

**LAFAYETTE PARISH WATERWORKS
DISTRICT NORTH**

Lafayette, Louisiana

Financial Report

Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and major fund of Lafayette Parish Waterworks District North (District), a component unit of Lafayette Parish Consolidated Government, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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, 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of Lafayette Parish Waterworks District North, as of December 31, 2017 and 2016, and the respective changes in financial position and the cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lafayette Parish Waterworks District North. Such information, except for the portion marked "Unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
June 4, 2018

BASIC FINANCIAL STATEMENTS

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Net Position
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash	\$ 1,005,686	\$ 2,065,789
Receivables (net of allowance for uncollectible accounts - \$13,430 and \$13,430, respectively)	415,671	316,571
Prepaid expenses	25,286	20,504
Total current assets	1,446,643	2,402,864
Noncurrent assets:		
Restricted assets:		
Revenue bond and interest sinking account - Interest-bearing deposits	525,349	510,575
Revenue bond reserve account - Interest-bearing deposits	779,890	779,501
Revenue bond contingency account - Interest-bearing deposits	312,108	311,953
Customer deposits - Cash	272,721	252,827
Total restricted assets	1,890,068	1,854,856
Net capital assets	7,077,128	6,367,125
Total noncurrent assets	8,967,196	8,221,981
Total assets	\$ 10,413,839	\$ 10,624,845

See independent auditor's report and notes to the financial statements.

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET POSITION		
Liabilities:		
Current liabilities - (payable from current assets)		
Accounts payable	\$ 169,852	\$ 133,117
Accrued liabilities	38,540	29,342
Payroll liabilities	<u>3,479</u>	<u>1,534</u>
Total current liabilities - (payable from current assets)	<u>211,871</u>	<u>163,993</u>
Current liabilities - (payable from restricted assets)		
Membership deposits	140,305	129,585
Accrued interest payable	24,795	27,383
Revenue bonds payable	<u>361,000</u>	<u>351,000</u>
Total current liabilities - (payable from restricted assets)	<u>526,100</u>	<u>507,968</u>
Total current liabilities	737,971	671,961
Noncurrent liabilities -		
Revenue bonds payable	<u>2,966,538</u>	<u>3,329,549</u>
Total liabilities	<u>3,704,509</u>	<u>4,001,510</u>
Net position:		
Investment in capital assets, net of related debt	4,110,590	3,037,576
Restricted for debt service	1,231,552	1,223,646
Unrestricted	<u>1,367,188</u>	<u>2,362,113</u>
Total net position	<u>6,709,330</u>	<u>6,623,335</u>
Total liabilities and net position	<u>\$ 10,413,839</u>	<u>\$ 10,624,845</u>

See independent auditor's report and notes to the financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Charges for services -		
Water sales and fees	<u>\$ 3,787,033</u>	<u>\$ 3,821,449</u>
Operating expenses:		
Cost of water sold	2,059,609	2,029,951
Contract labor	47,593	44,253
Professional fees	318,413	411,614
Depreciation expense	380,883	387,505
Amortization expense	3,019	3,019
Director fees	3,840	4,260
Insurance expenses	129,033	90,462
Repairs and maintenance	46,646	73,018
Utilities	5,827	5,259
Salaries and related benefits	382,218	219,595
Office expenses and supplies	<u>221,662</u>	<u>195,304</u>
Total operating expenses	<u>3,598,743</u>	<u>3,464,240</u>
Net operating income	<u>188,290</u>	<u>357,209</u>
Nonoperating revenues (expenses):		
Interest and investment income	1,740	10,681
Interest expense	(106,871)	(117,078)
Miscellaneous	<u>2,836</u>	<u>738</u>
Total nonoperating expenses	<u>(102,295)</u>	<u>(105,659)</u>
Change in net position	85,995	251,550
Net position, beginning	<u>6,623,335</u>	<u>6,371,785</u>
Net position, ending	<u>\$ 6,709,330</u>	<u>\$ 6,623,335</u>

See independent auditor's report and notes to the financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Utility Fund

