Capital Assets	<u>8,267,154</u>

**TOTAL ASSETS** **\$ 9,700,179**

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Loss on Refunding	<u>\$ 14,548</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 14,548</u></b>

The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts Payable	\$ 73,014
Payroll Taxes Payable	1,904
Sales Tax Payable	690
Renters' Deposits	51,055
Due to State of Louisiana	<u>52</u>
Total Current Liabilities	<u>126,715</u>

**CURRENT LIABILITIES (Payable from Restricted Assets)**

Accrued Interest	7,516
Current Portion of Revenue Bonds	<u>378,000</u>
Total Current Liabilities (Payable from Restricted Assets)	<u>385,516</u>

**NON-CURRENT LIABILITIES**

Revenue Bonds Payable-Less Current Portion	<u>2,485,000</u>
Total Non-Current Liabilities	<u>2,485,000</u>

**TOTAL LIABILITIES**

**\$ 2,997,231**

**NET POSITION**

Net Investment in Capital Assets	\$ 5,090,630
Restricted for Debt Service	750,833
Unrestricted	<u>876,033</u>

**TOTAL NET POSITION**

**\$ 6,717,496**

The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**OPERATING REVENUES**

Charges for Services -	
Water Sales	\$ 1,850,306
Connection Fees	31,315
Late Fees	60,616
Capital Grants and Contributions	<u>242,025</u>
Total Operating Revenues	<u>2,184,262</u>

**OPERATING EXPENSES**

Scheduled	1,626,239
Depreciation	<u>281,408</u>
Total Operating Expenses	<u>1,907,647</u>

Operating Income	<u>276,615</u>
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**NON-OPERATING REVENUES (EXPENSES)**

Membership Fees	6,650
Installation Fees	97,800
Contributed Infrastructure	60,923
Miscellaneous Income	42,746
Interest Income	11,339
Interest Expense	(82,807)
Amortization of Loss on Refunded Debt	(3,498)
Gain on Disposition of Asset	<u>6,493</u>
Total Non-Operating Revenues (Expenses)	<u>139,646</u>

<b>CHANGE IN NET POSITION</b>	416,261
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<b>NET POSITION, BEGINNING OF YEAR</b>	<u>6,301,235</u>
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<b>NET POSITION, END OF YEAR</b>	<u>\$ 6,717,496</u>
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The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received From Service Users	\$ 1,942,237
Cash Payments for Goods and Services	(1,239,438)
Cash Paid to Employees for Service	(358,501)
Cash Received From Capital Grants	<u>242,025</u>
Net Cash Provided By Operating Activities	<u>586,323</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Membership Fees	6,650
Proceeds from Installation Fees	97,800
Other Proceeds	66,806
Acquisition and Construction of Property, Plant and Equipment	(889,039)
Principal Paid on Revenue Bonds	(357,000)
Interest Paid on Revenue Bonds	<u>(97,991)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(1,172,774)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Interest Received	<u>11,339</u>
Net Cash Provided by Investing Activities	<u>11,339</u>

NET DECREASE IN CASH (575,112)

CASH AT BEGINNING OF YEAR (including restricted cash of \$1,256,265) 1,675,007

CASH AT END OF YEAR (including restricted cash of \$827,687) \$ 1,099,895

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 276,615
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Depreciation	281,408
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(4,209)
Inventory	(17,083)
Prepaid Insurance	42,966
Accounts Payable	2,220
Payroll Taxes Payable	(429)
Sales Tax Payable	(39)
Due to State of Louisiana	474
Customers' Deposits	<u>4,400</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 586,323</u>

The accompanying notes are an integral part of this statement.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity** - The Lafayette Parish Waterworks District South (the District) is a component unit of the Consolidated Government of Lafayette, Louisiana (the Consolidated Government). The District constitutes a legal entity separate and apart from the Consolidated Government. The Consolidated Council of Lafayette appoints the governing body of the District. The financial information contained in these statements is only that of the Lafayette Parish Waterworks District South and includes all funds over which the District exercises oversight responsibility. This responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

The Lafayette Parish Waterworks District South was issued a charter by the State of Louisiana and a franchise from the Parish of Lafayette on October 10, 1974. The District's purpose is to provide a water system for the southern district in Lafayette Parish.

The accounts of the District are in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. Such accounting and reporting policies also conform to the guidelines set forth in the Louisiana Governmental Audit Guide.