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$3,687,933	\$3,890,661
Payments to suppliers	(2,791,472)	(2,823,991)
Payments to employees	<u>(380,273)</u>	<u>(219,910)</u>
Net cash flows provided from operating activities	<u>516,188</u>	<u>846,760</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Principal paid on bonds	(356,029)	(341,000)
Interest paid on bonds	(109,460)	(119,594)
Acquisition and construction of capital assets	(1,090,886)	(64,638)
Net increase in membership deposits	10,720	12,725
Other receipts	<u>2,836</u>	<u>738</u>
Net cash flows used for capital and financing activities	<u>(1,542,819)</u>	<u>(511,769)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and investments	<u>1,740</u>	<u>10,681</u>
Net cash flows provided from investing activities	<u>1,740</u>	<u>10,681</u>
 Increase (decrease) in cash and cash equivalents	 (1,024,891)	 345,672
Cash and cash equivalents, beginning of period	<u>3,920,645</u>	<u>3,574,973</u>
Cash and cash equivalents, end of period	<u>\$2,895,754</u>	<u>\$3,920,645</u>

(continued)

See independent auditor's report and notes to the financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Statements of Cash Flows (Continued)
Years Ended December 31, 2016 and 2015

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 188,290	\$ 357,209
Adjustments to reconcile operating income to net cash provided by operating activity:		
Depreciation	380,883	387,505
Amortization	3,019	3,019
Change in current assets and liabilities -		
Accounts receivable	(99,100)	69,212
Prepaid expenses	(4,782)	1,735
Accounts payable	36,735	30,016
Other liabilities	9,198	(1,621)
Payroll liabilities	1,945	(315)
Net cash provided by operating activities	\$ 516,188	\$ 846,760
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$ 2,065,789	\$ 1,768,341
Cash - restricted	1,854,856	1,806,632
Total cash and cash equivalents	3,920,645	3,574,973
Cash and cash equivalents, end of period -		
Cash - unrestricted	1,005,686	2,065,789
Cash - restricted	1,890,068	1,854,856
Total cash and cash equivalents	2,895,754	3,920,645
Net increase (decrease)	\$(1,024,891)	\$ 345,672

See independent auditor's report and notes to the financial statements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Lafayette Parish Waterworks District North (the District) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

The Lafayette Parish Waterworks District North, which is a component unit of Lafayette Parish Consolidated Government, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing potable drinking water to the rural areas of Lafayette Parish. The District is governed by a board of commissioners composed of nine members appointed by Lafayette Parish Consolidated Government. Each board of commissioner serves a four year term and cannot serve more than twelve years.

This report is comprised of a proprietary fund that is administered by the District's board of commissioners and controlled by the Lafayette Parish Consolidated Government. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Lafayette Parish Consolidated Government and the general governmental services provided by that governmental unit.

Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Lafayette Parish Waterworks District North does not have governmental activities. Its operation is a business-type activity.

Fund Accounting

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District maintains only one fund and it is described below:

Proprietary Fund –

The 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.

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.

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.

The government wide and proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions.”

Cash and Interest-bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

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. As of December 31, 2017 the District has no investments.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital Assets

Capital assets include property, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	30-40 years
Furniture, fixtures, and equipment	7-10 years

Compensated Absences

The District allows one week paid vacation after one year as a full-time employee. In recognition of length of continuous service to the District, additional vacation time is provided to the employee based upon years of service. Vacation is normally taken in the year accrued and cannot be carried over. Employees are allowed five days annually for excused absences, including sick leave. Although sick leave is available for employees when needed, it does not vest nor is it payable at termination of employment.

Equity Classifications

Equity is classified as net position and displayed in three components:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The District uses unrestricted assets only when restricted assets are fully depleted.

Revenues and Expenses

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

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 expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

We have evaluated events subsequent to the balance sheet date through June 4, 2018, the date the financial statements were available to be issued.

NOTE 2 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 law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2017 and 2016, the District had cash and interest-bearing deposits (book balances) totaling \$2,895,754 and \$3,920,645, respectively, as follows:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

	<u>2017</u>	<u>2016</u>
Demand deposits	\$ 692,890	\$1,733,391
Time deposits and money market accounts	<u>2,202,864</u>	<u>2,187,254</u>
Total	<u>\$2,895,754</u>	<u>\$3,920,645</u>

These deposits are stated at cost, which approximates market. 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. 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. The bank balances are categorized below to give an indication of the level of risk assumed by the District at December 31, 2017. Category 1 includes bank balances that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. Deposit balances (bank balances) at December 31, 2017, are secured as follows:

Bank balances	<u>\$2,919,534</u>
At December 31, 2017, the deposits are secured as follows:	
Federal deposit insurance	\$ 443,949
Trust assets	<u>2,475,585</u>
	<u>\$2,919,534</u>

Even though 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.

NOTE 3 RESTRICTED ASSETS – PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at December 31:

	<u>2017</u>	<u>2016</u>
Revenue bond and interest sinking account	\$ 525,349	\$ 510,575
Revenue bond reserve account	779,890	779,501
Revenue bond contingency account	312,108	311,953
Customers' deposits	<u>272,721</u>	<u>252,827</u>
Total restricted assets	<u>\$1,890,068</u>	<u>\$1,854,856</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 4 CAPITAL ASSETS

A summary of changes in property and equipment follows:

	2017			
	Beginning Balance	Increases	Decreases	Ending Balance
	1/1/2017			12/31/2017
Land	\$ 60,675	\$ -	\$ -	\$ 60,675
Buildings and improvements	408,514	-	-	408,514
Furniture, fixtures and equipment	270,910	17,645	-	288,555
Water system	11,246,896	453,283	-	11,700,179
Easement acquisitions	20,380	-	-	20,380
Construction in progress	<u>172,979</u>	<u>1,085,791</u>	<u>465,833</u>	<u>792,937</u>
Total	12,180,354	1,556,719	465,833	13,271,240
Less: Accumulated depreciation	<u>(5,813,229)</u>	<u>(380,883)</u>	<u>-</u>	<u>(6,194,112)</u>
Net Utility Fund property, plant and equipment	<u>\$6,367,125</u>	<u>\$1,175,836</u>	<u>\$ 465,833</u>	<u>\$7,077,128</u>
	2016			
	Beginning Balance	Increases	Decreases	Ending Balance
	1/1/2016			12/31/2016
Land	\$ 60,675	\$ -	\$ -	\$ 60,675
Buildings and improvements	408,514	-	-	408,514
Furniture, fixtures and equipment	265,555	5,355	-	270,910
Water system	11,207,073	39,823	-	11,246,896
Easement acquisitions	20,380	-	-	20,380
Construction in progress	<u>153,519</u>	<u>59,283</u>	<u>39,823</u>	<u>172,979</u>
Total	12,115,716	104,461	39,823	12,180,354
Less: Accumulated depreciation	<u>(5,425,724)</u>	<u>(387,505)</u>	<u>-</u>	<u>(5,813,229)</u>
Net Utility Fund property, plant and equipment	<u>\$6,689,992</u>	<u>\$ (283,044)</u>	<u>\$ 39,823</u>	<u>\$6,367,125</u>

Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$380,883 and \$387,505, respectively.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 5 CHANGES IN LONG-TERM DEBT

The following is a summary of utility revenue bond transactions of the District for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Long-term debt payable at January 1	\$3,713,000	\$4,054,000
Long-term debt retired and called	<u>(356,030)</u>	<u>(341,000)</u>
Long-term debt payable at December 31	<u>\$3,356,970</u>	<u>\$3,713,000</u>

Long-term debt payable at December 31 is composed of the following individual issues:

	<u>2017</u>	<u>2016</u>
Utility Revenue Bonds:		
\$5,113,316 Refunding Bonds, Series 2013, due in annual installments of \$136,000 to \$417,000 through October 1, 2027: interest at 2.95 percent	<u>\$3,356,970</u>	<u>\$3,713,000</u>
Less: Current Portion	(361,000)	(351,000)
Less: Unamortized bond issuance cost	<u>(29,432)</u>	<u>(32,451)</u>
	<u>\$2,966,538</u>	<u>\$3,329,549</u>