**Basis of Presentation** - The Lafayette Parish Waterworks District South, reported in these statements as a proprietary fund, prepares its financial statements in accordance with accounting principles generally accepted in the U.S. (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). FASB ASC Section 2100 – Defining the Financial Reporting Entity (GASB Statement No. 14) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The District is considered to be a component unit of the Consolidated Government of Lafayette, Louisiana. The accompanying statements present only transactions of the District.

**Basis of Accounting** - The District maintains its books and records on the full accrual basis of accounting and on the flow of economic resources measurement focus. The District applies all applicable pronouncements in accounting and reporting for its proprietary operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Budgetary Accounting** - Formal budgetary integration is not employed as a management control device for the Lafayette Parish Waterworks District South.

**Property and Equipment** - Property and equipment are recorded at cost and include direct costs and the costs of funds borrowed by the District and used for construction purposes. Capitalized interest incurred during the year ended August 31, 2017 was \$14,262.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Depreciation of property and equipment is computed using the straight-line method over the expected service lives of the assets as follows:

	<u>Years</u>
Water Distribution System	40
Water Treatment Plant	5-40
Water Lines, Wells and Meters	5-40
Office Equipment	3-7
Other Equipment	5-10
Vehicles	7

**Labor Related Expenses** - The District reimburses the Consolidated Government of Lafayette, Louisiana for group health insurance premiums that the Consolidated Government pays on the District's behalf.

**Prepaid Items** – Payments made to vendors for services that will benefit periods beyond year-end are recorded as prepaid items.

**Bad Debts** – Through the establishment of an allowance account, uncollectible amounts due from customer's utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance for doubtful accounts at August 31, 2017 was \$660.

**Investments** – Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana Law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. As of August 31, 2017 the District held no investments.

**Unamortized Debt Expense** – Debt expense incurred at bond issuance is expensed in the current year.

**Unamortized Loss on Refunded Debt** – Losses incurred upon refunding of debt are treated as deferred outflows and amortized over the life of the new bonds issued.

**Water Revenue Bonds** – Bonds outstanding are stated at face value less unamortized discount and unamortized loss on reacquired debt. The discount is amortized over the life of the bonds using the sum of the bonds outstanding method.

**Inventories** – Inventories are valued at cost.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Net Position** – In the financial statements, equity is classified as net position and displayed in three components:

*Net investment in capital assets* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to acquisition, construction, or improvement of those assets.

*Restricted net position* - consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**Statement of Cash Flows** - For purpose of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Cash and interest-bearing deposits are stated at cost, which approximates market.

**Use of 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 disclosure 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.

**Compensated Absences** – All full-time employees of the District earn annual leave in amounts from 0 to 20 days per year based on years of service. Annual leave shall be used or surrendered in the period in which it is earned. Upon termination, employees are paid for all accumulated annual leave.

Excused absences are earned by full-time employees of the District in the amounts of 0 to 5 days per year based on years of service. Excused absences include illness, funeral leave, court appearances or other preapproved appointments. Excused time is surrendered if not used during the year. Upon separation unused excused time will not be paid to the employee.

**Pension and Post-Employment Benefits** –The District does not offer any of these types of benefits to employees and therefore has no liability in relation to the implementation of the GASB statements on pensions and post-employment benefits..

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**B. CASH AND INTEREST-BEARING DEPOSITS**

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At August 31, 2017, the District has cash and interest-bearing deposits (book balances) totaling \$1,099,895.

*Custodial Credit Risk Relating to Deposits*

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk, however, under state law, these deposits, (or the resulting bank balances) 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 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. As of August 31, 2017, \$0-, of the District's bank balances of \$1,124,234 were exposed to custodial credit risk as follows:

Bank Balances	<u>\$ 1,124,234</u>
At August 31, 2017 the deposits are secured as follows:	
Federal Deposit Insurance	\$ 250,000
Pledged Securities (Category 3)	<u>1,934,450</u>
Total	\$ 2,184,450

Pledged securities in Category 3 include uninsured or unregistered investments for which the securities are held by the bank, or by its trust department or agent, but not in the District's name. Even though the pledged securities are considered uncollateralized (Category 3) Louisiana Revenue 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.