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

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 361,000	\$ 99,179	\$ 460,179
2019-2023	1,938,000	330,695	2,268,695
2024-2027	<u>1,057,970</u>	<u>62,629</u>	<u>1,120,599</u>
	<u>\$ 3,356,970</u>	<u>\$ 492,503</u>	<u>\$ 3,849,473</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets and errors and omissions for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 7 FLOW OF FUNDS; RESTRICTIONS ON USE – UTILITY REVENUES

Under the terms of the respective bond indentures on the utility revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds. Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment. There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount equal to 25 percent of the amount to be paid into the sinking fund until the sum of \$469,262 has been accumulated. Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$1,305 per month. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system. All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose. The Lafayette Parish Waterworks District North was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 2017.

NOTE 8 COMPENSATION OF BOARD MEMBERS

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 2017 follows:

	<u>Amount</u>
Harold Hebert, President	\$ 540
Board members:	
Anna Rocca	360
Jared Richard	360
Kenny Suire	300
Martin Mouton	300
Paul Champagne	540
Preston Bernard	120
Robert Marceaux	420
Toby Domingue	420
Tony Boudreaux	480
	<u>\$ 3,840</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Notes to the Basic Financial Statements

NOTE 9 RELATED PARTY TRANSACTIONS

The District has an agreement with Lafayette Consolidated Government whereas, Consolidated Government installs certain services and sells water to certain District customers, collects the monthly billings from the customers, and remits the net amount collected to the District monthly after deducting charges and cost of water sold. Included in water sales and fees is \$2,141,368 billed by Lafayette Consolidated Government and included in cost of water sold is \$1,202,187 withheld by Lafayette Consolidated Government for cost of water sold and services installed.

NOTE 10 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD

	<u>Amount</u>
Harold Hebert, President	
Salary	\$ 540

SUPPLEMENTARY INFORMATION

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**



**Darnall, Sikes
& Frederick**

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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***

Kevin S. Young, CPA
 Christy S. Dew, CPA, MPA
 Rachel W. Ashford, CPA
 Veronica L. LeBleu, CPA, MBA
 Christine Guidry Berwick, CPA, MBA
 Brandon L. Porter, CPA
 Brandon R. Dunphy, CPA
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 Benjamin J. Baudoin, CPA

* (Emeritus)

The Board of Commissioners
 Lafayette Parish Waterworks District North
 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 and major fund of Lafayette Parish Waterworks District North (the District), 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 our report thereon dated June 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Darnall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana

June 4, 2018

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Part I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the Lafayette Parish Waterworks District North's financial statements as of and for the year ended December 31, 2017.

Control and Significant Deficiencies and Material Weaknesses - Financial Reporting

There were no significant deficiencies and no material weaknesses in internal control over financial reporting disclosed during the audit of the financial statements.

Material Noncompliance - Financial Reporting

We noted no instances of material noncompliance during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended December 31, 2017.

Part II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

This section is not applicable for the year ended December 31, 2017.

See Internal Control Finding on Summary Schedule of Prior Year Audit Findings and Corrective Action Plan.

Part III Findings and Questioned Costs Relating to the Federal Programs

The audit did not disclose any material noncompliance or questioned costs relative to its federal programs.

Part IV Management Letter

The auditor did not issue a management letter this year.

OTHER SUPPLEMENTARY INFORMATION

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Summary Schedule of Prior Year Audit Findings
and Corrective Action Plan
Year Ended December 31, 2017

This section is not applicable for the year ended December 31, 2017.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Schedule of Number of Utility Customers
(Unaudited)
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Water meters in service -		
Residential	9,765	9,706
Commercial	431	420

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 2017

<u>Description of Coverage</u>	<u>Expiration Dates</u>	<u>Coverage Amounts</u>
Automobile	4/9/2018	\$ 1,000,000
Automobile excess liability	4/9/2018	1,000,000
Commercial general liability -	4/9/2018	
Each occurrence		1,000,000
General aggregate		3,000,000
Fire damage		1,000,000
Medical		10,000
Crime -	4/9/2018	
Varies per class		5,000 - 10,000
Excess Liability -	4/9/2018	
Each Occurrence		1,000,000
Aggregate		1,000,000
Property -	4/9/2018	
Building		599,285 (blanket limit)
Business personal property		Included in the blanket limit
Loss of income/extra expense		500,000/500,000
Public Officials and Management Liability	4/9/2018	
Aggregate limit		3,000,000
Each wrongful act or offense		1,000,000
Each action or injunctive relief		5,000