**C. RESTRICTED ASSETS**

**Water Revenue Bond and Interest Sinking Fund** - Each month there shall be set aside into this fund an amount constituting 1/12 of the next maturing installment of principal and interest on the outstanding bonds. Such transfers shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

**Water Revenue Reserve Fund** - There shall also be set aside and maintained in this fund, an amount equal to the Reserve Fund Requirement of \$232,495. The money in the Reserve Fund consists exclusively of revenues of the System and investment earning. Such amount may be used only for the purpose of paying the principal of and interest on bonds payable from the Water Revenue Bond and Interest Sinking Fund as to which there would otherwise be default.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**C. RESTRICTED ASSETS - Continued**

**Water Depreciation and Contingency Fund** – Each month, funds will also be set aside into this fund at an amount equal to at least five percent (5%) of the amount required to be paid into the Sinking Fund. Money in this fund may be used for depreciation, extensions, additions, improvements and replacements necessary to properly operate the system. Money in this fund may also be used to pay principal or interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds.

**2013 Water System Improvement Project Account**– Proceeds from the issuance of bonds to fund construction costs were deposited into this account. These funds will be used to pay the costs of construction projects.

All of the revenues received in any fiscal year and not required to be paid in such fiscal year into any of the above noted funds shall be regarded as surplus.

**D. PROPERTY, PLANT AND EQUIPMENT**

A summary of proprietary fund type property, plant and equipment at August 31, follows:

	Beginning Balance 8/31/2016	Increases	Decreases	Ending Balance 8/31/2017
Water Distribution System	\$ 8,455,759	\$ 691,886	\$ -	\$ 9,147,645
Water Treatment Plant & Building	267,023	-	-	267,023
Water Lines, Wells and Meters	1,488,541	92,320	-	1,580,861
Office Equipment	69,340	2,777	-	72,117
Other Equipment	119,719	9,436	-	129,155
Automobiles	110,191	22,240	(36,968)	95,463
Less: Accumulated Depreciation	<u>(3,404,919)</u>	<u>(281,408)</u>	<u>19,400</u>	<u>(3,666,926)</u>
Net Property, Plant and Equipment	<u>\$ 7,105,654</u>	<u>\$ 537,251</u>	<u>\$ (17,568)</u>	<u>\$ 7,625,388</u>
Land	<u>\$ 89,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,165</u>
Construction Work in Progress	<u>\$ 417,086</u>	<u>\$ 767,103</u>	<u>\$ (631,538)</u>	<u>\$ 552,651</u>

Depreciation expense for the year ended August 31, 2017 was \$281,408.

The District has entered into contracts for construction and relocation of distribution lines in the District's service area. The projects are funded by the proceeds of revenue bonds, CWEF grants and LGAP grants.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**E. WATER REVENUE BONDS**

The following is a summary of the water revenue bonds transactions for the year ended August 31, 2017:

	<u>Balance 8/31/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 8/31/2017</u>	<u>Due Within One Year</u>
Serial Bond - 2011	\$ 1,790,000	\$ -	(\$ 347,000)	\$ 1,443,000	\$ 358,000
Serial Bond - 2013	<u>1,440,000</u>	<u>-</u>	<u>(20,000)</u>	<u>1,420,000</u>	<u>20,000</u>
Totals	<u>\$ 3,230,000</u>	<u>\$ -</u>	<u>(\$ 367,000)</u>	<u>\$ 2,863,000</u>	<u>\$ 378,000</u>

The District has two Water Revenue Bond issues outstanding at August 31, 2017:

<u>Purpose</u>	<u>Issue Date</u>	<u>Balance At 8/31/2017</u>
10 year Water Revenue Refunding Bonds Series 2011, 2.90% interest, payable in annual installments of principal and interest, held by IberiaBank	12/21/2011	\$ 1,443,000
10 year Water Revenue Bonds, Series 2013, 3.2% interest, payable in annual installments of principal and interest, held by InberiaBank	8/1/2013	<u>1,420,000</u>
Total Principal Outstanding on Water Revenue Bonds		2,863,000
Deferred Loss on Refunded Debt		<u>(15,548)</u>
Water Revenue Bonds Outstanding		<u>\$ 2,847,452</u>

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**E. WATER REVENUE BONDS - Continued**

Revenue bond debt service requirements to maturity are as follows:

Years Ended August 31:	Principal	Interest	Total
2018	\$ 378,000	\$ 87,287	\$ 465,287
2019	389,000	76,265	465,265
2020	393,000	64,924	457,924
2021	408,000	53,407	461,407
2022	170,000	41,440	211,440
2023-2027	925,000	122,400	1,047,400
2028	<u>200,000</u>	<u>6,400</u>	<u>206,400</u>
Total	<u>\$ 2,863,000</u>	<u>\$ 452,123</u>	<u>\$ 3,315,123</u>

**F. RELATED PARTY TRANSACTIONS**

The District purchases water from the Consolidated Government of Lafayette, Louisiana for resale to customers in the ordinary course of business. The District purchased \$690,731 of water from the Consolidated Government during 2017. At August 31, 2017, the District owed the Consolidated Government of Lafayette, Louisiana \$53,355.

The District purchases consumable supplies from the Doyce Lagneaux Store, which is owned by an employee of the District and her husband. During fiscal 2017, the District paid \$4,471 for supplies.

**G. RISK MANAGEMENT**

The District is exposed to risks of loss in the areas of directors, officers and employee liability, general liability, property hazard and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in insurance coverage during the year.

**H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial 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 and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred charge on loss of refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - Continued**

In addition to liabilities, the statement of financial 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 and so will not be recognized as an inflow of resources (revenue) until that time. The District did not have any items that qualified as deferred inflows at August 31, 2017.

**I. COMPENSATION, BENEFITS AND OTHER PAYMENTS**

A detail of compensation, benefits, and other payments paid to John Hebert, President of the Board of Commissioners for the year ended August 31, 2017:

Purpose	Amount
Per Diem	\$ <u>480</u>

**J. SUBSEQUENT EVENT**

Management has evaluated subsequent events through February 26, 2018, the date which these financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**LIST OF BOARD OF COMMISSIONERS  
AS OF AUGUST 31, 2017**

<u>Name</u>	<u>Term Expires</u>	<u>Title</u>	<u>Address and Telephone Number</u>
John Hebert	November, 2017	President	108 Chamberlain Rayne, LA 70578 (337) 334-7164
Todd Guidry	October, 2019	Vice President	413 Lagneaux Road Duson, LA 70529 (337) 981-0755
Dave Young	October, 2017	Secretary/ Treasurer	120 Brussels Road Rayne, LA 70578 (337) 277-3635
Fred Arsement	November, 2020	President - Elect	620 Golden Grain Duson, LA 70529 (337) 873-4703
Troy Lopez	September, 2017	Board Member	1036 Lagneaux Road Duson, LA 70529 (337) 230-7430

Commissioners each receive \$40.00 compensation monthly.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
**A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF LAFAYETTE, LOUISIANA**

**SCHEDULE OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Advertising	\$ 620
Automobile Allowance	400
Bad Debts	5,835
Bank Charges	3,426
Billing Service	33,537
Board Expenses	246
Board Fees	2,360
Chemicals	1,005
Consulting and Engineering	23,222
Dues and Subscriptions	7,451
Employee Training	300
Employee Uniforms	5,275
Gas	11,557
Insurance	93,236
Labor	35,253
Legal and Accounting	23,235
Meter Reading Service	61,523
Miscellaneous	2,274
Office	5,921
Postage	1,153
Repairs and Maintenance	104,630
Salaries	334,163
Supplies	13,130
Payroll Taxes	25,933
Telephone	13,245
Utilities	4,133
Water Purchased	767,489
Water Testing	45,687
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ <u>1,626,239</u></b>

# WRIGHT, MOORE, DEHART, DUPUIS & HUTCHINSON, L.L.C.

Certified Public Accountants  
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MICAH R. VIDRINE, CPA \*  
TRAVIS M. BRINSKO, CPA \*  
RICK L. STUTES, CPA, CVA/ABV,  
APA, CFF/MAFF\*  
CHRISTINE R. DUNN, CPA\*\*  
DAMIAN H. SPIESS, CPA, CFP \*\*  
JOAN MARTIN, CPA, CVA, CFF, DABFA\*\*

\* A PROFESSIONAL CORPORATION  
\*\* A LIMITED LIABILITY COMPANY

M. TROY MOORE, CPA^  
MICHAEL G. DEHART, CPA \* +  
JOE D. HUTCHINSON, CPA \* +  
BRIDGET R. TILLEY, CPA, MT\*\*+

+RETIRED  
^DECEASED



ANDRE' D. BROUSSARD, CPA  
ALEXANDRA DARDAR, CPA, MBA  
ROBERT T. DUCHARME, II, CPA  
KAYLEEN FISCHER, CPA  
STEFAN HAWKINS, CPA  
MARY PATRICIA KEELEY, CPA  
CORITA K. KUON, CPA  
JENA L. JOHNS, CPA  
WENDY ORTEGO, CPA, CVA  
STEPHANIE A. RAWLINSON, CPA  
KEITH SIBILLE, CPA  
ROBIN G. STOCKTON, CPA  
TINA B. VIATOR, CPA  
STEPHANIE L. WEST, CPA, MBA

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
Lafayette Parish Waterworks District South  
Lafayette, 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 Lafayette Parish Waterworks District South, A Component Unit of the Consolidated Government of Lafayette, Louisiana, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Lafayette Parish Waterworks District South's basic financial statements and have issued our report thereon dated February 26, 2018.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lafayette Parish Waterworks District South's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lafayette Parish Waterworks District South's internal control. Accordingly, we do not express an opinion on the effectiveness of Lafayette Parish Waterworks District South'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-004 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lafayette Parish Waterworks District South'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*.

### **Lafayette Parish Waterworks District South's Response to Findings**

Lafayette Parish Waterworks District South's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette Parish Waterworks District South's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, L.L.C.*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, L.L.C.  
Certified Public Accountants

February 26, 2018  
Lafayette, Louisiana

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

We have audited the financial statements of Lafayette Parish Waterworks District South, a Component Unit of the Consolidated Government of Lafayette, Louisiana as of and for the year ended August 31, 2017, and have issued our report thereon dated February 26, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by Comptroller General of the United States. Our audit of the financial statements of August 31, 2017 resulted in an unmodified opinion.

**Section I – Summary of Auditors’ Reports**

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

Internal Control

Material Weakness	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant Deficiency	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Compliance

Compliance Material to Financial Statements	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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*B. Management Letter*

Was a management letter issued?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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**Section II – Financial Statement Findings**

2017-001 Inadequate Controls over Financial Statement Preparation

*Statement of Condition:*

The District does not have any employees, nor have they engaged a third party who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity’s financial transactions or preparing its financial statements, including the related notes.

*Criteria:*

Government Auditing Standards, issued by Comptroller General of the United States requires governmental units to have employees or engage a third party who has the qualifications and training to apply GAAP in recording the entity’s financial transactions or preparing its financial statements, including the related notes.

*Effect of Condition:*

The lack of ability to generate GAAP basis financial statements on the part of the District resulted in the auditor assisting in the preparation of the financial statements.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**Section II – Financial Statement Findings - continued**

*Cause of Condition:*

Management did not engage a third party capable of producing GAAP basis financial statements.

*Recommendation:*

The District should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the government to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

2017-002 Material Misstatements

*Statement of Condition:*

Management failed to take all steps necessary to ensure that an effective structure of internal control was in place and functioning as designed in order to prevent, or detect and correct material misstatements on a timely basis.

*Criteria:*

Government Auditing Standards require that an adequate system of internal control be in place in order to safeguard assets and assure proper recording of transactions.

*Effect of Condition:*

The condition resulted in the auditors proposing numerous and material audit adjusting journal entries.

*Cause of Condition:*

Management did not establish an effective structure of internal control and did not maintain effective oversight to assure that the controls were in place and functioning as designed.

*Recommendation:*

Management should implement procedures to insure that an adequate structure of internal control is in place and functioning as designed to prevent or detect and correct material misstatements in a timely manner.

2017-003 Customer Utility Deposits

*Statement of Condition:*

The District utilizes a computerized billing system, however the District currently cannot generate a listing of customer utility deposits held on behalf of customers that reconciles to the balance reported in the financial statements. The District does maintain deposits collected and refunded in a manual system but does not have a report that shows the balance by customer or in total at a point in time.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**Section II – Financial Statement Findings - continued**

*Criteria:*

When funds are held in a fiduciary capacity, such as customer utility deposits, the entity must maintain of listing of who the funds are being held on behalf of.

*Effect of Condition:*

The District could refund customer utility deposits in error or not have collected the proper amount.