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Accounts Receivable Aging Schedule
(Unaudited)
December 31, 2017 and 2016

	2017	2016
Number of days -		
0-30	\$ 429,101	\$ 330,001
31-60	-	-
61-90	-	-
Over 90	-	-
Total	\$ 429,101	\$ 330,001

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Rate Schedule for Residential and Commercial Customers
(Unaudited)
December 31, 2017 and 2016

	2017	2016
First 2,000 gallons -		
Residential		
3/4" meter size	\$ 15.50	\$ 15.50
1", 1-1/2" and 2" meter size	18.50	18.50
Commercial		
3/4" and 1" meter size	18.50	18.50
1-1/2" meter size	19.70	19.70
2" meter size	29.00	29.00
Every 1,000 gallons thereafter -		
Residential	2.90	2.90
Commercial	3.10	3.10



**Darnall, Sikes
& Frederick**

(A Corporation of Certified Public Accountants)

Eugene H. Darnall, CPA, Deceased 2009

J. Stephen Gardes, CPA, CVA*, Retired 2018

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

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

Kevin S. Young, CPA
 Christy S. Dew, CPA, MPA
 Rachel W. Ashford, CPA
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 Benjamin J. Baudoin, CPA

* (Emeritus)

We have performed the procedures enumerated below, which were agreed to by Lafayette Parish Waterworks District North and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the AUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget:

No written policies were available for budgeting.

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:

Written policies and procedures were obtained and do address the functions noted above.

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- c) **Disbursements**, including processing, reviewing, and approving:
Written policies and procedures were obtained and do address the functions noted above.
- d) **Receipts**, including receiving, recording, and preparing deposits:
Written policies and procedures were obtained and do address the functions noted above.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked:
Written policies and procedures were obtained and do address 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:
Written policies and procedures were obtained and do address the functions noted above.
- 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:
Written policies and procedures were obtained and do address the functions noted above.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers:
Written policies and procedures were obtained and do address 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:
Written policies and procedures were obtained and do address the functions noted above.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements:
Written policies and procedures were obtained and do address the functions noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document:
Obtained and reviewed minutes of the managing board/committee for the fiscal period noting that the full board did not meet in two of the months. All meetings occurred in accordance with the entity's policy.
 - 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):
Minutes include monthly budget-to-actual comparisons for the major funds identified as such.

- 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:

Deficit spending was not noted during the fiscal period.

- 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.):

The minutes do reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

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

Obtained a listing of client bank accounts from management and management provided representation that the listing is complete.

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

Bank reconciliations have been prepared for all months.

- 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:

Bank reconciliations are performed and approved by a 3rd party CPA firm.

- 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:

None of the reconciliations were noted as having outstanding items for more than six months of fiscal year end.

Collections

- 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 locations and management provided representation that the listing is complete.

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

locations). 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:

Written documentation was obtained and it was noted that the functions addressed above were implemented in accordance with policy. The same employees that collect cash are also in charge of depositing the cash into the bank. A separate employee reconciles cash receipts before the money is deposited in the bank.

- 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:

Written documentation was obtained and it was noted that the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers by a person who is not responsible for cash collections in the cash collection location selected.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

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

Collection documentation was obtained for the selected cash collections and it was noted that deposits were made within one day of collection.

- 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:

Daily cash collections selected were completely supported by documentation.

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:

Written documentation was obtained and it was noted that the functions addressed above were implemented in accordance with policy.

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:

Obtained listing of disbursements and management provided representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system:

Examined supporting documentation for each of the disbursements selected and noted that purchases were not initiated using a purchase order system. Their policy does not require purchase orders but all purchases are approved by management.

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

No purchase orders are used but examined supporting documentation for each of the disbursements selected and noted appropriate approval of by a person who did not initiate the transaction.

- 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:

Not required under current policy; therefore, this item is not applicable.

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:

Per policy, the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases:

Written policies and procedures provided do address the separation of signatory authority from initiating or recording of purchase.

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:

Supply of unused checks are maintained in a locked location, with restricted access from those persons with signatory authority.

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:

No signature stamp is used; therefore, this item is not applicable.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete:

Obtained listing of active credit cards and management provided representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner:

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [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.):

Monthly statement was reviewed and approved by someone other than the authorized card holder.

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

Finance charges and late fees were not noted on the selected statements.

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):

An original itemized receipt was noted for each transaction.

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

Each transaction documented the business/public purpose.

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

All required documentation was provided with each transaction tested.

- 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:

All transactions tested were noted as following applicable policies and laws.

- 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:

No exceptions were noted for the transactions tested.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete:

Obtained listing of travel and expense reimbursements by person and management provided representation that the listing is complete.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates:

Written policies and procedures were obtained and there were no instances of non-compliance.

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:

Written policies and procedures were obtained but no reimbursements occurred in the fiscal 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.]:

No reimbursements occurred in the fiscal year; therefore, this item is not applicable.

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

No reimbursements occurred in the fiscal year; therefore, this item is not applicable.

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

No reimbursements occurred in the fiscal year; therefore, this item is not applicable.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception:

No exceptions noted.

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

No reimbursements occurred in the fiscal year; therefore, this item is not applicable.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete:

Obtained listing of all contracts in effect and management provided representation that the listing is complete.

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:

A formal/written contract supporting the service arrangements and the amount paid was noted for the vendors selected.

- 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):

Contracts selected complied with all legal requirements per the Louisiana Public Bid Law or Procurement Code.

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

Not applicable.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment:

One contract was amended to extend the life of the agreement. There was no change to the consulting fee paid in the agreement.

- 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:

The invoices and related payments selected complied with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter):

Obtained documentation of board approval for selected contracts as required by policy.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Obtained listing of employees with their related salaries and management's representation that the listing is complete.

- 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 written employment contract or pay structure established.

- 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:

Changes to pay rates during the fiscal period for selected employee were not approved in writing, but were verbally approved by the board.

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.):

Documentation of daily attendance and leave was noted for each selected employee.

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

Documentation of supervisor approval for attendance and leave was noted for each selected employee.

- 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:

Documentation of written leave records were maintained for employees selected.

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:

Obtained listing of employees terminated during the fiscal period and management provided representation that the listing is complete. No termination took place this year.

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:

Obtained supporting documentation relating to payroll taxes and retirement contributions during the fiscal period noting that related payments and required reporting forms were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed:

The entity did maintain documentation to demonstrate that the required ethics training was completed.

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:

Per discussion with management, there were no alleged ethics violations reported to the entity during the fiscal period.

Debt Service (excluding nonprofits)

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

No debt issued this year; therefore, this item is not applicable.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants:

Obtained supporting documentation of debt and noted the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

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:
No millages relating to debt; therefore, this item is not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled:

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

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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds:

Required notices were posted on the entity's premises and 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 and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Dannall, Sikes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
June 4, 2018

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

June 4, 2018

Darnall, Sikes & Frederick
A Corporation of Certified Public Accountants
2000 Kaliste Saloom Road, Suite 300
Lafayette, LA 70508

Provided below are the responses from the Lafayette Parish Waterworks District North (LPWDN) with regard to the AUP:

- Item 1.a) The LPWDN Board will formally adopt a written policy regarding budgeting.
- Item 9.a) The LPWDN does not utilize purchase orders but all purchases are approved by management.
- Item 9.b) The LPWDN does not utilize a purchase order system but all purchases are approved by a person who did not initiate the transaction.
- Item 22.a) The LPWDN will establish a written pay rate schedule.
- Item 22.b) The LPWDN will document all changes to pay rates during the fiscal year upon approval by the LPWDN Board.

Thank you.

Signature  Date 6-4-18 Title President

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