*Cause of Condition:*

The District utilizes an electronic system for utility billings that is also used to collect and disburse utility deposits, when necessary. However, the District currently does not use the deposit module which would allow them to properly generate supporting documents listing each resident and the utility deposit being held on their behalf.

*Recommendation:*

The District should evaluate the cost vs. benefit of purchasing the module of the billing system necessary to properly track customer utility deposits or maintain the list in a manner that allows for individual balances to be tracked.

2017-004 Lack of Segregation of Duties

*Statement of Condition:*

The District does not have adequate segregation of functions within the accounting system.

*Criteria:*

Government Auditing Standards, issued by Comptroller General of the United States requires governmental units to have internal controls in place to minimize the risk of material misstatement.

*Effect of Condition:*

Lack of proper segregation of duties could cause material misstatements to occur and not be prevented or detected and corrected in a timely manner.

*Cause of Condition:*

Proper segregation of duties cannot be achieved due to the small number of staff at the District.

*Recommendation:*

The District should evaluate whether it is financially feasible to achieve complete segregation of duties in the accounting function, but at a minimum mitigating controls should put in place to segregate as many duties as possible among the limited staff.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2017**

**Section III – Federal Award Findings and Questioned Costs**

This section is not applicable for the fiscal year ending August 31, 2017.

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH  
A COMPONENT UNIT OF THE CONSOLIDATED GOVERNMENT OF  
LAFAYETTE, LOUISIANA**

**SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2017**

2016-001 Inadequate Controls over Financial Statement Preparation

*Finding:*

The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including related notes.

*Follow-up:*

This finding is unresolved – see current year finding 2017-001.

## LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH



**Mailing Address**  
P.O. Box 700  
Maurice, LA 70555-0700

**Office Address**  
Doyce Lagneaux Store  
1123 Ridge Road  
Duson, LA 70529

**Phone (337) 989-9600**

**Fax (337) 989-9657**

### MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED AUGUST 31, 2017

The Lafayette Parish Waterworks District South respectfully submits the following corrective action plan for the year ended August 31, 2017.

The finding from the August 31, 2017 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

#### 2017-001 Inadequate Controls over Financial Statement Preparation

*Recommendation:* The District should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP to determine if it is in the best interest of the government to outsource this task and then carefully review the draft financial statements and related footnotes prior to approving them and accepting responsibility for their contents and presentation.

*Action Taken:* The District has evaluated the cost vs. benefit and has determined that outsourcing the preparation of the financial statements to the independent auditors is in the best interest of the District at this time and will carefully review and approve the draft financial and related footnotes prior to issuance.

#### 2017-002 Material Misstatements

*Recommendation:* Management should implement procedures to insure that an adequate structure of internal control is in place and functioning as designed to prevent or detect and correct material misstatements in a timely manner.

*Action Taken:* The District will evaluate the cost of hiring a 3<sup>rd</sup> party to assist them with monthly financial statement reconciliations and preparation.

2017-003 Customer Utility Deposits

*Recommendation:* The District should evaluate the cost vs. benefit of purchasing the module of the billing system necessary to properly track customer utility deposits or maintain the list in a manner that allows for individual balances to be tracked.

*Action Taken:* The District will evaluate the cost of adding the deposit module to the current utility billing system.

2017-004 Lack of Segregation of Duties

*Recommendation:*

The District should evaluate whether it is financially feasible to achieve complete segregation of duties in the accounting function, but at a minimum mitigating controls should put in place to segregate as many duties as possible among the limited staff.

*Action Taken:* The District has determined that it is not cost effective to achieve complete segregation of duties in the accounting function. They will continue to improve mitigating controls to segregate duties as feasible.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Fred Arsement, President, Lafayette Parish Waterworks District South Board of Commissioners at (337) 989-9600.

Sincerely yours,

A handwritten signature in cursive script, appearing to read 'F. Arsement', written in black ink.

Fred Arsement  
President

**LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH**  
Lafayette, Louisiana

Independent Accountants' Report  
On Applying Agreed-Upon Procedures

Year Ended August 31, 2017

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

To the Board of Commissioners  
Lafayette Parish Waterworks District South  
Lafayette, Louisiana

We have performed the procedures enumerated below, which were agreed to by the management of the Lafayette Parish Waterworks District South and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about Lafayette Parish Waterworks District South's compliance with certain laws, regulations and best practices during the year ended August 31, 2017. Management of the Lafayette Parish Waterworks District South is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

***Written Policies and Procedures***

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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

*There were no written policies and procedures noted.*

- 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.

*There were no written policies and procedures noted.*

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

*There were no written policies and procedures noted.*

- d) **Receipts**, including receiving, recording, and preparing deposits

*There were no written policies and procedures noted.*

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

*The written policies and procedures were not adequate for the functions noted above.*

- 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

*There were no written policies and procedures noted.*

- 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

*There were no written policies and procedures noted.*

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

*The written policies and procedures were not adequate for the functions noted above.*

- 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.

*There were no written policies and procedures noted.*

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

*There were no written policies and procedures noted.*

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

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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.

*Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly.*

- 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).

*Obtained and reviewed minutes of the Board of Commissioners for the fiscal period noting that the minutes did not discuss financial statements and operating results monthly.*

- 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.

*There was no deficit spending 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.)

*Obtained and reviewed minutes of the Board of Commissioners for the fiscal period noting that non-budgetary financial information was referenced.*

### ***Bank Reconciliations***

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

*Obtained listing of client bank accounts from management and management's representation that listing is complete.*

4. Using the listing provided by management, select all 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;

*Obtained bank statements and reconciliations for all months in the fiscal period noting that reconciliations have been prepared for all months. However, the reconciliations were not prepared timely.*

- 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

*The bank reconciliations prepared for all accounts examined did not include evidence of management review.*

- 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.

*Obtained bank statements and reconciliations for all months in the fiscal period noting there were items that were outstanding over six months at the end of the fiscal period.*

### **Collections**

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

*Obtained listing of cash collection location and management's representation that listing is complete.*

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three-year rotating basis (if more than 5 locations). 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.

*It was noted the persons responsible for collecting cash are bonded. These individuals are also responsible for the preparation of the deposit, depositing cash in the bank and performing bank account reconciliation.*

- 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.

*There is no written policy for reconciling cash, however the daily cash collections reports are used to prepare the daily deposit slips, and this data is recorded into 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.

*The highest dollar week was selected. Deposits were made in accordance with the entity's informal policy.*

- 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.

*Cash collections are supported by collection documentation without exception.*

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.

*There is no written policy for collections. These procedures follow the informal procedures of the District but are performed by the same person responsible for collections.*

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

*General ledger listing of disbursements and management's representation that the listing is complete was obtained.*

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.

*The District does not use a purchase order system or an equivalent system. There are no approvals prior to purchases being made.*

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

*The District does not use purchase orders when purchases are initiated.*

- 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.

*Examined supporting documentation for each of the 25 disbursements and found all invoices were approved prior to payment, however, no purchase orders or receiving reports were used.*

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.

*The District does not utilize an electronic vendor payment system. All vendors are paid with manual checks. This could not be tested.*

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.

*The final approval of invoice and signatory of check is the President of the Board, who cannot initiate or record purchases. The office manager is co-signatory of checks.*

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.

*Inquiry and observation noted the check stock is kept in a locked secure drawer, with access by the Office Manager, who prepares the checks and is a co-signatory of checks.*

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

*This step is not applicable.*

#### **Credit Cards/Debit Cards/Fuel Cards/P-Cards**

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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.

*Listing of active debit card, and name of person who maintain possession of card and management's representation that the listing is complete was obtained.*

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.

*Listing was obtained, the District has a single active debit card.*

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. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

*Selected the month with the largest dollar activity and noted transactions on bank statement but supporting documentation did not include approval in the form of a sign off by the President of the Board.*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

*There were no finance charges or late charges assessed.*

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)

*Exception noted. Receipts were not provided for two monthly charges.*

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

*Exception noted. Receipts were not provided for two monthly charges documenting business purpose.*

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

*There is no written policy for Credit Cards/Debit Cards/Fuel Cards/P-Cards.*

- 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.

*There is no written policy for purchasing/disbursement policies and none of the purchases rise to the threshold of Louisiana Public Bid Law.*

- 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.

*Exception noted. Receipts were not provided for two monthly charges documenting business purpose.*

## *Travel and Expense Reimbursement*

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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.

*The District pay no such reimbursements during the current year. Management's representation that the listing is complete was obtained.*

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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

*There is no written policy for Travel and Expense Reimbursement.*

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.

*This section is not applicable for current year.*

- 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.]

*This section is not applicable for current year.*

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

*This section is not applicable for current year.*

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

*This section is not applicable for current year.*

- 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.

*This section is not applicable for current year.*

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

*This section is not applicable for current year.*

### ***Contracts***

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- 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.

*Listing of contracts and management's representation that the listing is complete was obtained.*

- 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.

*No exceptions noted.*

- 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)

*No exceptions noted*

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

*No exceptions noted.*

- 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.

*No exceptions noted.*

- 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***

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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:

*Listing of employees with their related salaries and management's representation that the listing is complete was obtained.*

- 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.

*No exceptions noted.*

- 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.

*No exceptions noted.*

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.)

*Salaried employees are not required to maintain time sheets. Hourly employees submit timesheets and no exceptions were noted.*

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

*Exception noted, timesheets require supervisor approval but there were no approvals noted on any timesheets selected for testing. In addition, no formal approval of leave could be provided to support leave taken for both salaried and hourly employees.*

- 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.

*No exceptions noted.*

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.

*Listing of terminated employees was obtained and management's representation that the listing is complete was obtained.*

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.

*No exceptions noted.*

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

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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 noted. None of the employees of the District completed ethics training.*

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.

*Management asserted that they have received no allegations during the fiscal period.*

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

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

*There was no debt issued during the fiscal period.*

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.

*No exceptions noted.*

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***

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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.

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

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.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

*Required notices were posted on the entity's premises. It was noted that the required notices were not posted on the entity's website.*

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 perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Lafayette Parish Waterworks District South and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Wright, Moore, DeHart,  
Dupuis & Hutchinson, LLC*

WRIGHT, MOORE, DEHART,  
DUPUIS & HUTCHINSON, LLC  
Certified Public Accountants

Lafayette, Louisiana  
February 27, 2018

## LAFAYETTE PARISH WATERWORKS DISTRICT SOUTH



**Mailing Address**  
**P.O. Box 700**  
**Maurice, LA 70555-0700**

**Office Address**  
**Doyce Lagneaux Store**  
**1123 Ridge Road**  
**Duson, LA 70529**

**Phone (337) 989-9600**  
**Fax (337) 989-9657**

February 27, 2018

Wright, Moore, DeHart,  
Dupuis & Hutchinson, LLC  
P.O. Box 80569  
Lafayette, LA 70598

The following is Management's response to the 2016-2017 AUP report submitted.

### WRITTEN POLICIES AND PROCEDURES

1. a) – j) Management will work toward formalizing their policies.

### BOARD

2. b) Management will work toward providing monthly financial statements for review and discussion at Board meetings.

### BANK RECONCILIATIONS

4. a) Management will work toward preparing all bank reconciliations on a timely basis.  
b) Management will provide bank reconciliations to the Board President for review and formal approval.  
c) Management will research items outstanding for more than 6 months as of the end of the fiscal period and follow up accordingly.

### COLLECTIONS

6. a) Management will evaluate the cost/benefit of a complete segregation of duties and will also continue to implement mitigating controls were feasible.  
b) Management will work toward implementing a formal written policy for reconciling cash collections.
7. Management will work toward implementing a formal written policy for reconciling cash collections.

### DISBURSEMENTS

9. a) - b) Management will evaluate the cost/benefit of purchasing an electronic purchase order system or implementing a manual purchase order system if feasible. In addition, controls will be evaluated to determine if additional segregation can be achieved.

#### CREDIT CARDS/DEBIT CARDS/FUEL CARDS/P-CARDS

15. a) Management will work toward maintaining complete documentation with proper approvals.
16. a) Management will work toward maintaining receipts or confirmations for all purchases and business purpose for all transactions.
- c) Management will work toward maintaining documentation of the business purpose for all purchases.

#### PAYROLL AND PERSONNEL

23. b) Management will implement procedures to insure all timesheets have written approval prior to payroll being processed and approved leave slips are maintained to support any leave taken.

#### ETHICS

26. Management will implement a tracking mechanism to insure all employees complete the required annual ethics training and proper documentation is maintained.

#### OTHER

32. Management will work toward updating the website to include the required notices.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Fred Arsement, President, Lafayette Parish Waterworks District South Board of Commissioners at (337) 989-9600.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Fred Arsement", written in a cursive style.

Fred Arsement  
President